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REPORT ON THE IMPLEMENTATION OF THE STRATEGY FOR THE PUBLIC FINANCE MANAGEMENT SYSTEM REFORM IN 2023

June 2024



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INTRODUCTION

2023 is the second year of the implementation of the Strategy for the Public Finance Management System Reform in 2022–2025.

The full-scale military aggression of the Russian Federation against Ukraine, which caused numerous challenges for the economy and the public finance system and affected the pace of the reform in Ukraine, carried on in 2023.

The comprehensive support granted to Ukraine by our international partners in order to overcome the challenges faced by the country and to implement system-wide changes remains especially valuable in such conditions.

Owing to the international support, even in the context of the full-scale war, Ukraine managed to ensure stability of public finance, confirmed its commitment to the European integration aspirations, fulfilment of its international commitments, and implementation of the declared reforms in the reporting year.

As a result, in 2023, Ukraine made a very important step on its path to the European integration: the European Council made the historical decision to start the negotiation on Ukraine's admission to the European Union on 14 December 2023.

At the same time, the competent authorities in the public finance management system achieved major progress in the implementation of the Strategy for the Public Finance Management System Reform in 2022–2025 in the reporting year. Moreover, many of the processes temporarily suspended in 2022 were resumed in 2023. Nevertheless, some of the activities need more time than set out in the Strategy in connection with martial law.

Ukraine's specific achievements in 2023 in the field of public finance management were described in SIGMA Report on assessment of the state of affairs in the public administration system in 2023 as well as the European Commission's Ukraine 2023 Report on Enlargement Package Policy.

At the same time, more active European integration processes and expansion of Ukraine's obligations to its international partners require more dynamic implementation of the public finance management reforms.

Thus, the implementation of the Strategy for the Public Finance Management System Reform in 2022–2025 is one of the clauses of the Plan for the Implementation of the European Commission's Recommendations given in the above-mentioned Report as well as Ukraine Facility 2024–2027. Therefore, in 2024, Ukraine will keep implementing the actions in the field of reformation of the public finance management system.

This Report presents the principal achievements of the Strategy in 2023, the resulting indicators by each component of the Strategy as well as analysis of differences between the targets and actual outcomes. The Report uses the information from the public authorities, international organisations and rating agencies as well as national analytical centres.

The implementation of the Strategy for the Public Finance Management System Reform in 2022–2025 was financed in 2023 within the funds allocated to the main spending units as well as with the international technical assistance.

LIST OF ABBREVIATIONS

Strategy	Strategy for the Public Finance Management System Reform in 2022–2025
MSU	main spending units
PIFC	public internal financial control
EC	European Commission
RCC	revenue classification code
CSPCC	code of the Standard Programme Cost Classification and Budget Crediting
ICS	information and communication system
IMF	International Monetary Fund
OSA	oblast state administration
OECD	Organisation for Economic Cooperation and Development
NRS	National Revenue Strategy until 2030
CMU Secretariat	Secretariat of the Cabinet of Ministers of Ukraine
CEA	central executive authority
EU4ACU	Project “Strengthening Capacities in External Audit in Line with International Standards in Ukraine”
EU4PFM	Project “EU Public Finance Management Support Programme for Ukraine”
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
OBI	Open Budget Index
SIGMA	Support for Improvement in Governance and Management



KEY ACHIEVEMENTS, CHALLENGES, PROSPECTS, AND COORDINATION OF THE STRATEGY IMPLEMENTATION

Key Achievements and Challenges

Since the beginning of the full-scale invasion of Ukraine by the Russian Federation, the economy and public finance of Ukraine have been functioning in the context of unprecedented challenges, including without limitation the abrupt fall of the GDP, reduced scope of the foreign economic activity as of the end of 2022, underpayment of taxes and customs duties to budgets, major increase in the state budget deficit, difficulty fulfilling debt obligations, uncertainty and inability to forecast duration of the war, the scale of further destruction and losses and impact thereof upon public finance in realistic terms.

The destruction and impact of the Russian aggression went on in 2023. According to the Third Rapid Damage and Needs Assessment (RDNA3), the direct damage to Ukraine as of 31.12.2023 reached almost USD 152 billion while the recovery and reconstruction needs were estimated to be almost USD 486 billion.

The budget costs for security were increased more than ten times while half of all the expenditures in 2023 were allocated to the military budget as Ukraine's key task in martial law was to maintain conditions for countering the aggression of the Russian Federation and restoring the territorial integrity of Ukraine.

Timely external assistance played the key role in supporting Ukraine's economy at the admissible level. The extremely important element of the work was the active dialogue with the partnering countries, the EU, international financial and donor organisations to draw external resources for the state budget deficit. In 2023, the volume of Ukraine's credit project portfolios involving the international financial institutions was the largest for all the years of cooperation.

The important role played by the Multi-agency Donor Coordination Platform for Ukraine, which was established by the decision of G7 leaders on 12.12.2022, should be noted.

However, owing to the reforms that had been implemented for the recent years, the public finance management system demonstrated sufficient resilience even during the second year of the full-scale war.

Both in 2022 and 2023, the Ministry of Finance ensured efficient organisation of the budget process so the draft Law of Ukraine "On the State Budget of Ukraine for 2024" was adopted at the meeting of the Cabinet of Ministers of Ukraine on 15.09.2023 and submitted to the Verkhovna Rada of Ukraine on time (Law of Ukraine No. 3460-IX of 09.11.2023). At the same time, the information on the forecast budget indicators for 2025 and 2026 was submitted together with the draft State Budget of Ukraine for 2024 in 2023 in order to ensure forecastable and consistent implementation of the budget policy.

The draft State Budget of Ukraine for 2024 included information on fiscal risks (including contingent liabilities and quasi-fiscal operations) and their effect on the state budget indicators. Moreover, the Ministry of Finance started stress testing of operations of the state-owned companies, and its findings were included into the information on fiscal risks.



With a view to preparing for post-war recovery, establishing the fiscal and debt sustainability and fulfilling the Government's commitments set out in the Memorandum for Economic and Financial Policy between Ukraine and the IMF, the following was approved in the reporting year by the resolutions of the Government:

- Mid-Term Public Debt Management Strategy for 2024–2026 (Resolution of the Cabinet of Ministers of Ukraine No. 1117 of 27.10.2023);
- National Revenue Strategy until 2030 (Ordinance of the Cabinet of Ministers of Ukraine No. 1218-p of 27.12.2023);
- Road Map For Public Investment Management Reforms (Resolution of the Government of 22.12.2023).

Moreover, in pursuance of the above-mentioned commitments of the Government, a number of amendments to the Budget Code of Ukraine were adopted in 2023: to ensure predictability of the budget policy and to enhance debt sustainability; to regulate determination of the funds received as voluntary contributions from natural and legal persons to support Ukraine at accounts of the main spending units with the NBU as a source of formation of the special state budget fund as well as matters of utilisation thereof; to regulate the right of rural settlement and village councils to receive local loans and grant local guarantees etc.

The Ministry of Finance assisted by the international partners has developed the new modern IT system for planning and monitoring the state budget implementation. The new IT system for interaction with the spending units will be a digital tool for the communication with the Ministry of Finance in the budget process that will ensure exchange of documents to be duly saved, verified and consolidated.

Moreover, in 2023:

- cost reviews were resumed (the ordinance of the Government on state budget cost reviews in specific fields in 2023 was issued);
- the Guidelines on Formation of Budget Programmes by the Main Spending Units were developed;
- the Concept of the Functioning of the Tax Risk Management System was developed, and the effect of the pre-war taxation rules was resumed;
- major progress was achieved in the implementation of the international standards for exchanging information for tax purposes;
- the active work was performed to bring the national customs legislation in line with the EU acquis;
- the national free-of-charge voluntary certification of internal auditors was introduced, with actions taken to develop the PIFC system;
- the methodological support of internal audit and internal audit was developed and enhanced;
- progress was achieved in improvement of the national rules (standards) of public sector accounting in accordance with the International Public Sector Accounting Standards.

Prospects

The EU candidate status granted to Ukraine imposes additional commitments upon the Ukrainian authorities to bring the Ukrainian legislation in line with the EU acquis and to implement the reforms, including the ones in the field



of public finance management. Therefore, the continued reforms in the field of public finance management as well as preparation necessary for the European integration and broad-scale recovery of the country are the **priorities for 2024**.

The key tasks for 2024 are as follows:

- resuming medium-term budget planning by developing the Budget Declaration for 2025–2027 and continuing the cooperation with the IMF to enhance the medium-term budget planning;
- continuing state budget cost overviews;
- improving monitoring and management of fiscal risks;
- enhancing effectiveness and independence of internal audit;
- automation of processes in the area of public internal financial control;
- implementing the transitional model of public investment management, including establishment of the Strategic Investment Council, and ensuring legislative regulation of the new model of public investment management as well as developing the applicable methodological framework;
- continuing to develop the domestic capital market, and ensuring continuous operation of the domestic debt market;
- developing the integrated IT platform for public sector accounting;
- implementing the National Revenue Strategy until 2030, in particular, the first-priority activities to improve the tax and customs administration procedures, to satisfy fiscal needs in the medium term with due consideration of proposals of business representatives;
- developing amendments to the tax and customs legislation in order to fulfil the European integration commitments;
- further automation and IT consolidation of information resources of the entities within the public finance management system.

Strategy Implementation Coordination

The activities performed to implement the Strategy are performed by the Ministry of Finance, namely the Directorate for Strategic Planning.

To ensure the effective implementation of this Strategy, there is a three-tier coordination mechanism in place, which includes:

- working sub-groups formed in accordance with the components of the public finance management system, which review information on the implementation of the action plan for the implementation of this Strategy, and consider the matters of amendments thereto, if necessary, and prepare relevant proposals and draft decisions;
- the interdepartmental working group on the development of the public financial management system, which monitors and evaluates the state of implementation of this Strategy, and reviews reports on the evaluation of its effectiveness;
- the Coordinating Council for Public Administration Reform, which coordinates the actions of the executive bodies in the implementation of this Strategy and execution of the action plan for its implementation, and monitors and evaluates the effectiveness of their implementation and execution. The Coordinating Council for Public Administration Reform ensures coordination of activities within the implementation of the Strategy, operating on the basis of Regulation on Coordinating Council for Public Administration Reform approved by Resolution of the Cabinet of Ministers of



Ukraine No.335 of 18.05.2016 “On Coordinating Council for Public Administration Reform”.

In accordance with the Strategy, the Interdepartmental Working Group on the Development of the Public Financial Management System of Ukraine and corresponding subgroups (on budget; on the organisational capacity; on the local budgets; on the tax policy; on macroeconomic forecasting and revenue forecasting; on the customs policy; on IT; on fiscal risks, liquidity and debt management; on accounting and financial reporting; on financial control), with new members designated from time to time, were established by Order of the Ministry of Finance No.1124 of 22.12.2018 (the latest amendments were made by Order of the Ministry of Finance No. 554 of 13.10.2023).

The working groups include representatives of the ministries and other public authorities, public experts, business associations, development partners etc. New members of the working groups and subgroups are regularly designated with due consideration of changes in the executive authorities and proposals received from the international development partners, in accordance with the arrangements made with them as a part of the launch of the three-tier system for coordination of international technical assistance.

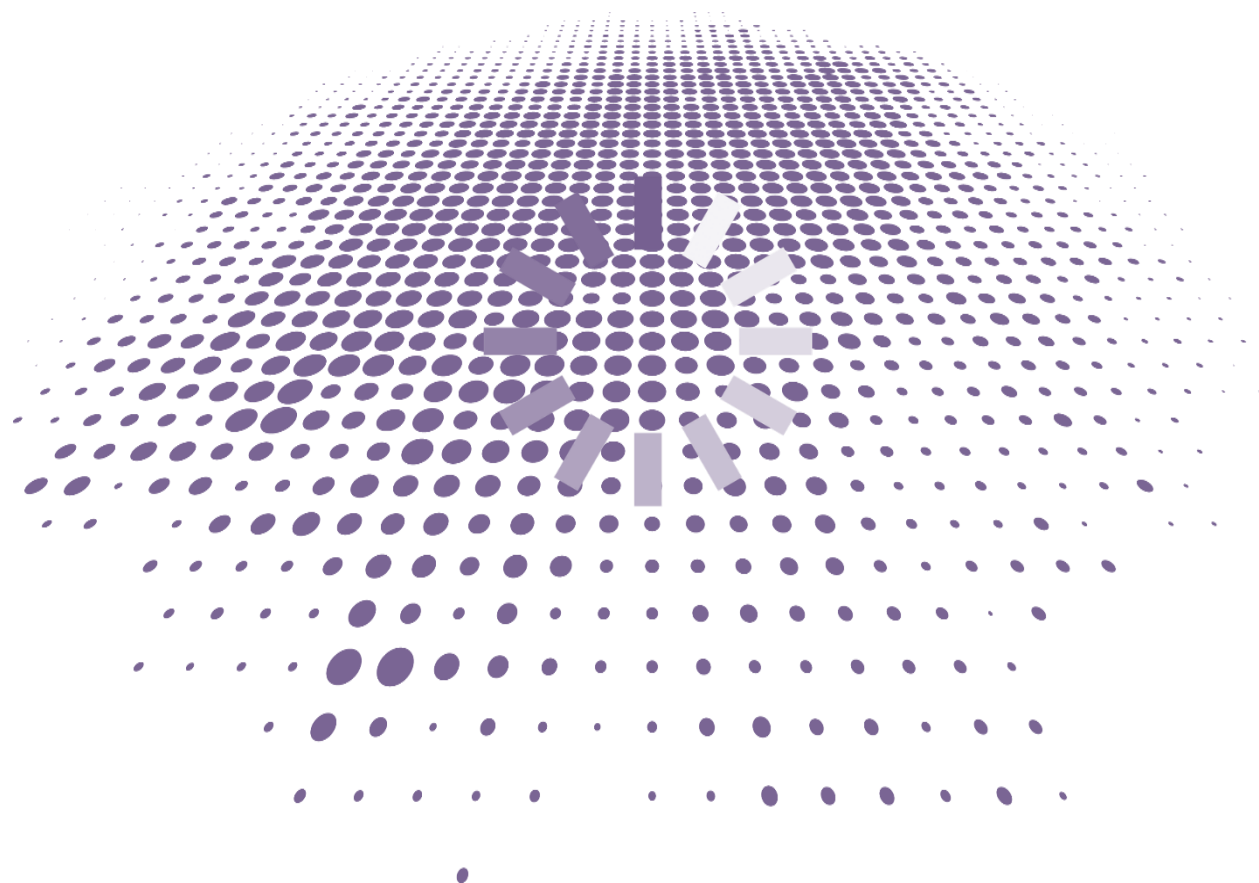
In 2023, the Ministry of Finance arranged analysis and consolidation of the reports from the entities responsible for the implementation of the Strategy as well as submission of the quarterly reports to the Cabinet of Ministers of Ukraine and the Coordinating Council for Public Administration Reform.

A meeting of the interdepartmental working group on the development of the public financial management system was held on 22.03.2023. The meeting was attended by more than eighty participants, who represented the public authorities from the public finance management system and development partners. The challenges and progress in implementation of the Strategy in 2022 as well as the priority tasks of the Strategy for 2023 and the key directions of the public finance management reform in the context of Ukraine's accession to the EU were discussed at the event.

On 07.06.2023, the Report on the Implementation of the Strategy for the Public Finance Management System Reform in 2022–2025 in 2022 was approved at XXVII meeting of the Coordinating Council for Public Administration Reform.



ASSESSING PROGRESS OF IMPLEMENTATION OF THE STRATEGY IN EACH AREA OF THE PUBLIC FINANCE MANAGEMENT SYSTEM



1. Taxation system



General goal: to build an up-to-date and fair tax system that ensures the equality of all taxpayers before the law and reduces the taxpayers' costs and time for tax administration.

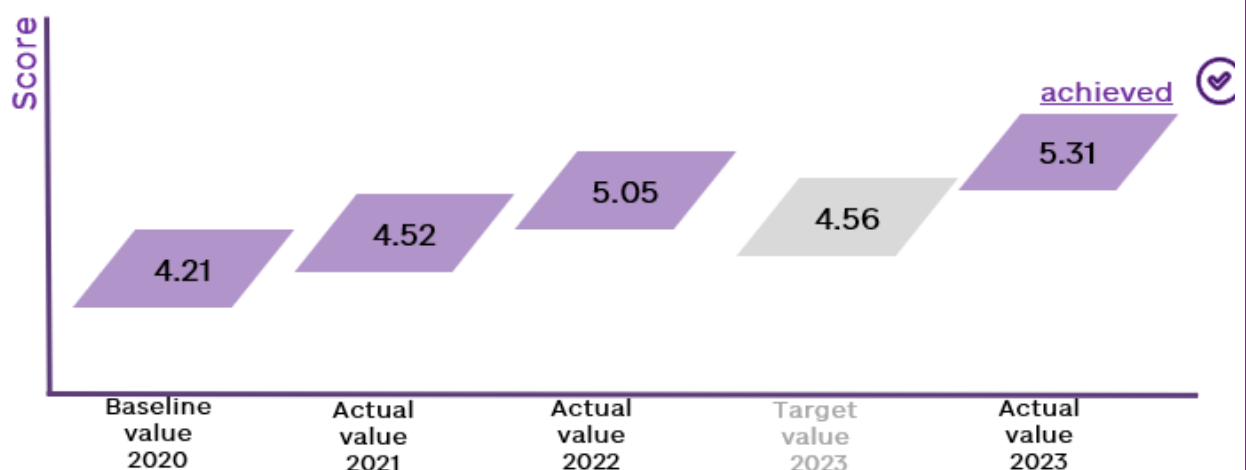
Progress in achieving the planned results is determined by the following indicators:

- ✓ increasing the share of court cases on tax disputes resolved by courts in favour of STS in the total number of lawsuits considered by courts of various instances;
- ✓ increasing the level of taxpayers' satisfaction with the services rendered by STS according to the results of periodic surveys;
- ✓ reducing the time spent by a taxpayer on submitting reports and paying taxes.

In 2023, the key taxation task in the context of the martial law was to ensure stable tax revenues necessary to keep financing the priority war-time expenditures, namely the security and defence sector and recovery processes. Moreover, the effect of the pre-war taxation rules were resumed, and the long-term road map for reformation of the tax and customs policies and administration, namely the National Revenue Strategy until 2030, was developed.

Despite the ongoing hostilities, material progress was achieved in implementation of the Strategy for this component in the reporting year. As a result, the corresponding indicators of the Strategy for 2023 were achieved.

☑ According to the STS, in 2023, the courts of various instances resolved 18.7 thousand cases in favour of the STS bodies for the total amount of UAH 54.1 billion, which made 71.8% of the total number of the cases heard by the courts and 61.6% of the amount thereof.

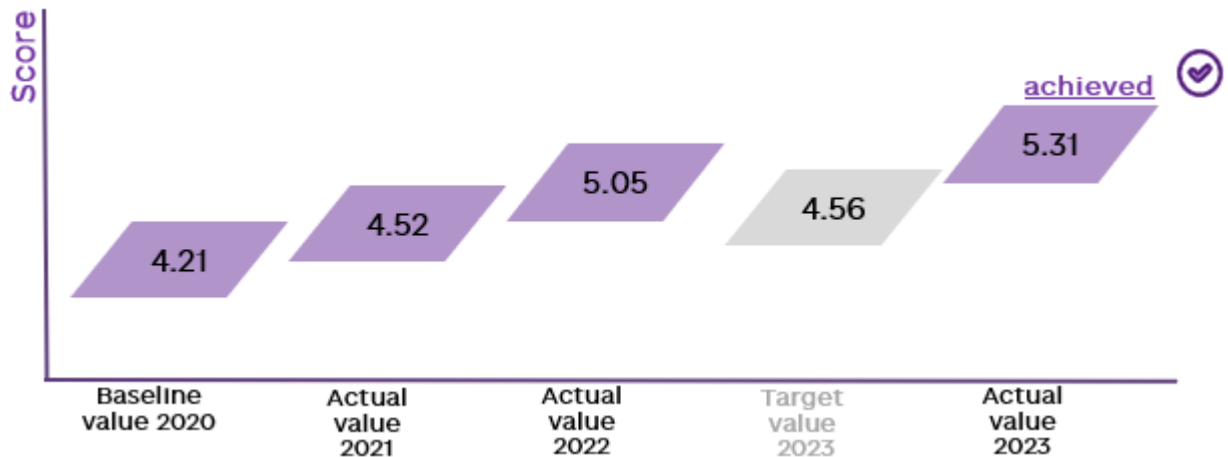


Share of court cases on tax disputes resolved by courts in favour of STS in the total number of lawsuits considered by courts of various instances, %



Therefore, the indicator set out in the Strategy for 2023 regarding the share of court cases on tax disputes resolved by courts in favour of STS in the total number of lawsuits considered by courts of various instances was fully achieved.

☑ According to the nationwide survey of taxpayers regarding their attitude to the STS bodies, the overall score given to the STS bodies under the six-point scale made 5.31 in 2023.



Level of taxpayers' satisfaction with the services rendered by STS according to the results of periodic surveys, points (under the six-point scale)

The target value of the indicator in 2023 was also reached. For reference, that indicator for 2022 made 5.05 points. The nationwide survey of the taxpayers during the reporting year involved respondents from almost all the regions of Ukraine¹.

❓ As for the indicator **“Time spent by a taxpayer on submitting reports and paying taxes”**, it is worth noting that it cannot be assessed on a temporary basis since that indicator is calculated based on Doing Business ranking, which has been suspended.

1.1. Improvement of the effectiveness of tax administration and quality of services rendered to taxpayers

The National Revenue Strategy until 2030 was approved with Ordinance of the Cabinet of Ministers of Ukraine No. 1218-p of 27.12.2023. In particular, it provides for reformation of the tax policy and tax administration, which will be consistent with the Schedule of Fulfilment of Ukraine's EU Accession Commitments after it is approved.

In 2023, the specific rules of the Tax Code of Ukraine were updated, namely:

the pre-war condition of the taxation was resumed by Law of Ukraine No. 3219-IX of 30.06.2023 “On Amending the Tax Code of Ukraine and Other Laws of Ukraine as to the Taxation Peculiarities in Martial Law”;

the approaches to taxation of banks and other taxpayers were changed by Law of Ukraine No. 3474-IX of 21.11.2023 “On Amending the Tax Code of Ukraine as to Peculiarities of Taxation of Banks and Other Taxpayers”;

certain matters of circulation of alcohol beverages, tobacco products and liquids used in electronic cigarettes were regulated, and control over full

¹ Except for the territories of Ukraine that have been temporarily occupied by the Russian Federation.

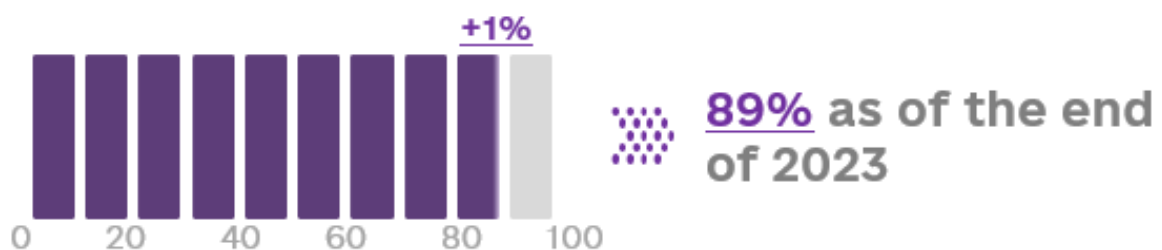


payment of taxes on such excise goods was enhanced by Law of Ukraine No. 3173-IX of 29.06.2023 “On Amending the Tax Code of Ukraine and Certain Other Laws of Ukraine in Connection with Introduction of Electronic Traceability of Alcohol Beverages, Tobacco Products and Liquids Used in Electronic Cigarettes”. The Law is aimed at aligning the national legislation on circulation of excise goods with the EU acquis, namely Council Directive (EU) 2020/262 of 19 December 2019 laying down the general arrangements for excise duty and Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC.

In general, in the reporting year, the Verkhovna Rada of Ukraine adopted 20 laws to amend the Tax Code of Ukraine, with account of the above, as well as other laws, in particular, in order to facilitate important of unmanned aircraft into Ukraine, to create favourable conditions for operation of the wine-making, distillate and alcoholic beverage market with due consideration of the European practices etc. Also, in order to bring the national tax legislation in line with the EU acquis, in 2023, the Ministry of Finance drafted the Laws of Ukraine “On Amending the Tax Code of Ukraine as to Reviewed Excise Duty Rates for Tobacco Products”² and “On Amending the Tax Code of Ukraine to Bring the Legislation of Ukraine in Line with the Legislation of the European Union in Terms of the Excise Duty”³.

Moreover, in the reporting year, the EU Side processed the comparative tables prepared by the Ministry of Finance as regards conformity of the national legislation to the applicable rules of Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity as well as implementation of Council Directive 92/83/EEC of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages as well as Article 1 of Council Directive (EU) 2020/262 of 19 December 2019 laying down the general arrangements for excise duty.

In general, according to the Report of the Cabinet of Ministers of Ukraine on Implementation of the Association Agreement between the European Union and Ukraine, progress in fulfilment of the Tax obligations in 2023 made +1% and reached 89%.



Also, in pursuance of the Strategy for the Public Finance Management System Reform for 2022–2025, the Concept of the Functioning of the Tax Risk Management System was adopted by Order of the STS No. 813 of 04.10.2023. Moreover, in cooperation with the international partners, in particular, the experts from the Office of Technical Assistance of the U.S. Department of the

² The Draft Law was adopted by the Government on 15.04.2024 and registered with the Verkhovna Rada of Ukraine on 18.03.2024 under registration No. 11090.

³ The Draft Law was adopted by the Government on 22.04.2024 and registered with the Verkhovna Rada of Ukraine on 13.05.2024 under registration No. 11256.



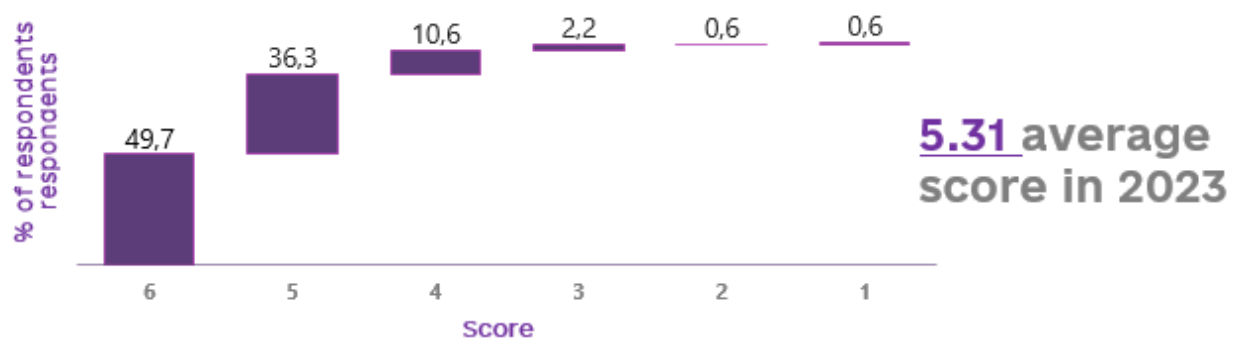
Treasury, the work was performed to develop the Tax Compliance Strategy for 2023–2028.

In 2023, the Ministry of Finance and the STS together with the international experts also worked to introduce the electronic desk audit (e-audit”) of large taxpayers. In particular, the Electronic Account ICS was modified to enable upload of the SAF-T UA, and the terms of reference for automation of the electronic audit process applicable to development of the E-Audit ICS were developed and approved by the Ministry of Finance. After the international bidding procedure for development of software for E-Audit ICS had been carried out, contract No. 2023/4-3-251 was concluded with the winner AMEDIA LLC on 14.09.2023.

The working group and subgroups responsible for developing the methods for auditing specific issues were established by Ordinance of the STS No. 1-p of 10.01.2023. Following the work of the working group, the methods for checking reliability, completeness of accrual and payment of specific types of taxes were approved with the orders of the STS.

In order to study satisfaction of business entities with the level of the services provided by the tax authorities, the Unified System for Measuring, Assessing and Controlling the Satisfaction that introduced the principal stages of assessment of the level of the payers’ satisfaction with the service level as well as the standard list of questions in the questionnaire was introduced by Order of the STS No. 778 of 25.09.2023.

That system was used as a basis for the annual study of satisfaction of business entities with the level of the services provided by the tax authorities on 07.11-07.12.2023. In total, 7,007 respondents, including 1,356 representatives of the legal persons (19.35% of the total number), 2,977 natural persons-entrepreneurs (self-employed persons) (42.49%), and 2,674 natural persons who did not carry out economic operations (38.16%), took part in the survey. According to the survey, the overall score given to the STS bodies at the six-point scale made 5.31 in 2023.



The need to obtain electronic services in martial law was increased for 78.87% of the respondents. In order to receive the electronic services, the payers use the Electronic Account ICS (65.53%), the webportal of the STS (15.26%) and chat bots (7.02%) most often. So the Electronic Account ICS remains the most popular tax IT resource whose functions offer more than 130 services.

The findings of the survey were published on the web-portal of the STS: <https://tax.gov.ua/media-tsentr/novini/745898.html>.

Following the study, the STS developed the Action Plan for Enhancing the Payer Service System (approved on 22.12.2023) that provided for activities to improve the quality of the services provided.



Also, the joint study of the Ministry of Digital Transformation and Diia.City United was conducted in the reporting period in connection with application of Diia.City regime, the unique legal and tax environment for IT companies in Ukraine, in 2022–2023. According to the findings of the study (presented at the conference Diia.City Anniversary 2.0), 98% of the residents were satisfied with Diia.City regime. In total, the residents of Diia.City paid UAH 8.5 billion taxes in 2023, which was twice as much as in 2022.

The tax regime residents are made of 830 companies, including 100 defence-tech ones working with military technologies. In addition to the military direction, Diia.City is going to actively engage the Ukrainian manufacturers of bionic prosthetic devices in 2024.

1.2. Widening of the tax base

In order to prevent tax evasion and increase the level of tax compliance, the Ministry of Finance and the STS took all the measures necessary to connect Ukraine to the international system for automatic exchange of tax-relevant information.

On 19.08.2022, Ukraine signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA CRS), which provided for exchange of designated information in accordance with the Common Reporting Standard (CRS) approved by the OECD Council on 15.07.2014.

In order to introduce international automatic exchange of financial account information in Ukraine on time, the following was ensured:

- conformity of the national legislation to the requirements of the Common Reporting Standard (CRS) (Law of Ukraine No. 2970-IX of 20.03.2023 “On Amending the Tax Code of Ukraine regarding Implementation of the Standard for Automatic Exchange of Financial Account Information”);
- IT capacity of the STS for international automatic exchange of information (the software “Subsystem “Automatic Exchange of Tax Information” was put into operation as an element of the ICS “International Automatic Exchange of Information”; the integral information protection system was developed for the ICS “International Automatic Exchange of Information”, and the conformity certificate was received; the STS was registered at the international IT platform for automatic exchange of information (Common Transmission System));
- completion of the expert evaluation of the STS by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes to assess maturity of the information security management system (11–14 December 2023). The corresponding Report is expected from the Global Forum on Transparency and Exchange of Information for Tax Purposes;
- broad awareness-raising campaign for financial institutions in connection with compliance with the legislation on the Common Reporting Standard (CRS).

Moreover, in order to ensure efficient implementation of the new rules of the Tax Code of Ukraine introduced by Law of Ukraine No. 2970-IX of 20.03.2023, the Ministry of Finance issued the following legal and normative acts aimed at the implementation of the international standard for automatic exchange of financial account information: Procedure for application of the common reporting standard and due audit of financial account information (Order of the Ministry of Finance No. 282 of 26.05.2023), Procedure for completion and submission of the report on reportable accounts by financial agents in accordance with the Multilateral Competent Authority Agreement on



Automatic Exchange of Financial Account Information (Order of the Ministry of Finance No. 516 of 25.09.2023), Procedure for registration and deregistration of the financial agents being reporting financial institutions for the purposes of CRS (Order of the Ministry of Finance No. 468 of 30.08.2023), Procedure for interaction of financial agents in pursuance of Article 393 of Title I of the Tax Code of Ukraine as regards collective investment schemes (Order of the Ministry of Finance No. 674 of 07.12.2023), and also amended the other legal and normative acts.

**Jurisdictions
participating in MCAA
CRS***

123

***Including all the EU
countries**

**First data exchange for H2 2023
between the STS and competent
authorities of the partnering
jurisdictions planned**

2024



The first exchange of financial account information under the Common Reporting Standard (CRS) will take place in 2024.

Also, on 03.11.2022, Ukraine signed the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (MCAA CbC).

**Jurisdictions
participating in MCAA
CbC***

103

***As of the beginning of 2024**

**Scheduled deadline for Ukraine to receive
the Report from the OECD Global Forum
regarding maturity of the information
security management system**

2024



The conformity of the national legislation to the requirements necessary for the implementation of the automatic exchange of country-by-country (CbC) reports – some of the rules of Law of Ukraine No. 2970-IX of 20.03.2023 are associated with this matter. Moreover, the Ministry of Finance and the STS developed and approved the Procedure for Organising Due Use of the Information in Country-by-Country Reports of International Company Groups (Order of the STS No. 230 of 13.04.2023 as amended by Order of the STS No. 488 of 20.06.2023).

Also, development of the software for the STS for the purposes of international automatic exchange of international was completed in 2023:

- functionality of the Automatic Exchange of Tax Information Subsystem as an element of the information and communication system “International Automatic Exchange of Information” in the fields of CRS and CbC was checked;
- the formation and dispatch of CbC and CRS packages to the CTS portal and receipt of the packages formed for Ukraine from the CTS portal was tested successfully;
- IIPS certificate of conformity No. 446B of 23.06.2023 for the system “Automatic Exchange of Tax Information” was received.

The intellectual property item, i.e. the software “Subsystem “Automatic Exchange of Tax Information” was entered into the books of the STS and put into operation.



In order to improve the rules of control of transfer pricing in pursuance of the Action Plan on Base Erosion and Profit Shifting (BEPS) with account of the recommendations given by the OECD as well as the international experience of taxation, the Ministry of Finance drafted the Law of Ukraine “On Amending the Tax Code of Ukraine to Improve the Rules of Transfer Pricing”.

The draft law still is under way as the OECD experts need to complete expert examination thereof, and its rules need to consider the new recommendations given by the World Bank experts, the updated rules of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, the OECD Bilateral Advance Pricing Arrangement Manual, and the OECD Multilateral Mutual Agreement Procedures and Advance Pricing Arrangements. The draft law has been included into the Law-Making Plan of the Verkhovna Rada of Ukraine for 2024 and the Plan for Priority Actions of the Government for 2024.

Also, the work is under way to review the international legal framework of Ukraine for the avoidance of double taxation with due consideration of the national economic interests and challenges associated with the military aggression of the Russian Federation. Thus, in 2022–2023, the international treaties of Ukraine on the avoidance of double taxation with the Russian Federation, Belarus, Iran and Syria were suspended.

2023, Law of Ukraine No. 3030-IX of 10.04.2023 “On the Ratification of the Protocol between the Government of Ukraine and the Government of the State of Qatar on Amending the Agreement between the Government of Ukraine and the Government of the State of Qatar for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income” was adopted.

In order to replace the Soviet and Japanese agreement on the avoidance of double taxation, which is in effect in the bilateral Ukrainian and Japanese relations, the negotiation with Japan was conducted in 2022–2023, and the Convention between the Government of Ukraine and the Government of Japan for the Elimination of Double Taxation with Respect to Income Taxes and the Prevention of Tax Evasion and Avoidance was concluded on 19.02.2024 as a result. The Convention will enter into force after the necessary domestic procedures are completed in both states.

In order to replace the Ukrainian and Yugoslavia Convention for the Avoidance of Double Taxation, which is in effect in the bilateral relations with Montenegro, the negotiation with Montenegro was conducted in 2021–2023, and the parties reached consent on the text of the draft Convention. The domestic state procedures necessary for the international treaty are in progress.

The subsequent steps for the activities in this area since 2024 are associated with the implementation of the National Revenue Strategy until 2030, which covers both incomplete activities under the Strategy for the Public Finance Management System Reform for 2022–2025 and other matters associated with reformation of the taxation system in general in the context of alignment of the tax legislation with the EU acquis.



2. Customs system



General goal: to promote international trade and security by further reducing the level of illegal movement of goods across the customs border of Ukraine and monetary and time costs for bona fide businesses to complete customs formalities.

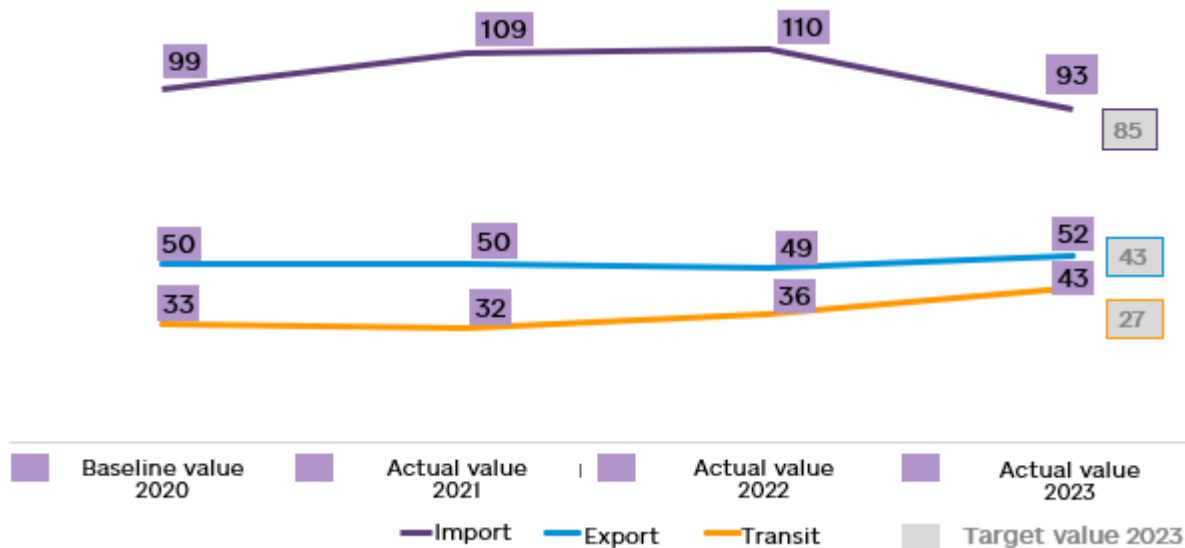
Progress in achieving the planned results is determined by the following indicator:

✓ **reducing time costs for entities engaged in foreign economic activities associated with the customs procedures (average time of customs clearance of goods for which the Automated Risk Assessment and Management System (ARAMS) did not generate a list of customs formalities) in the regime of export, import and transit.**

In 2023, in martial law, the priority actions in this component were aimed at enhancing the customs legislation in order to satisfy the national defence needs, to create conditions for accelerated integration of the Ukrainian enterprises into international supply chains, and to bring the national customs legislation in line with the EU acquis.

At the same time, during the reporting year, Ukraine progressed towards the implementation of the Strategy “Improvement of the customs controls and harmonisation of customs procedures, and facilitation of international trade”.

⊗ In 2023, the average time of customs clearance of goods for which the Automated Risk Assessment and Management System (ARAMS) did not generate a list of customs formalities in the regime of export made 52 minutes, import 93 minutes, transit 43 minutes.



Time costs of the entities engaged in foreign economic activities for customs formalities in the regime of export, import, transit, minutes

Failure to meet the target values of average time values of customs clearance in the regimes of export, import and transit is explained by the causes associated with the martial law as well as rules of the effective legislation.

Blocked sea and air carriage, worse operation of railways, difficulties in operation of motor road transport due to protests and blocking of the border



by neighbouring countries were the material factors that resulted in transformation of the logistic system, which affected the duration of customs procedures in the first place. Also, there is a delay in customs clearance when an air raid alert is activated in the area where the customs authority operates.

2.1. Enhancement of the institutional capacity of customs authorities

Following the adoption of Resolution of the Government No. 280 of 24.03.2023 under which the Ministry of Infrastructure was designated the main authority in the system of central executive authorities responsible for developing and implementing the state policy for development, construction, reconstruction, repairs, equipment and modernisation of checkpoints at the state border, the State Customs Service ensured:

- transfer of the state-owned facilities of the existing checkpoints at the state border for motor vehicles to the State Agency for Recovery and Development of Infrastructure;
- activities in pursuance of the Agreement between the Government of the Republic of Poland and the Government of Ukraine on granting tied aid credit of 09.09.2015 ratified by Law of Ukraine No. 977-VIII of 03.02.2016, to the extent of reconstruction and installation of modern customs control facilities at Krakivets, Rava-Ruska and Shehyni at the border between Ukraine and Poland;
- more active work to engage international technical assistance to provide customs control devices to the territorial bodies of the State Customs Service as well as maintenance and repairs of customs control devices (smart video surveillance systems, weight systems, scanning systems of any type, other customs control facilities and systems) in order to increase the carrying capacity of the checkpoints for motor vehicles at the border with the EU countries and to develop cargo operations at the checkpoints along the state border of Ukraine with Poland, Romania, Slovakia, Moldova and Hungary.

In order to ensure the uniform appearance of the customs officers during martial law in Ukraine, given the considerably limited funding for production of uniforms at the expense of the state budget, Resolution of the Government No. 401 of 28.04.2023 “On Amending Resolution of the Cabinet of Ministers of Ukraine No. 165 of 3 March 2021” was adopted regarding the permission for the customs officers to use the uniforms provided to the State Customs Service during martial law as assistance from the European Union, governments of foreign states, international organisations, donor institutions etc.

2.2. Improvement of the customs controls and harmonisation of customs procedures, and facilitation of international trade

In 2023, the work was in progress to bring the customs procedures in line with the EU standards and to facilitate international trade of Ukraine.

In particular, the dialogue with the European Commission regarding the unified approach to information exchange between Ukraine and the EU Member States was continued.

The pilot project for exchange of advance information on empty cargo vehicles crossing the border between Ukraine and Romania at Porubne-Siret checkpoint of Chernivtsi Customs, by means of SEED+ platform, in accordance with the Memorandum of Understanding between the State Customs Service of Ukraine and the Customs Administration of Romania on the Readiness to Arrange Automatic Exchange of Customs Information within EU4Digitals Facility of 05.05.2023 and Order of the State Customs Service No. 253 of 09.06.2023.



The second stage of the pilot project has been under way since September 2023: it provides for exchange of advance customs information via a limited data set.

In order to enhance information cooperation, the dialogue was also launched on exchange of advance customs information with the Customs Administration of the Republic of Poland. In particular, the matter of the pilot project via SEED+ platform applied in the Western Balkans (funded and developed with the EU support) and considered to be a priority one is being processed.

In order to expand application of transit simplifications within the NCTS (New Computerized Transit System), Law of Ukraine of 13.07.2023 No. 3229-IX "On Amending the Customs Code of Ukraine as to the Use of Customs Declarations and the Electronic Transit System under the Convention on a Common Transit Procedure, for the Transit under this Code" was adopted. Its rules enable reducing the time for customs clearance for NCTS users, introducing the internal transit by means of the NCTS, similarly to the Union transit under the EU Customs Code, offering the priority admission of the goods under the common transit procedure across the border, and improving control over goods by using customs seals and special seals.

In general, as a part of practical application of the NCTS, in 2023, around 41.2 thousand declarations were made (41.9 thousand declarations since the start of the international application of the NCTS by Ukraine in October 2022).

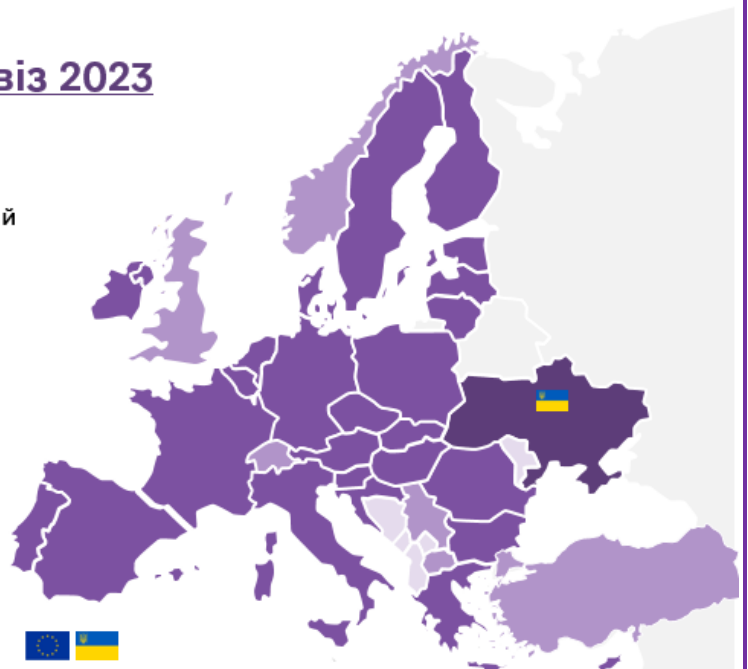
As of 01.01.2024, in the reporting year, the countries being parties to the Convention on a common transit procedure successfully completed more than 33.6 thousand of the transits started by the customs authorities of Ukraine. Ukraine successfully completed more than 7.6 thousand of the transits committed in the other countries being parties to the Convention.

Митний безвіз 2023

41,2 тис.
Оформлених транзитних декларацій

 Митниця відправлення
33,6 тис.
декларацій

 Митниця призначення
7,6 тис.
декларацій



As a part of engagement of enterprises for authorisation of application of transit simplifications in accordance with the Convention, 57 enterprises were assessed, and 182 authorisations were granted to apply transit simplifications. Considering the statistics of the NCTS application, the Ukrainian exporters were the first to enjoy benefits of the simplification because the quantity of respective declarations keeps materially growing every month.



The quantity of transits during international application of the NCTS can be traced at the Transit Movements Electronic Map of the EU and selected countries at the EC portal.⁴

At the same time, application of the authorised economic operator (AEO) programmes was continued in 2023. In 2023, the State Customs Service received 273 applications from the enterprises for authorisations, including 42% for AEO authorisations and 58% for authorisations for simplifications. On processing the applications, the State Customs Service gave the enterprises 22 AEO authorisations (including one on certification of safety and reliability) and 148 authorisations for simplifications (147 authorisations in 2023).

Also, in the reporting period, European integration Law of Ukraine No. 3261-IX of 14.07.2023 “On Amending the Customs Code of Ukraine to Align the Procedure for Determining the Country of Origin of Goods with the European Union Customs Code, and to Ensure Implementation of Ukraine’s Agreement on Free Trade” was adopted in order to bring the customs legislation of Ukraine in line with the EU acquis regarding non-preferential rules of origin of goods.

Moreover, the ‘Military Customs Visa-Free Regime’ was introduced in 2023. In particular, Law of Ukraine No. 3345-IX of 23.08.2023 “On Amending the Customs Code of Ukraine and Other Laws of Ukraine as to Unification of the Procedures for Declaring Military Equipment and Other Goods with the European and North Atlantic Standards”, which enabled exempting goods from crossing a number of state controls at the customs border of Ukraine by means of Form 302 (the document for customs clearance of military equipment and other goods used in the EU and NATO Member States). Resolution of the Cabinet of Ministers of Ukraine No. 1230 of 17.11.2023 “Certain Matters of Applying the Document to Declare Military Equipment and Other Goods (Form 302 of Ukraine)” was also adopted in pursuance of the Law.

At the same time, in order to bring the national customs legislation in line with the EU customs legislation, on 22.12.2023, the Government adopted the draft Law of Ukraine “On Amending the Customs Code of Ukraine as to the Implementation of Certain Rules of the European Union Customs Code⁵”, which provided for bringing the customs legislation in line with the EU acquis, in particular, in the fields of customs procedures, declaration, customs representation, development of authorised economic operator (AEO) programmes and the NCTS.

In order to enhance the customs cooperation between the customs administrations of Ukraine and the EU countries, the Agreement between Ukraine and the European Union on Ukraine’s Participation in the EU Customs Programme was ratified (Law of Ukraine No. 3176-IX of 29.06.2023).

According to the Report of the European Union, Ukraine was given the highest score among all the Eastern Partnership countries in the field of the Customs Union. It was one of the preconditions for the final decision to start negotiation on Ukraine’s membership with the EU.

In pursuance of the Strategy for the Public Finance Management System Reform in 2022–2025, in 2022, the software and information suite “Register of Intellectual Property Items” of the Unified Automated Information System of the State Customs Service of Ukraine was developed and introduced for operational testing by Order of the State Customs Service No. 165 of 19.04.2022;

⁴ https://ec.europa.eu/taxation_customs/dds2/mrn/transit_emap.jsp?Lang=en

⁵ The draft law under registration No. 10411 was adopted by the Verkhovna Rada of Ukraine in the first reading on 24.04.2024.



it enables owners to submit applications certified with the electronic digital signature to the State Customs Service, via the electronic account at the Unified Information Web-Portal “Single Window for International Trade”.

As of 31.12.2023, 980 intellectual property items were recorded in the Register of Intellectual Property Items, including 150 of them registered in 2023. In particular, use of information from the customs register enables customs officers to tell genuine goods from counterfeit ones.

Software and information suite “Register of Intellectual Property Items”

Intellectual property items
registered as of 01.01.2024

980

Intellectual property items
registered in 2023

+150

Introduction of the EU practices in the field of intellectual property rights protection is one of the priorities of Ukraine in the customs area in accordance with the European Commission Opinion on Ukraine’s application for membership of the EU of 01.02.2023.

The subsequent steps for the activities in this area since 2024 are also associated with the implementation of the National Revenue Strategy until 2030, which covers a wide range of matters in the customs area. In particular, the key priorities in the customs area for 2024 are to enhance preparation processes for admission to the EU in the customs area (amendments to the new draft Customs Code of Ukraine based on the EU Customs Code, enhancement of anti-corruption activities, IT development, provision of customs control devices etc.).

3. Management of fiscal risks and public assets



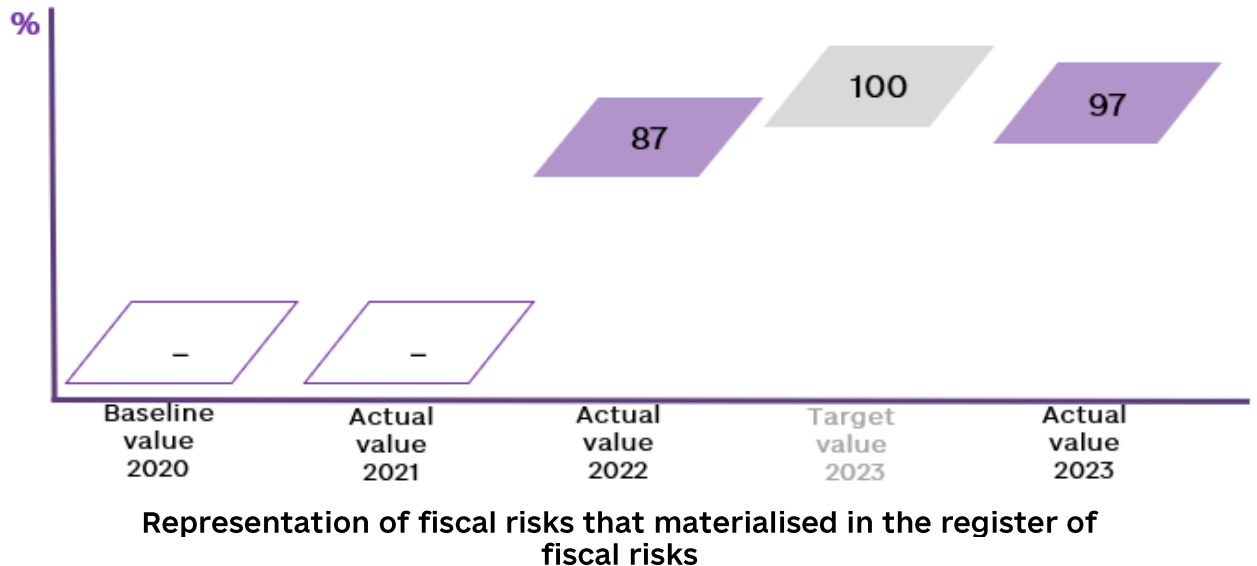
General goal: to identify fiscal risks early and take measures to avoid and/or minimise their impact on the budget. To keep expanding the fiscal risk management system, to introduce the register in order to ensure effective monitoring of fiscal risks.

Progress in achieving the planned results is determined by the following indicators:

- ✓ **sustainable representation of fiscal risks that materialised in the register of fiscal risks;**
- ✓ **reduced deviation between actual and planned indicators of revenues as part of net profit, and state budget dividends due to the materialisation of fiscal risks.**

In the context of martial law, management of fiscal risks is especially relevant since maximum complete presentation of information on the fiscal risks existing in the field of public finance is extremely necessary for the timely actions to mitigate their possible negative impact upon resilience of the state (local) debt and efficient allocation of public resources in the war-time reality.

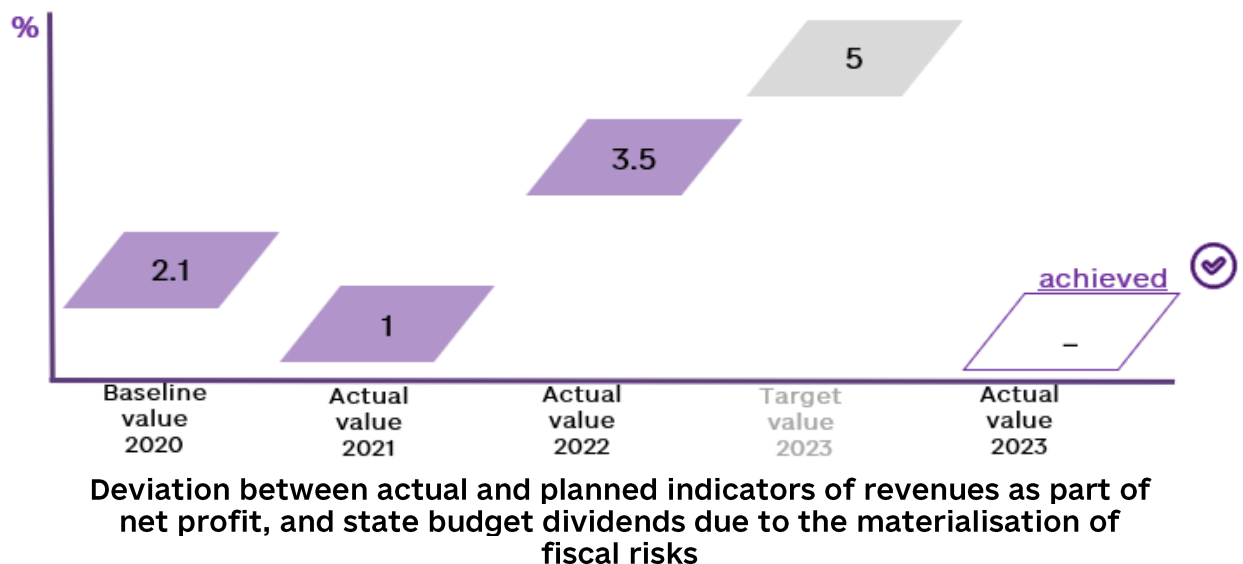
⊗ At the end of 2023, representation of fiscal risks that materialised in the register of fiscal risks makes 97%.



Failure to reach the target value is explained by the fact that two risks that materialised were not represented in the register of fiscal risks in 2023 as a result of the following:

- 1) explosion of the dam of the Kakhovka HPP by the army of the Russian Federation and destruction thereof;
- 2) introduction of the ban on the import of the Ukrainian agricultural products by the EU countries, blocking of checkpoints for Ukrainian cargo vehicles from the Polish side (Poland, Bulgaria, Hungary, Slovakia, Romania).

☑ Materialisation of fiscal risks from this group did not occur in 2023.



The Law of Ukraine “On the State Budget of Ukraine for 2023” (as amended) provides for receiving a part of net profit and state part dividends in the amount of UAH 26.3 billion; UAH 35.1 billion were received, which made 133.5% of the annual target value.

The principal payer of the part of net profit and dividends to the state budget in 2023 was JSC CB “PrivatBank”: UAH 24.2 billion, or 80.4% of actual proceeds in 2023.

The indicators of revenues as part of net profit and state part dividends for 2023 were based on the forecast indicators of the financial and economic



activities of economic operators in the public sector of the economy with account of internal, economic and military uncertainty factors. The hostilities have materially influenced the economic situation in the country, and their effects cannot be assessed with the sufficient predictability level.

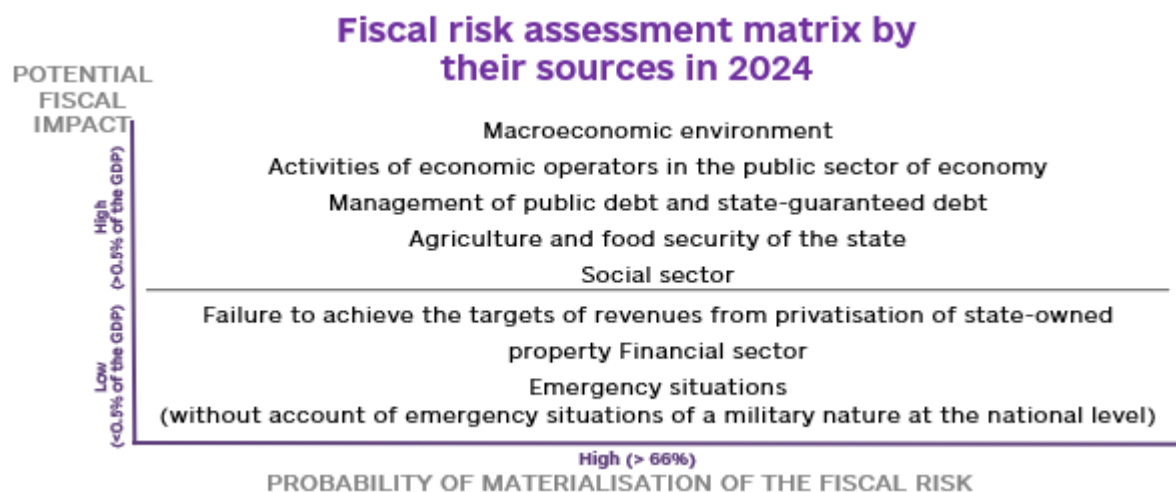
In order to ensure the planned revenues, the Ministry of Finance took regular actions, in particular, worked with administrators of the payments, management bodies and economic operators in the public sector of economy.

3.1. Carrying out a comprehensive assessment of fiscal risks and determining their impact on the state budget

The draft State Budget of Ukraine for 2024 included information on fiscal risks (including contingent liabilities and quasi-fiscal operations) and their effect on the state budget indicators. It was also made public on the official website of the Ministry of Finance.

Moreover, the Ministry of Finance started stress testing of operations of the state-owned companies, and its findings were included into the information on fiscal risks.

Distribution of fiscal risks by their sources in 2024 by potential impact and probability of occurrence thereof are shown in the corresponding Matrix.



In particular, the Ministry of Finance allocated nine groups of fiscal risks to which public finance in Ukraine can be sensitive in 2024 in the context of the martial law. The fiscal risks are connected with the following: changes in the macroeconomic environment; functioning of the financial sector; public debt and guaranteed public debt management; activity of operators in the public sector of the economy; possible failure to achieve the targets of revenues from privatisation of state-owned property; implementation of projects of public-private partnership; social sector; agriculture and food security; elimination of effects of emergencies.

However, the list of the fiscal risks specified in the budget documentation is not exhaustive and depends without limitation on changes in the war situation, the macroeconomic environment etc.

3.2. Ensuring effective monitoring of fiscal risks and minimisation thereof

In 2023, the Ministry of Finance created the Register of Fiscal Risks, monitored and took actions to mitigate fiscal risks. The Register of Fiscal Risks includes 65 risks. Information in the Register of Fiscal Risks is updated with account of the



data received without limitation from the public authorities and state-owned enterprises.

Also, the list of the economic operators with possible largest fiscal risks was updated in 2023. It was made public on the official website of the Ministry of Finance and brought to the notice of corresponding administrative entities and economic operators. At the same time, action plans for mitigation of fiscal risks associated with operations of the economic operators included by the Ministry of Finance into the List can be developed and approved by management bodies of economic operators in consultation with the Ministry of Finance only after the martial law is terminated or cancelled and the situation stabilizes in the country, owing to the circumstances of the war time⁶.

3.3. Improvement of institutional capacity of Ministry of Finance and other public authorities as regards fiscal risk management

In 2023, the experts of the IMF Ukraine offered technical assistance in fiscal risk management and guarantee management, enhancement of fiscal risk management at state-owned enterprises.

As a part of operations of IMF Ukraine, in order to enhance the institutional and analytical capacity of the staff of the Ministry of Finance, the IMF experts gave consultations and carried out training on practical application: the tool of debt guarantees and assessment of loans to issue debt guarantees; stress-test modelling of operational indicators of state-owned enterprises, and determination of their impact upon budget indicators.

3.4. Implementation of local budget fiscal risk management

Performance of the activity requires additional time in connection with the martial law.

Thus, with due consideration of the new extreme challenges for the state and local budgets, new approaches to the fiscal risk management system were required.

Ukraine Facility 2024–2027⁷ provides for adoption and effect of the law on amending the Budget Code of Ukraine to establish the procedure for fiscal risk management of local budgets in quarter IV of 2026. The law will provide for the following activities:

- to determine the entities responsible for local budget fiscal risk management;
- to establish the procedure for interaction of different entities responsible for local budget fiscal risk management;
- to determine the methodological framework for local budget fiscal risk management.

The priorities for 2024 are to enhance fiscal risk monitoring, namely to focus on state guarantees and contingent liabilities of state-owned enterprises, and

⁶ According to the Guidelines on Assessing the Fiscal Risks Connected with Activity of Economic Operators in the Public Sector of the Economy (Resolution of the Government of Ukraine No. 7 of 11.01.2018), the fiscal risks connected with activity of economic operators are assessed by management bodies separately for each economic operator within their competence, based on the information on financial and economic activities received from such operator. However, Law of Ukraine No. 2115-IX of 03.03.2022, which without limitation deferred submission of accounting, financial, bookkeeping, settlement and auditor reports (for the entire period of non-submission of reports or the obligation to submit documents) until the period of three months after the martial law is terminated or cancelled, entered into force on 07.03.2022.

⁷ Adopted by the Government of Ukraine on 18.03.2024



to expand fiscal risk monitoring to public-private partnerships (PPP), demographic tendencies etc.

4. Debt management



General goal: to ensure debt sustainability and increase the efficiency of public debt management, state-guaranteed debt and local debt.

Progress in achieving the planned results is determined by the following indicators:

- ✓ **reducing the ratio of public debt to gross domestic product;**
- ✓ **increasing the share of long-term concessional financing incoming from IFIs and foreign countries for the implementation of investment projects in the total amount of public debt.**

In 2023, the Ministry of Finance continued efficient and active public debt management and enhanced cooperation with its international partners in order to gain access to external concessional financing and cover the unprecedented state budget deficit in Ukraine. External support and activation of the internal debt market enabled the Government of Ukraine to cover the considerable budget deficit without emission.

Even despite the high degree of uncertainty, the Ministry of Finance developed the Mid-Term Public Debt Management Strategy for 2024–2026, which was approved with Resolution of the Cabinet of Ministers of Ukraine No. 1117 of 27.10.2023. The debt strategy makes it easier to forecast the debt policy, to optimise the public debt structure and the debt load.

In 2023, the Ministry of Finance kept increasing the level of its international recognition by winning a number of prizes for public debt management, which improves Ukraine's business reputation and communication with potential investors.

On 26.01.2023, the Ministry of Finance won Risk Awards 2023 nomination "Sovereign Risk Manager of the Year" from the international reputable edition Risk.net.

In February 2023, Ukraine received IFR Awards 2022 in the nomination "Financing Package and EMEA Restructuring" for succeeding in public debt restructuring from the International Financial Review, the analytical and news portal in the field of capital markets and investment banking being a part of Refinitiv Group.

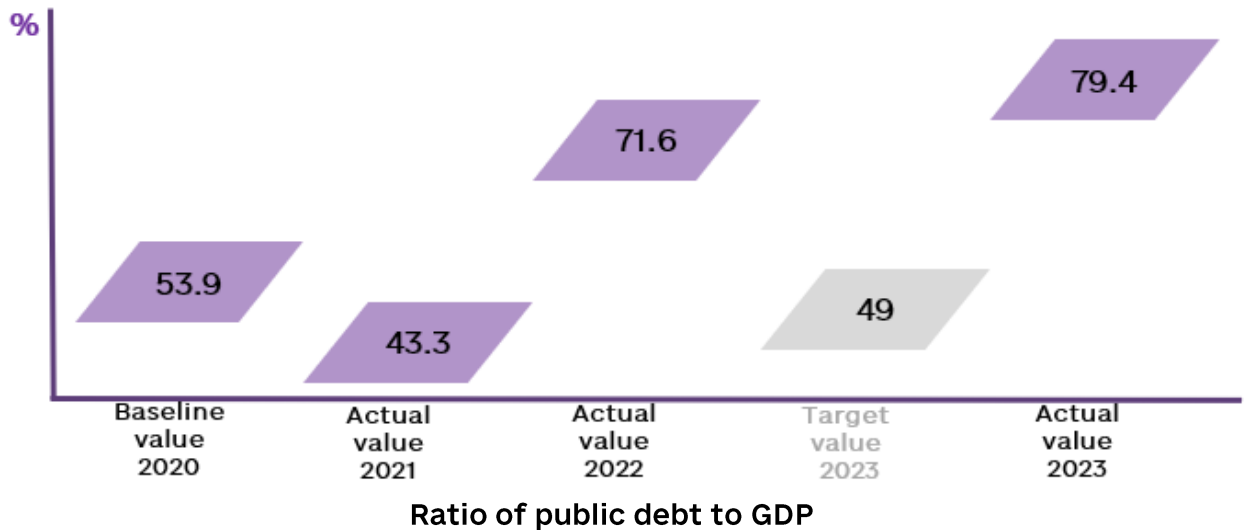
On 15.11.2023, the Ministry of Finance was selected the winner in the nomination "Ground-breaking Deal of the Year" from international Bonds, Loans & ESG Capital Markets CEE, CIS & Türkiye Awards 2023.

⊗ As of 31.12.2023, the public debt of Ukraine made UAH 5,188.1 billion, so the public debt to Ukraine's GDP ratio⁸ reached 79.4%. Deviation of the actual value for 2023 from the target was caused by the impact of the war upon public finance since the Strategy targets, including the ones for the public debt level, had been set before the start of the full-scale hostilities.

⁸ The calculations used the nominal GDP for 2023 in the amount of UAH 6,537.8 billion (according to the report of the State Statistics Service).



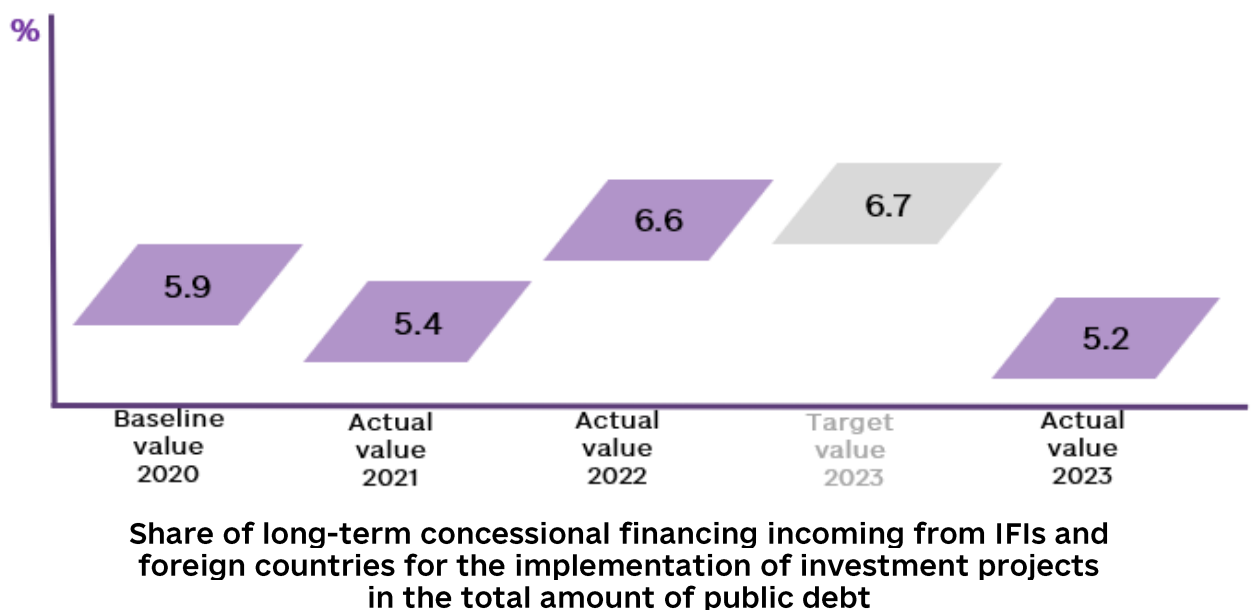
The challenges that persisted in connection with the armed aggression of the Russian Federation against Ukraine, the need to provide social support to the population required additional financial resources, which resulted in the considerable increase in the state budget deficit in the end.



In that challenging situation, the legislative maximum deficit was unreachable, so when it formed the State Budget of Ukraine for 2023, the Government of Ukraine had to continue the suspension of the restriction of the upper threshold of the state budget deficit (in the amount of 3% of the forecast nominal GDP). Also, in 2023, the amendments were made to the law on the State Budget of Ukraine with due consideration of financing for the relevant needs caused by the war, so the maximum target value of the state budget deficit made UAH 2,010.4 billion.

In fact, the state budget had the deficit of UAH 1,336.9 billion in 2023, which conformed to 20.4% of the GDP. Therefore, all of it caused the material growth of the ratio of public debt to GDP at the end of 2023.

⊗ At the end of 2023, the share of long-term concessional financing incoming from international financial institutions and foreign countries for the implementation of investment projects in the total amount of public debt made 5.2%, which was 1.5 percentage points less than the target value.





Deviation of the indicator was caused by the fact that some of the financing was received as grants on a free-of-charge and non-refundable basis. Therefore, the share of long-term financing in the total amount of public debt went down in 2023.

4.1. Ensuring functioning of the Debt Agency

Creation of the Public Debt Management Agency in 2023 was suspended as a result of the military aggression of the Russian Federation against Ukraine.

4.2. Improvement of the instruments and mechanisms of state guarantees, including for support of small and medium-sized businesses

The procedure for selecting lending banks, conditions for granting portfolio-based state guarantees, payment for such guarantees as well as the amount and type of the security to be provided by corresponding economic operators was approved by Resolution of the Government of Ukraine No. 723 of 14.07.2021.

Law of Ukraine “On the State Budget of Ukraine for 2023” provided for possible issue of state guarantees by the decision of the Government of Ukraine, namely to ensure partial fulfilment of debt obligations within the portfolio of the lending banks’ loans granted to the economic operators being micro, small and/or medium-sized businesses and residents of Ukraine.

On 06.01.2023, the Resolution of the Cabinet of Ministers of Ukraine “On Amending Certain Resolutions of the Cabinet of Ministers of Ukraine as to Granting of Portfolio-Based State Guarantees” (No. 34) was adopted to update the scope of state guarantees in order to ensure partial fulfilment of debt obligations within the portfolio of the lending banks’ loans granted to the economic operators being micro, small and/or medium-sized businesses and residents of Ukraine, as prescribed by Resolutions of the Government No. 1262 of 02.12.2021, No. 133 of 16.02.2022, No. 374 of 27.03.2022, and No. 497 of 29.04.2022.

On 13.06.2023, the Cabinet of Ministers of Ukraine adopted Resolution No. 591 “On Granting Portfolio-Based State Guarantees in 2023”.

Moreover, Resolutions of the Government No. 229 of 14.03.2023, No. 282 of 30.03.2023, and No. 489 of 16.05.2023 improved the Procedure for Granting Portfolio-Based State Guarantees.

As of 01.01.2024, 29 banks had the credit portfolios partially secured with portfolio-based state guarantees. 18,900 loans were to the amount of around UAH 67 billion, the liabilities for the principal debt that are partially secured with portfolio-based state guarantees made UAH 31.4 billion. It was around 71% of the total limit of the guarantees granted (UAH 43.9 billion).

Loans with portfolio-based state guarantees

Loans serviced by lending banks as of 01.01.2024

18,900

Total amount of such loans, UAH billion

67

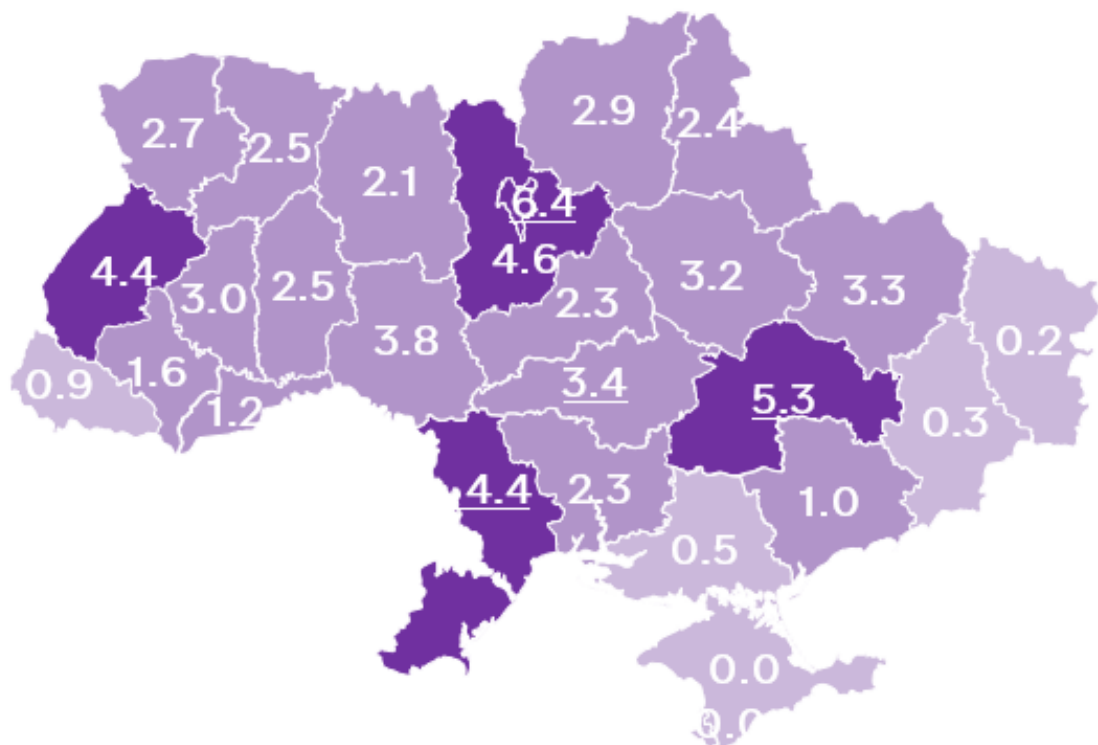


In total, since the tool of portfolio-based state guarantees was introduced in December 2020, 32,619 loans for the total amount of almost UAH 103.8 billion have been granted, including 13,658 loans for the amount of UAH 44.7 billion in 2023. The liabilities for the principal debt that is partially secured with portfolio-based state guarantees made UAH 31.4 billion.

As for the number of the loans serviced as of 01.01.2024 against portfolio-based state guarantees, the remaining leaders were JSC CB "PrivatBank" (12,922 loans for the total amount of more than UAH 23.5 billion, which made 70% of the limit of such guarantees granted to the bank) and JSC "Oshchadbank" (2,719 loans for almost UAH 10.9 billion, 89% of the bank's limit).

As for the regional allocation of granting loans secured with portfolio-based state guarantees in 2023, the leaders were as follows:

- City of Kyiv – UAH 6.4 billion;
- Dnipropetrovsk Oblast – UAH 5.3 billion;
- Kyiv Oblast – UAH 4.6 billion;
- Odesa Oblast – UAH 4.4 billion;
- Lviv Oblast – UAH 4.4 billion.



Amount of loans by regions, UAH billion

As for the type of economic activity, the largest number of loans partially secured with portfolio-based state guarantees were serviced in the following areas:

- agriculture – 6,876 loans for the total amount of more than UAH 35 billion;
- wholesale and retail trade; repair of vehicles – 6,973 loans for UAH 15.3 billion;
- processing industry – 2,417 loans for UAH 11.1 billion;
- transportation and storage, postal and courier activities – 999 loans for UAH 2.1 billion.



4.3. Development of the domestic public securities market

According to JP Morgan Global Index Research (of 12.10.2021), starting from 31.03.2022, the government bonds of Ukraine were supposed to qualify for inclusion into GBI-EM GD index with the approximate share of 0.12%. One series of bonds that met the index requirements was supposed to be included into all three GBI-EM series: it was the domestic government bonds with the coupon of 15.84% and repayment in February 2025 (UA4000204150).

However, as a result of the full-scale military aggression of the Russian Federation against Ukraine, it was found out in April 2022 that the domestic government bonds were not included into JP Morgan GBI-EM index. With due consideration of the present-day circumstances, inclusion of Ukraine into the index is to be reviewed in the future. The Ministry of Finance has taken all the measures for the domestic government bonds (UA4000204150) to be included into JP Morgan GBI-EM index, but that is impossible in the context of the martial law as the bond fails to meet the criteria.

At the same time, in order to develop the domestic market of public securities and satisfy financial needs of the state during the martial law, on 01.03.2022 the Ministry of Finance started issuing military bonds with the face value of one bond of UAH 1,000 and the period of circulation of three months, six months, nine months, one year, one point two year, one point three year, one point five year, and two years.

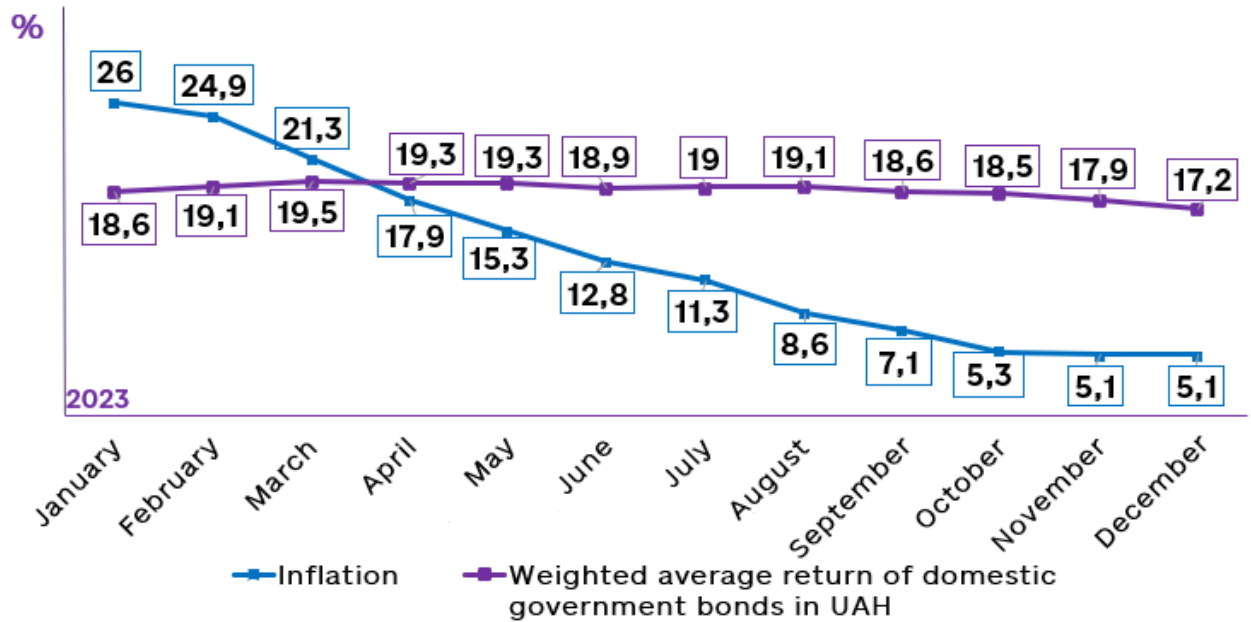
On 03.10.2022, purchase of military bonds from Diia application was launched as a common project of the Ministry of Finance and Ministry of Digital Transformation.

In 2023, the mechanism for online purchase of military domestic government bonds by resident natural persons via Diia Portal was enhanced. Nine types of military domestic government bonds are currently available. The funds received from selling domestic government bonds are used to provide weapons and military equipment, food and medicines etc. to the Armed Forces of Ukraine. Since the launch, the bonds for more than UAH 2.8 billion were purchased via the application as of 01.01.2024.

In 2023, the interest of the citizens and business representatives in investment into domestic government bonds kept growing. One of the main reasons for the growth was attraction of such investment as the rate of return of the domestic government bonds considerably exceeds the official inflation rate. For instance, in December 2023, the real weighted average return of the bonds in UAH (less the official inflation) made 12.1% annualised.

In general, since the beginning of martial law, almost UAH 1,232.9 billion have been raised to finance the state budget by issuing domestic government bonds: UAH 552.6 billion were raised in 2023, including UAH 388.5 billion, USD 3.7 billion, and EUR 735.8 million.

At the same time, the scope of repayment for the domestic government bonds in 2023 made UAH 369.8 billion in the equivalent amount, including UAH 225.1 billion, USD 3.3 billion, and EUR 582.2 million.



Therefore, as of the end of 2023, the net funds raised made: UAH 163.4 billion, USD 370.4 million, and EUR 153.6 million. The internal debt rollover made 150%. It was 172.6% for the domestic government bonds in UAH, 111.2% – for the domestic government bonds in USD, and 126.4% – for the domestic government bonds in EUR.

The Procedure for Selection and Functioning of Primary Dealers was amended by Order of the Ministry of Finance No. 492 of 31.08.2021. According to the Order, the Commission on Selection and Assessment of Primary Dealers monitors fulfilment of their obligations by primary dealers, in particular, as to the requirement for market makers.

Based on the results of 2023, in pursuance of the Order, assessment of primary dealers of the Ministry of Finance was introduced based on the new methodology (in particular, performance of the function of market makers for domestic government bonds in the secondary market).

The rating of primary dealers can be found on the website of the Ministry of Finance at <https://mof.gov.ua/uk/rejting-pervinnih-dileriv>.

4.4. Improvement of the local self-government bodies' capacity as regards debt management

In order to improve the institutional capacity of the local self-government bodies as regards engagement of financial and credit resources for local budgets and management of the local and guaranteed debt, the training was conducted jointly with Ukreximbank JSC for 244 representatives of the local self-government bodies from 15 oblasts.

4.5. Increasing of the share of long-term concessional financing

In 2023, the work was in progress to raise loans and grants from IFIs in order to finance investment projects and priority state budget costs by means of the following financial support instruments of the IFIs:

- financing of systemic loans for the development policy with credits and grants from the IFIs;
- financing of the systemic project by means of the financial lending product with programme-for-results financing (PforR);



- financing of investment projects using the lending mechanism based on achievement of corresponding indicators stipulated in the agreement between Ukraine and the IFI;
- receipt of grant funds from foreign states, foreign financial institutions and IFIs to finance common projects;
- use of funds of the IFIs to maintain liquidity and sustainability of economic operators in the public sector of economy;
- use of resources of Ukraine's partners that take part in framework projects or budget support via grant contributions into the World Bank Trust Funds: URTF (Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund), PEACE MDTF, ADVANCE (Advancing Needed Credit Enhancement for Ukraine Trust Fund), and also grant credit guarantees to the World Bank (for corresponding countries) to co-finance projects of the World Bank via loans, or grant parallel financing of the projects common with the World Bank;
- receipt of resources from a number of special funds established at the initiative of the World Bank to help Ukraine, with participation of the development partners, namely MDTF PEACE;
- expansion of cooperation with the IFIs in financing of projects with credit funds of the International Development Association.

Also, in 2023, Ukraine became a full member of the Council of Europe Development Bank (hereinafter the "CEDB"), which enabled it to use all the available financial instruments of the bank, namely project and programme lending, inter-industry lending, the EU co-financing mechanism, the mechanism for financing the public sector of economy and financing public-private partnership. Moreover, the CEDB can grant financing to admissible sectors as loans and grants, and issues guarantees for such financing.

In 2023, the volume of Ukraine' credit project portfolios involving the IFIs was the largest for all the years of cooperation. As of 01.01.2024, 13 international treaties were concluded between Ukraine and the IFIs for the total amount of USD 12.416 billion and EUR 37.7 million for the common projects, namely the ones in the field of energy, energy efficiency, development of the logistical infrastructure and recovery/redecoration of accommodation, public administration, including the grants for USD 10.760 billion and EUR 37.7 million and the credit funds – USD 1.656 billion. As for the project financing structure, the transportation (30%) and energy (26%) industries had the largest specific weight.

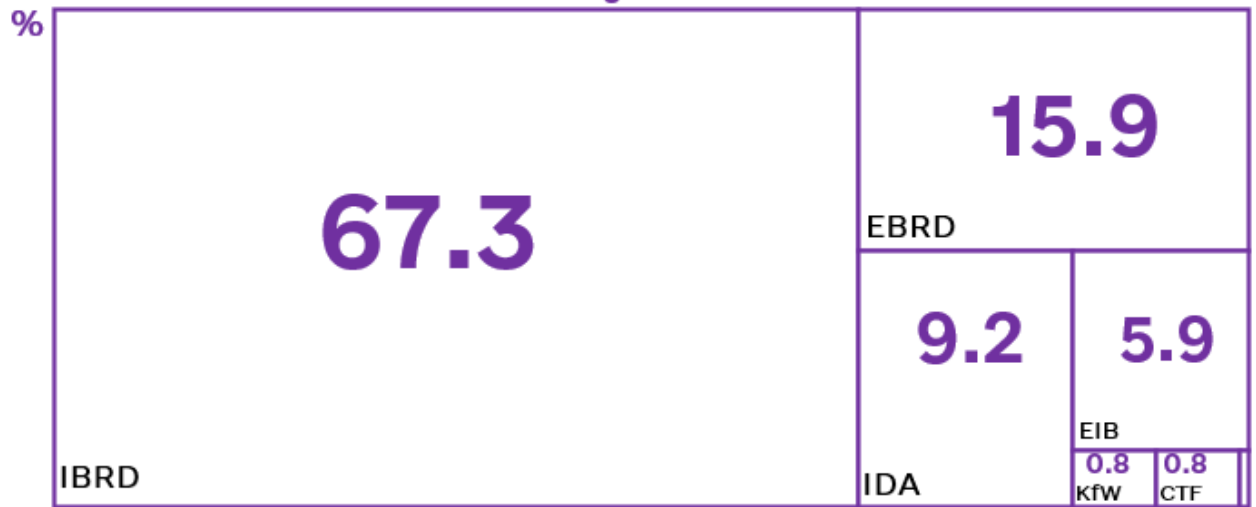
At the same time, when it came to the structure of the funds used in 2023 by concessional financing providers (creditors), the biggest amount of funds was received from the International Bank for Reconstruction and Development (67.3% or USD 3,236 million), the European Bank for Reconstruction and Development (15.9% or USD 766 million), and the International Development Association (9.2% or USD 440.7 million).

The register of projects of social and economic development of Ukraine that are implemented with the funds provided by the IFIs as well as the general information on dynamics of utilisation of IFI funds, the structure of project financing by industries, the structure of project financing by a lender (IFI) as well as the structure of project financing by a responsible contractor can be



found on the IFIs projects web-portal⁹. Also, the up-to-date register of IFI projects is available at this resource.

Structure of the IFI funds used in 2023 by creditors



In 2023, the regulatory framework for the implementation of the projects common with the IFI was improved.

In order to increase the scope of the credit and grant funds raised, Law of Ukraine No. 3278-IX of 27.07.2023 “On Amending the Budget Code of Ukraine to Ensure Predictability of the Budget Policy and to Enhance Debt Sustainability” amended Article 29 and point 38 of Title VI “Final and Transitional Provisions” of the Budget Code of Ukraine in terms of grants for budget support when performance indicators are reached.

Law of Ukraine No. 3415-IX of 06.10.2023 “On Amending the Law of Ukraine ‘On the State Budget of Ukraine for 2023’ as to Financial Support of the Security and Defence Sector and Resolution of Priority Issues” supplemented the Title “Final Provisions” of the Law of Ukraine “On the State Budget of Ukraine for 2023” with point 14, where it was prescribed that grants for budget support from foreign financial institutions in 2023 could be raised based on agreements made by the state represented by the Minister of Finance of Ukraine or the person who performed his or her duties by the decision of the Cabinet of Ministers of Ukraine.

In 2024, in pursuance of the international commitments, it is planned to carry out the operation to manage the foreign commercial debt of Ukraine, to keep developing solid relations with investors, and to enhance development of the domestic capital market, to raise external long-term concessional financing, and to maximise the share of grants in the official sector as well as to mitigate refinancing risks.

5. Liquidity management



General goal: to increase the predictability and availability of funds for discharge of public functions.

⁹ <https://proifi.gov.ua/?p=analytics>



Progress in achieving the planned results is determined by the following indicators:

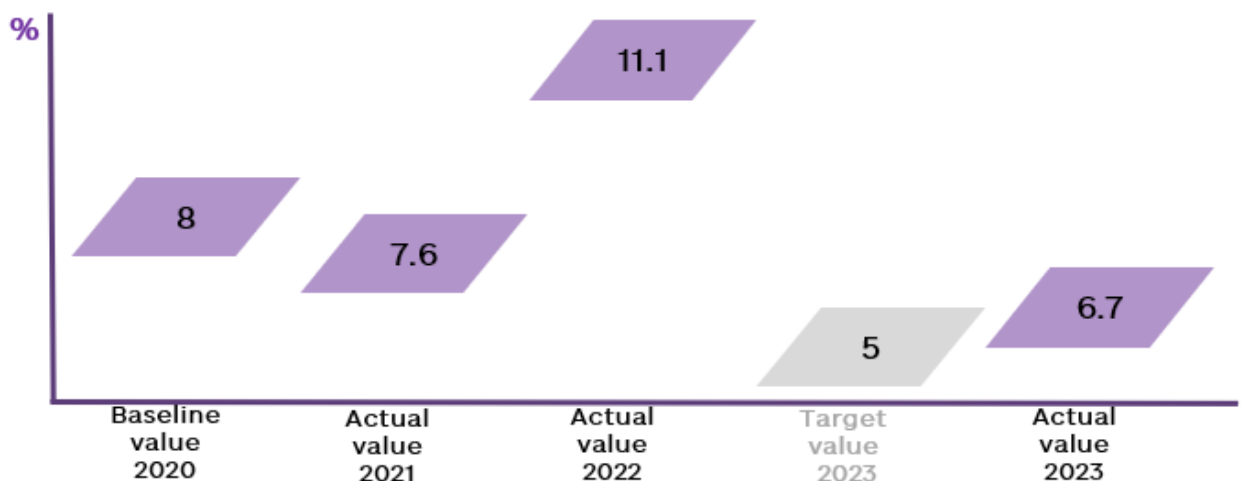
- ✓ **reducing the ratio of the total of the monthly forecasts' absolute deviations to the amounts of outflows from the single treasury account;**
- ✓ **reducing the ratio of budget debt to actual expenditures of the general fund of the state budget.**

As the war has resulted in higher volatility of costs, the matter of forecastability of the cash flow on the single treasury account has gained more relevance.

In 2023, the Treasury carried out monthly forecasting and daily monitoring of dynamics of the single treasury account and its elements with account of the current situation. The Estimated Need for Financial Resources was determined daily for protected, social, other unprotected expenditures from the state and local budgets and other clients' payments.

At the same time, in the context of martial law, the Ministry of Finance made a forecast of daily flow of funds at the single treasury account and currency accounts of the general fund of the state budget for the current month and two subsequent month as well as monthly forecast calculation for six months.

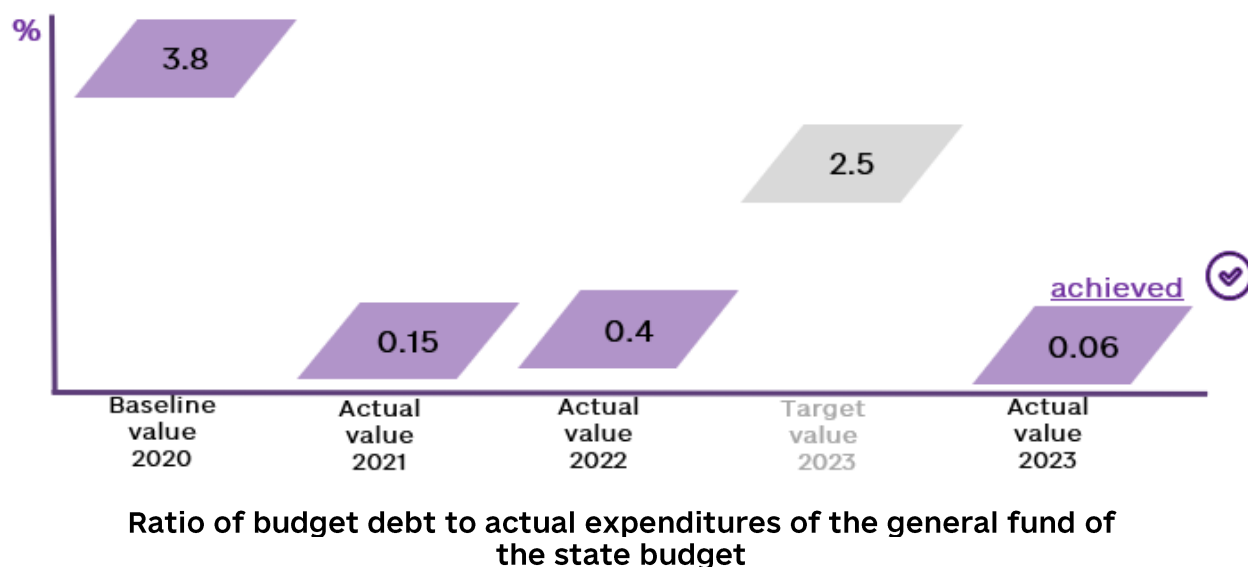
⊗ At the end of 2023, the ratio of the total of the monthly forecasts' absolute deviations to the amounts of outflows from the single treasury account made 6.7%.



Ratio of the total of the monthly forecasts' absolute deviations to the amounts of outflows from the single treasury account

Deviation from the target value was caused by the fact that, in connection with martial law, information for the purposes of liquidity management of the single treasury account and currency accounts of the Treasury set out in Resolution of the Government No. 970 of 30.08.2022 "On Approving the Procedure for Submission of Information between by Budget Holders and Recipients, Other Clients of the State Treasury Service to the Ministry of Finance for the Purpose of Liquidity Management of the Single Treasury Account and Foreign Currency Accounts of the State Treasury Service" was provided in the limited format. The Ministry of Finance piloted collection of information on expected cash flows of local budgets on the single treasury account. Moreover, the above-mentioned Procedure provides for submission of information by spending units, recipients of budget funds, other clients of the Treasury within nine months following the termination of martial law.

☑ At the end of 2023, the ratio of budget debt to actual expenditures of the general fund of the state budget made 0.06%.



As the target value for 2023 was set at the level of 2.5%, that indicator was achieved during the reporting year.

In particular, at the end of 2023, the budget debt of the general fund of the state budget made UAH 1.8 billion whereas the expenditures from the general fund of the state budget made UAH 3,034.3 billion.

5.1. Improving the quality of forecasting the movement of funds in the accounts of the Treasury

Resolution of the Government No. 970 of 30.08.2022 “On Approving the Procedure for Submission of Information between by Budget Holders and Recipients, Other Clients of the State Treasury Service to the Ministry of Finance for the Purpose of Liquidity Management of the Single Treasury Account and Foreign Currency Accounts of the State Treasury Service” was adopted. According to paragraph 3 of the Resolution, information is submitted to the Ministry of Finance within six and nine months following the termination of martial law.

In addition, the following amendments were approved:

- of 21.04.2023 to the Specification of interaction between the information systems of the Ministry of Finance and the Treasury via the information interaction service in connection with provision of daily operational information on the balance on the single treasury account. The information is formed and transferred automatically by means of the information interaction service as of 10.00, 14.00 and 18.00 daily;
- of 08.06.2023 to the Technological format of exchange of information on payment transactions, the list of directories and interaction schemes in connection with changes in the structure of data on payment transactions on the single treasury account in accordance with the new generation of the electronic payment system of the NBU based on the international standard ISO 20022 from 01.04.2023.

In order to ensure automated forecasting of cash flow on the single treasury account and currency accounts of the Treasury, the draft technical specification for information collection software was developed to forecast the



movement of funds in the Treasury's single treasury account and foreign currency accounts. However, according to above-mentioned Resolution of the Government of Ukraine No. 970 of 30.08.2022, the automated system of decision-making as regards liquidity management can be put in place within nine months after the martial law is terminated or cancelled.

The priority in liquidity management is to reduce volatility and operational costs for management of the Treasury's resources, which can be achieved by improving liquidity forecasting and cash management.

5.2. Improvement of liquidity management tools

The Ministry of Finance drafted the Resolution of the Cabinet of Ministers of Ukraine "On Amending the Procedure for Placing Temporarily Free Funds of the Single Treasury Account by Purchasing Domestic Government Bonds", which is being approved by the stakeholders. Active transactions with public securities will be carried out after the Debt Agency is established, and the above-mentioned Resolution of the Cabinet of Ministers of Ukraine is adopted.

In pursuance of Protocol Resolution of the Cabinet of Ministers of Ukraine No. 1 of 03.01.2023 on prevention of the increase in the budget debt in 2023 and development of measures for repayment thereof, the Ministry of Finance carried out corresponding explanatory work with the main spending units in connection with compliance with the financial discipline, efficient use of budget funds, and prevention of past-due debt. Also, in order to repay the budget debt of the previous years and prevent occurrence of (increase in) the accounts payable, the proposals of the MSU regarding replacement of the budget programmes unavailable in the current year with available ones were processed, and the corresponding amendments to the budget inventory were made.

6. Macroeconomic and budgetary forecasting and strategic planning



General goal: to build a state strategic planning system whose elements are mutually agreed and are based on reliable results of macroeconomic and budgetary forecasting, and are focused on achieving long-term publicly supported goals.

Progress in achieving the planned results is determined by the following indicators:

- ✓ increasing the proportion of the main spending units that annually update and publish their action plans for the medium term;
- ✓ increasing proportion of the main spending units that annually present to public their progress reports as regards implementation of their action plans for the medium term;
- ✓ decreasing deviation between forecast and actual indicators of nominal gross domestic product;
- ✓ decreasing deviation between forecast and actual indicators of tax revenues of the consolidated budget.

In pursuance of the task to improve the tools and capacity in the areas of macroeconomic and budgetary forecasting and strategic planning, the exchange of experience and training as well as inter-agency consultations for alignment of joint efforts, projects and opinions were carried out in 2023 within the international technical assistance projects.



At the same time, in 2023, the Ministry of Finance ensured comprehensive revision of the methodology for forecasting budget revenues.

② The indicators **“Proportion of the main spending units that annually update and publish their action plans for the medium term”** and **“Proportion of the main spending units that annually present to public their progress reports as regards implementation of their action plans for the medium term”** are not to be assessed in 2023 due to the following.

According to paragraph 5(1) of Article 22 of the Budget Code of Ukraine, the main spending unit must develop the action plan for the medium term, in particular, with account of the Budget Declaration.

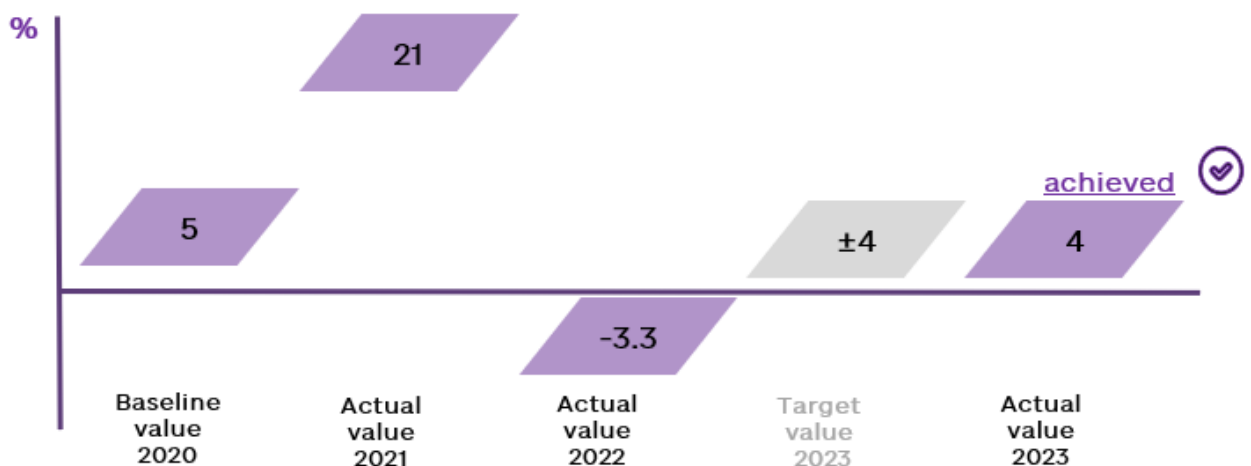
At the same time, according to Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, the rules of Article 33 of the Budget Code of Ukraine and related rules regarding the Budget Declaration did not apply during the martial law in 2023.

Moreover, some of the public authorities restricted access to information on their operations in 2023 on their official websites in connection with the martial law.

Therefore, in the context of uncertainty, suspension of medium-term budget planning and no planning documents of the higher level as well as for the other reasons associated with the military aggression of the Russian Federation against Ukraine, most main spending units were forced to temporarily suspend their medium-term planning process and publication of up-to-date action plans and reports on implementation thereof in 2023.

With due consideration of the above, it is impossible to objectively assess achievement of these targets in 2023.

③ At the end of 2023, the deviation between the forecast and actual values of the nominal GDP made 4%, so the target value of the Strategy for 2023 was achieved.



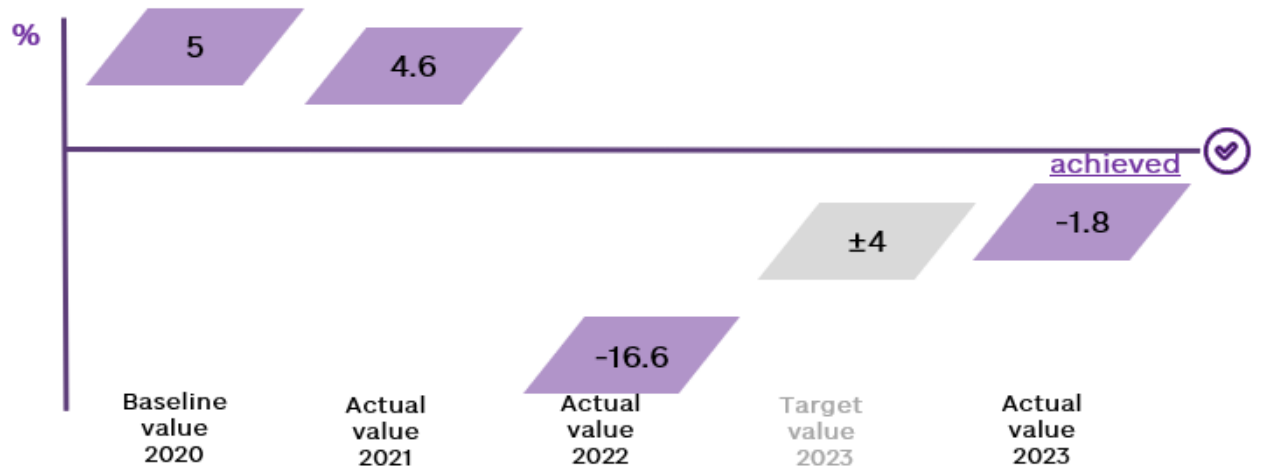
Deviation between forecast and actual indicators of nominal GDP

The Law of Ukraine “On the State Budget of Ukraine for 2023” considered the forecast GDP of UAH 6,279.3, and according to the report of the State Statistics Service, the nominal GDP is UAH 6,537.8 billion, so the deviation between the forecast and actual indicators of the nominal GDP made 4%.



☑ At the end of 2023, the deviation between the forecast and actual indicators of tax revenues of the consolidated budget made 1.8%, so the target value of the Strategy for 2023 was reached.

In order to ensure fiscal stability in the war time, the Government did its best to duly mobilised the internal resources, namely tax revenues: UAH 1,638 billion were received in 2023. The tax revenues made the largest share in the structure of revenues, almost 53% of the actual revenues of the consolidated budget in 2023.



Deviation between forecast and actual indicators of tax revenues of the consolidated budget

Underpayment of tax revenues was caused by numerous factors, including the principal ones:

- destruction of oil refineries, integrated iron-and-steel works, infrastructural, energy and other facilities;
- logistical problems (in the first place, blocking of customs checkpoints at the border with Poland) and restricted export (according to the State Statistics Service, a decrease in export in 2023 made 18%);
- temporary exemption from the value-added tax of import of natural gas into the customs territory of Ukraine;
- fall of the world prices of hydrocarbons, especially natural gas, which influenced rental payments paid to the budget for extraction of natural gas, oil and gas condensate.

6.1. Legislative regulation of the functioning of the integrated system of state forecasting and strategic planning of economic and social development

In 2023, the Procedure for Developing the State Strategy for Regional Development of Ukraine and the Action Plan for the Implementation Thereof was updated by Resolution of the Government of Ukraine No. 817 of 04.08.2023, and the implementation of the Strategy and the action plan as well as the Procedure for Developing the Regional Development Programmes was monitored.

In 2023, the Ministry of Economy worked actively to develop the methodological approaches to strategic planning of operations of the public authorities as a part of the UNDP project “Enhancing Crisis Management and Emergency Response capacities at all levels of government authorities of Ukraine”.



Thus, the UNDP consultants studied the methodological approaches to development of strategic operational plans of the public authorities in different countries, matters of financing of strategic operational plans, monitoring and assessment of implementation thereof. In close cooperation with the professionals of the Ministry of Economy, the guidelines were drafted on developing strategic operational plans and aligning them with the budget process, the new digital system for monitoring and assessment of implementation of strategic plans (demo model / IT solution) was created based on the operational plan of the Ministry of Economy for 2023. The methodological approaches and model are going to be tested within the budget process in 2024 (in the medium term).

On 13.12.2023, the Ministry of Economy held the event during which the UNDP consultants presented deliverables of the work performed to upgrade strategic planning processes at the ministry level. The event was attended by the professionals from the Ministry of Economy and other ministries.

Moreover, in order to improve the capacity for state strategic planning, the Ministry of Economy and the Ministry of Finance with participation of the international experts held a number of educational events on development, implementation, monitoring and assessment of implementation of strategic planning documents, namely:

The expert forum on strategic management in public institutions was held on 26.01.2023 at the initiative of the EU representatives within the EU Twinning project; the matters of strategic planning, cooperation of public institutions in connection with strategic priorities, and performance management were considered. The event was attended by representatives of public institutions of Lithuania and Portugal, OECD and SIGMA experts. The representatives of the Ministry of Finance, the Ministry of Economy, the Ministry of Energy, the Ministry of Digital Transformation, the NACS, the Office of the President of Ukraine and others were invited;

in quarter II of 2023, the High School of Public Governance conducted the training with the short-term advance training programme “Result-Driven Governance”;

on 21.06.2023, the employees of the Ministry of Finance took part in the virtual seminar “Integrating budgeting and strategic planning” with the support of PEMPAL project;

on 06.09.2023, there was a final training stage within the educational programme “Strategic Expert School” implemented by the Higher School of Public Governance jointly with the NACS and with the support of SURGe project. The event was attended by 42 civil servants of category A;

on 14.09.2023, the NACS conducted the training session on monitoring and approval of detailed activities in the IT system PROJECT UA. More than 40 civil servants took part in the training.

Performance of the activities in the areas **“6.2 Development of the system of state forecasting and strategic planning of economic and social development within implementation of the legislation on development of the system of state forecasting and strategic planning of economic and social development”** and **“6.3 Further depoliticisation of macroeconomic and budgetary forecasting and strategic planning”** is scheduled by the Strategy for the first three months following the adoption of the law on development of the system of state forecasting and strategic planning of economic and social development.



6.4. Improvement of the tools and capacity in the areas of macroeconomic and budgetary forecasting and strategic planning

In 2023, the Ministry of Economy used the new macroeconomic forecasting toolkit developed in 2020-2021 with the support by the RST (Reform Support Team); it was the structural macroeconomic computable general equilibrium (CGE) as a part of forecasting and assessment of decision-making (in particular, impact of investment projects upon the GDP and specific risks of the forecast developed in 2023). This model is updated regularly based on the statistical data available. Owing to the use of the structural CGE, the matrix of social accounts was developed based on the available statistical data, and the behavioural equations were described, which enabled assessment of impact of implementation of the management decisions and reforms, effects of external shocks for the economy of Ukraine.

In 2023, improvement and review of forecasting methods continued. In order to ensure timely consideration of external factors upon the revenue part of the budget, the methodology for forecasting individual sources of proceeds is updated on a continuous basis.

With a view to increasing substantiation of forecast revenues, the Methodology for Forecasting Licence Fees for the Right to Perform Certain Types of Economic Operations, Issue of Duplicates and Certificates approved with Order of the Ministry of Finance No. 335 of 19.06.2023.

The new Methodology for Forecasting the Import Duty with Eviews Software was approved with Order of the Ministry of Finance No. 373 of 05.07.2023 "On Approving the Methodology for Forecasting Import Duty Revenues".

The methodologies for forecasting excise duty revenues from the excise goods (products) made in Ukraine and the excise goods (products) imported into the customs territory of Ukraine were approved with order of the Ministry of Finance No. 734 of 28.12.2023 "On Approving the Methodologies for Forecasting Excise Duty Revenues".

Also, in 2023, the Ministry of Finance developed the new model for calculating forecast income tax revenues from banks as a result of the new approach to taxation of the net interest income of banks and the increase in the income tax rate by Law of Ukraine No. 3474-IX of 21.11.2023 "On Amending the Tax Code of Ukraine as to Peculiarities of Taxation of Banks and Other Taxpayers". The algorithm for the impact of such changes upon budget proceeds was established.

In 2024, the following is going to be continued:

- modernisation of the strategic planning methods (to modify the digital model of monitoring and assessment of implementation of the strategic plan of the Ministry of Economy, and to test it);
- practice of medium-term macroeconomic forecasting as well as established practice of consensus seminars on macroeconomic forecasting;
- improvement of the areas of macroeconomic and of the tools and capacity in the areas of macroeconomic and budgetary forecasting and strategic planning by participating in training sessions, workshops and seminars on improvement of the strategic planning and macroeconomic forecasting tools.



7. Medium-term budget planning



General goal: to ensure predictability and balance of fiscal policy in the medium term and strengthen the strategic approach to budget planning.

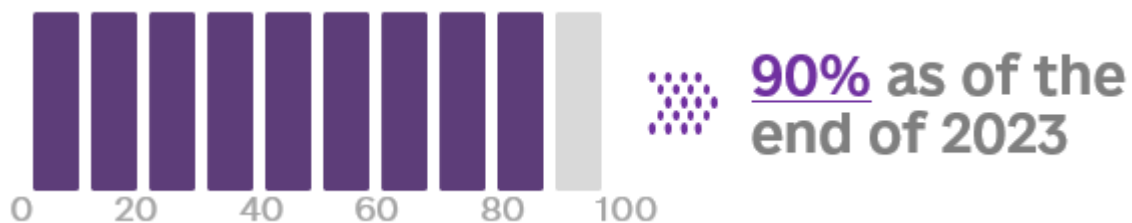
Progress in achieving the planned results is determined by the following indicator:

✓ **decreasing deviation of budget indicators provided by the Budget Declaration for the planned year from the respective indicators approved by the previous year's Budget Declaration.**

In 2023, the Budget Code of Ukraine was amended as regards resumption of the medium-term budget planning from 2024. In particular, Law of Ukraine No. 3278-IX of 27.07.2023 "On Amending the Budget Code of Ukraine to Ensure Predictability of the Budget Policy and to Enhance Debt Sustainability" repealed the clause on suspended preparation of the Budget Declaration from 01.01.2024. Resumption of medium-term budget planning facilitates better forecastability and consistency of implementation of the budget policy.

❓ The target value of the indicator **"Deviation of budget indicators provided by the Budget Declaration for the planned year from the respective indicators approved by the previous year's Budget Declaration"** is not to be assessed in 2023 as there is no Budget Declaration.

According to the Report of the Cabinet of Ministers of Ukraine on Implementation of the Association Agreement between the European Union and Ukraine, progress in fulfilment of the Public Finance Management obligations in 2023 is 90%.



7.1. Setting up reliable medium-term framework for state budget planning

The Ministry of Finance ensured efficient organisation of the budgeting process in the context of high uncertainty caused by the war, so the draft Law of Ukraine "On the State Budget of Ukraine for 2024" was approved at the meeting of the Cabinet of Ministers of Ukraine on 15.09.2023 and adopted by the Verkhovna Rada of Ukraine on 09.11.2023 (No. 3460-IX) and signed by the President of Ukraine on 28.11.2023.

The information on the budget indicators for 2025 and 2026 was submitted together with the draft State Budget of Ukraine for 2024 in order to ensure forecastable and consistent implementation of the budget policy.

7.2. Strengthening the financial and economic validity of the decisions of the Cabinet of Ministers of Ukraine

According to paragraph 55² Rules of Procedure of the Cabinet of Ministers of Ukraine, the Prime Minister of Ukraine or another member of the Government of Ukraine in consultation with the Prime Minister of Ukraine has the right to



submit a draft act to the Cabinet of Ministers of Ukraine for consideration without having to adhere to the approval and consultation requirements of this Regulation during the martial law in Ukraine in an emergency that requires an immediate decision.

In this regard, the activities in this direction of the Strategy will be resumed after the martial law is terminated or cancelled.

Also, the role of the Ministry of Finance as the authority responsible for balanced and justified budget indicators was enhanced in 2023 when the law on the state budget was amended. Law of Ukraine No. 3278-IX of 27.07.2023 “On Amending the Ministry of Finance to Ensure Predictability of the Budget Policy and to Enhance Debt Sustainability” amended Article 52 of the Code, according to which the Ministry had to attach an expert opinion and information on financial support of the draft law to each draft law on amending the law on the State Budget of Ukraine submitted to the Verkhovna Rada of Ukraine.

7.3. Raising budgetary discipline and improving budget planning

As a part of the project “Public Finance Management Support Programme for Ukraine (EU4PFM): Components 3 and 4”, in accordance with Contribution Agreement No. ENI/2018/404-165 of 19.12.2018 (project (programme) registration card No. 4266-03 of 13.02.2023), contract No. 2023/4-3-70/13110-05/29 of 28.02.2023 was made between the Ministry of Finance, CPMA and the State Institution “Open Public Finance”, and the assignment was performed to develop the IT system of the Ministry of Finance “State Budget – Ministry of Finance” and the automated information system for online interaction with state budget spending units (WebCFA AIS) based on the Calendar Plan to the contract.

In order to put the IT systems into operation, the draft Plan for the Implementation of the Information Systems was developed and approved for the IT System of the Ministry of Finance of Ukraine “State Budget – Ministry of Finance”, and the Automated Information System for Online Interactions with Administrators of State Budget Funds (WebCFA AIS).

The IT system for interaction with the spending units will be a digital tool for the communication with the Ministry of Finance in the budget process that will ensure exchange of documents to be duly saved, verified and consolidated, and it will be used in preparation of the Budget Declaration and the draft State Budget of Ukraine for 2025.

Moreover, the training was conducted for the staff of the internal audit units (in particular, representatives of the central executive authorities) as a part of the programme for their preparation for certification with participation of the Reform Support Office (RST) of the Ministry of Finance on 10–13 November 2023 on the theme “Programme-based budgeting, including medium-term budget planning”. About 160 participants took part in the training.

7.4. Development of local medium-term budget planning

According to Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, the rules of Article 75¹ of the Budget Code of Ukraine and related rules regarding the local budget forecasts are not to be applied during the martial law.

The Ministry of Finance of Ukraine has drafted the Law of Ukraine “On Amending the Budget Code of Ukraine as to Resumption of Medium-Term



Budget Planning at the Local Level and Alignment Thereof with the Laws of Ukraine”¹⁰.

At the same time, according to the requirements of the second indent of paragraph 1 of Article 75¹ of the Budget Code of Ukraine, the Ministry of Finance in 2023:

- amended the Standard Form of Local Budget Forecasting and the Guideline on Development Thereof” (Order of the Ministry of Finance No. 288 of 31.05.2023 “On Amending Order of the Ministry of Finance of Ukraine No. 314 of 2 June 2021” (registered with the Ministry of Justice on 16.06.2023 under No. 1006/40062));

- approved the forms of the local budget proposal and the Guideline on Development Thereof (Order of the Ministry of Finance No. 534 of 06.10.2023 “On Approving the Guideline on Development of the Budget Proposal” (registered with the Ministry of Justice on 20.10.2023 under No. 1842/40898)).

8. Programme-based budgeting



General goal: to increase the efficiency and effectiveness of application of budget funds, and the quality of public services.

Progress in achieving the planned results is determined by the following indicators:

- ✓ **ensuring that expenditures and loans from the state budget are covered by cost overviews in the respective year at the level of at least 5%;**
- ✓ **increasing the proportion of the main spending units that have revised their budget programmes in accordance with new approaches.**

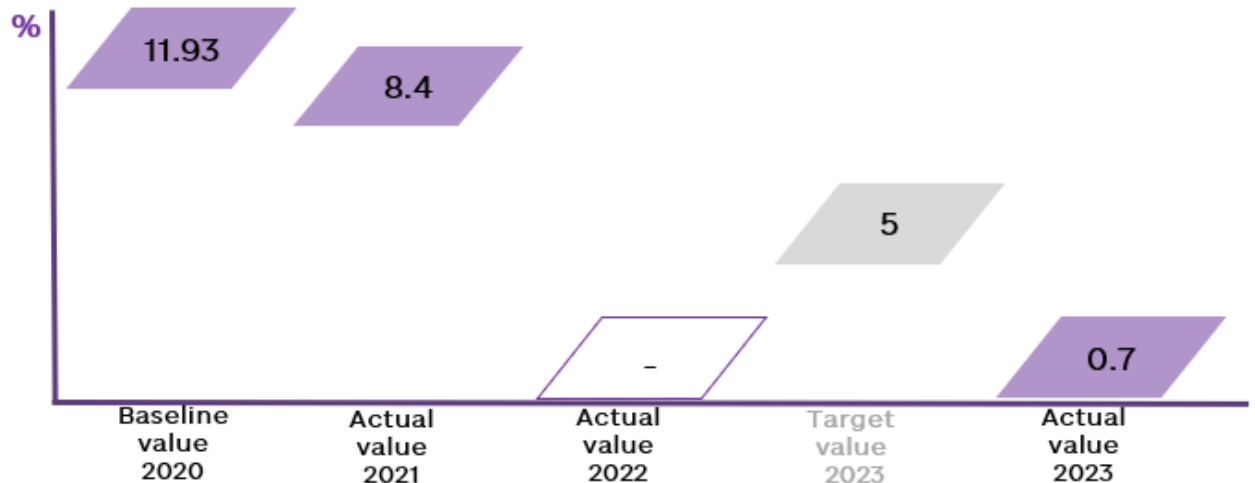
In 2023, the state budget cost reviews that had been suspended in 2022 in connection with the war were resumed.

Also, the approaches to development of budget programmes by the main spending units were regulated, which was a basis for reformatting of budget programmes in order to make them more focused on public services and to enhance their connection with objectives of the state policy.

⊗ The indicator “Proportion of expenditures and loans from the state budget covered by cost overviews in the respective year” in 2023 made 0.7%; the target value of “at least 5%” was not reached.

Although the actual share of the costs covered by the cost reviews in 2023 is less than the target one, the outcomes of the reviews will have a positive impact upon the social sphere and subsequent recovery of the country.

¹⁰ The Draft Law was registered with the Verkhovna Rada of Ukraine on 27.03.2024 under registration No. 11131.



① The target value of the indicator “**Proportion of the main spending units that have revised their budget programmes in accordance with new approaches**” will be assessed as of the end of 2024.

8.1. Optimisation of budget programmes and strengthening their compliance with public policy goals

In 2023, the Ministry of Finance developed the guidelines on formation of budget programmes by the main spending units, which were sent to the main spending units with letter of the Ministry of Finance No. 04110-08-2/21527 of 07.08.2023 on preparation of budget requests for 2024–2026 and recommended to be applied to review and update budget programmes, including the information included into budget requests.

The information and analytical platform of electronic verification and monitoring was additionally improved in the reporting year, in particular, via development of the automated information exchange (API) with the entities providing information, namely:

- with the Ministry of Justice – regarding receipt of information from the State Register of Civil Status Acts on marriage and dissolution of marriage; from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organisations; from the Estate Register; from the Unified Register of Convicts and Detainees; from the Unified Register of Debtors;
- with the STS – regarding the data on employment / conclusion of the gig-contract; the data on notification of taxation items or items related for taxation or used in operations that have been received by the regulatory authorities in accordance with point 63.3 of Article 63 of the Tax Code of Ukraine; the check of validity of the taxpayer registration card number / series (if any) and number of passport (for the natural persons who refuse to accept a taxpayer registration card number due to their religious believes, and have officially notified the relevant regulatory authority of that and have a respective note in passport), the sources, the period of receipt, the type and amount of income of natural persons;
- with the State Migration Service – regarding receipt of information from the Unified State Demographic Register;
- with the State Customs Service – regarding receipt of information from the Unified Automated Information System of the State Customs Service;



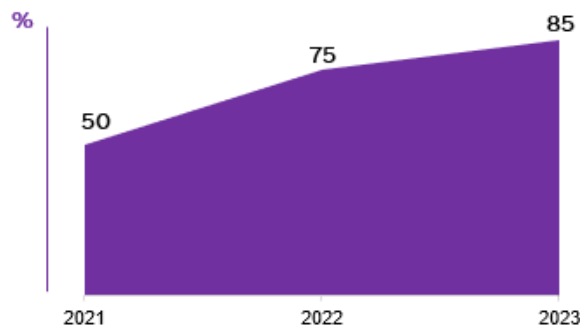
- with the State Judicial Administration of Ukraine – regarding receipt of information from the Unified State Register of Court Decisions;
- with the Ministry of Social Policy – regarding receipt of information from the Unified Information Database on Internally Displaced Persons.

Moreover, the service was developed for the authorities responsible for state payments to provide information on the decisions made on the recommendations given by the Ministry of Social Policy; the integration of information systems of the Ministry of Social Policy, the Pension Fund of Ukraine and the State Employment Centre with the information and analytical electronic verification and monitoring platform of the Ministry of Finance was ensured as regards receipt of preventive verification results upon request of the authorities responsible for state payments.

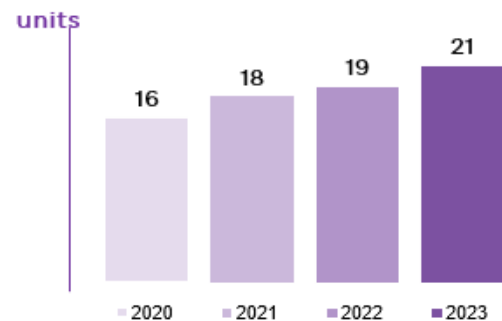
Verification also covered new state payments, in particular the ones introduced during the martial law, namely:

- aid within E-Support Programme;
- compensation for the employer's expenses for labour remuneration for hiring internally displaced persons as a result of hostilities during the martial law in Ukraine.

In general, the quantity of automated information systems, registers, data bases of the entities providing information with which information exchange was set for state payment verification during the reporting year made 21 units, which is two units more than the previous year. Moreover, the level of connection of the authorities that effect state payments to the preventive verification service increased and made 85%.



Level of connection of the authorities that effect state payments to the preventive verification service



Quantity of automated information systems, registers, data bases of the entities providing information with which information exchange was set for state payment verification

At the end of 2023, 5,289.9 thousand recommendations were given to the authorities that effect state payments following the verification.

In order to update approaches to application of the programme-based budgeting, in 2023, the Ministry of Finance issued Orders No. 41 of 26.01.2023 "On Amending Certain Orders of the Ministry of Finance of Ukraine and Peculiarities of Reporting on Implementation of Budget Programme Passports for 2022 and Assessment of Performance of Budget Programmes for 2022" and No. 682 of 11.12.2023 "On Amending Order of the Ministry of Finance of Ukraine No. 1098 of 29 December 2022", which adapted specific elements of the programme-based budgeting to the war-time reality.



8.2. Making regular reviews of state budget expenditures

In 2023, Ordinance of the Cabinet of Ministers of Ukraine No.580-p of 30.06.2023 “On State Budget Cost Reviews in Specific Areas in 2023” provided for cost reviews in seven areas of six main spending units (Ministry of Education and Science, Ministry of Infrastructure, Ministry of Veterans, Ministry of Ecology and Natural Resources, Restoration Agency, and National Academy of Agrarian Sciences), and for completion of the cost review in one area (Ministry of Energy).

In order to ensure complete integration of cost reviews into the budget process, the above-mentioned ordinance of the Government:

- set the frequency of reviews in the specific area – at least once every five years;
- instructed the main spending units (except for the ones in the field of security and defence and the oblast state administrations with the status of military civil ones) to develop and submit to the Ministry of Finance the plans for state budget cost reviews for 2024-2028.

Owing to the approach, the cost reviews will gradually cover all the areas in which the main spending units operate (except for the ones in the field of security and defence and the oblast state administrations with the status of military civil ones). The frequency of assessment of costs and mechanisms for implementation of the state policy within the reviews every five years shall ensure that budget costs are realistic and efficient, and public services are relevant.

Development of prospective plans for cost reviews will facilitate full integration of cost reviews into the budget process of Ukraine as a tool found to be efficient in the EU countries to enhance the mechanisms for implementation of the state policy in different areas.

In order to improve the quality of possible ways to achieve goals of cost reviews, there is a requirement for considering findings of primary assessment of implementation of the EU acquis in the corresponding area during cost reviews.

8.3. Effective performance monitoring

According to Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, the rules of Article 28(5) of the Budget Code of Ukraine are not to be applied during the martial law.

At the same time, the results of the budget programme efficiency assessment for 2022 were published on their websites by around 42% of the main spending units since such publication posed no threat for national security.

In 2023, the approaches to efficiency assessment were adapted to the conditions of budget implementation in martial law based on the results of 2022; in particular, the Ministry of Finance issued Order No. 41 of 26.01.2023 “On Amending Certain Orders of the Ministry of Finance of Ukraine and Peculiarities of Reporting on Implementation of Budget Programme Passports for 2022 and Assessment of Performance of Budget Programmes for 2022”.

According to the information furnished by the main spending units together with the budget requests during the preparation of the draft State Budget of Ukraine for 2024, gender analysis was conducted for 187 budget programmes, which was 52 more than in 2022, and made almost 41% of the total number of



the budget programmes for the expenditures included into the draft State Budget of Ukraine for 2024.

8.4. Improving the programme-based budgeting at the local level, including the application of a gender-oriented approach in the budgeting

The amendments to the Standard Programme Cost Classification and Local Budget Crediting were made to improve budget classification (Orders of the Ministry of Finance No. 453 of 21.12.2022 and No. 427 of 03.08.2023).

The Standard Lists of Performance Indicators of Local Budget Programmes in the area “Public administration” were developed (order of the Ministry of Finance No. 322 of 15.06.2023 registered with the Ministry of Justice on 29.06.2023 under No. 1097/40153) and in the youth area and assertion of the Ukrainian national and civic identity (Order of the Ministry of Finance No. 7782 of 28.12.2023 registered with the Ministry of Justice on 11.01.2024 under No. 62/41407).

9. Inter-budget relations and fiscal decentralisation



General goal: to ensure the financial capacity of territorial communities and to improve inter-budgetary relations, taking into account a new model of territorial organisation of the government of Ukraine and the updated powers of the executive authorities and local self-government bodies.

Progress in achieving the planned results is determined by the following indicators:

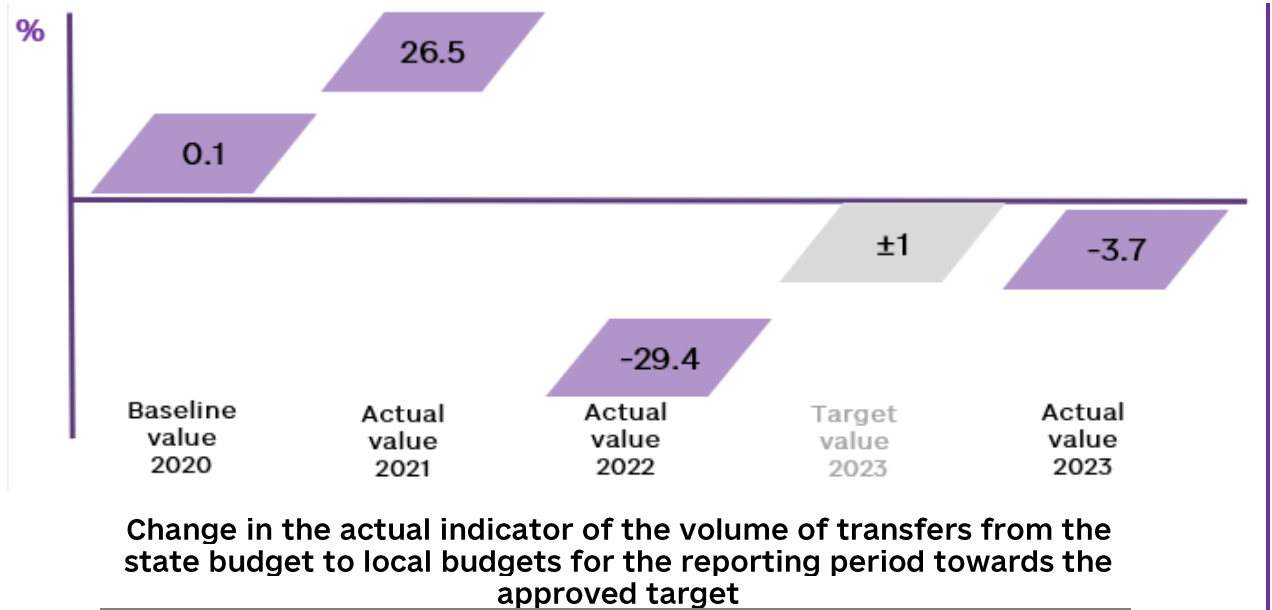
- ✓ **ensuring change in the actual indicator of the volume of transfers from the state budget to local budgets for the reporting period towards the approved target at the level of up to 1%;**
- ✓ **increasing the share of local budget revenues (excluding transfers) in the Consolidated Budget of Ukraine.**

In 2023, despite the extremely negative impact of the armed aggression of the Russian Federation upon the social and economic development of the Ukrainian regions, the local authorities turned out to be capable of facing the budget challenges, and the targets of revenues of the general fund of local budgets were generally achieved in Ukraine.

However, the target values of the Strategy indicators for this component were not achieved since they had been established before the war and for times of peace.

Also, in connection with the martial law and temporary occupation of the territories of Ukraine by the Russian Federation, certain activities of the Strategy for this component were suspended.

⊗ At the end of 2023, the change in the actual indicator of the volume of transfers from the state budget to local budgets for the reporting period towards the approved target made -3.7%.



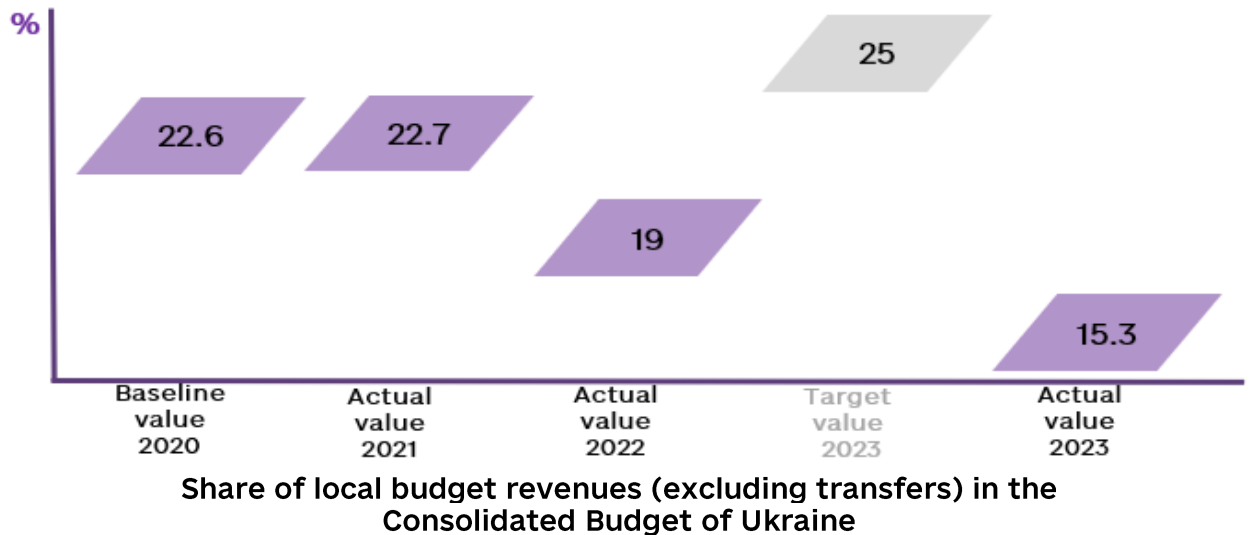
Failure to achieve the target was caused by the fact that, in the context of the martial law and temporary occupation of some of the territories of Ukraine by the Russian Federation, budget expenditures were aimed at maintaining the defensive ability and fulfilling all the social commitments of the state in the first place.

The local budgets were given transfers from the state budget in the amount of UAH 177.4 billion in 2023 during martial law, which was UAH 6.8 billion less than the target set for 2023, but still UAH 40.6 billion more than granted in 2022.

The main transfers from the state budget in 2023 were as follows:

- educational subvention – UAH 87.4 billion;
- basic grant-in-aid – UAH 29.0 billion;
- additional grant-in aid for the powers of local self-government bodies in the de-occupied, temporarily occupied and other territories of Ukraine affected in connection with the full-scale armed aggression of the Russian Federation – UAH 17.2 billion;
- subvention for financial support of construction, reconstruction, repairs and maintenance of public motor roads of local significance, municipal streets and roads in settlements – UAH 16.0 billion;
- subvention for the projects (facilities, activities) aimed at elimination of effects of the armed aggression – UAH 3.4 billion.

⊗ In 2023, the share of local budget revenues (excluding transfers) in the consolidated budget of Ukraine made 15.3%. Deviation of the actual indicator from the target is explained by the fact that the pace of local budget revenues gain in Ukraine in 2023 was considerably smaller than the pace of revenues gain in the consolidated budget of Ukraine.



Implementation of the consolidated budget by revenues is UAH 3,104.3 billion, including state budget revenues of UAH 2,672.5 billion or 86%. In this case, the actual revenues of the state budget made 188.7% of the annual target approved by the Verkhovna Rada of Ukraine (as amended). The annual target approved was exceeded by UAH 1,256 billion, in the first place, owing to the grants received from the international partners and own proceeds of budget institutions.

9.1. Clear division of powers between executive bodies and local self-government bodies

The activities in that area were completed in 2021-2022.

At the same time, in 2023, the Ministry of Communities, Territories and Infrastructure Development of Ukraine worked with the Decentralisation Road Map, which was first presented in November 2023. A wide range of experts, international partners and representatives of associations of local self-government bodies were involved into the work.

The Road Map sets further actions for the reform of local self-government and territorial organisation of power in Ukraine for 2024-2027¹¹. The action plan prescribes the key steps for development of capable communities without limitation:

- amendments to the legislation (draft laws on improving regulation of the mechanism for approving territories of territorial communities and determining their administrative centres; on dividing powers between local self-government bodies and executive bodies);
- increasing the institutional and financial capacity of local self-government bodies.

9.2. Increase of the local self-government bodies' own financial resources

In 2023, the Ministry of Infrastructure took actions to develop approaches to assessment of the territorial communities' financial capacity.

The Ministry of Infrastructure in partnership with the OSCE Project Co-ordinator in Ukraine developed and launched the Information and Analytical

¹¹ The Action Plan for the Reform of Local Self-Government and Territorial Organisation of Power in Ukraine for 2024-2027 was approved by Ordinance of the Cabinet of Ministers of Ukraine No. 270-p. of 26.03.2024.



Portal of Capacity of Territorial Communities, which enabled to assess each community based on fifteen indicators and specific demographic, infrastructural, financial and other data. The Portal contains maps and summary of indicators that describe the potential of each territorial community and its development level in detail. The Information and Analytical Portal will help the public monitor, analyse and assess the condition and results of work in each community by means of the targets set.

Also, in pursuance of Article 24(4), Article 26(2) of the Law of Ukraine “On the Principles of the State Regional Policy”, the Ministry of Infrastructure drafted the Procedure for Monitoring the State Regional Policy and the Procedure for Assessing Implementation of the State Regional Policy¹².

At the same time, in order to eliminate the distortion in allocation of the additional resource in the form of the military individual income tax, Law of Ukraine No. 3428-IX of 08.11.2023 amended Title VI of the Budget Code of Ukraine: in particular, the individual income tax proceeds in the form of monetary allowance, monetary rewards and other payments received by the military, police officers and junior and senior staff that were paid (transferred) under the Tax Code of Ukraine in the corresponding territory in Ukraine were credited to the special fund of the State Budget Code of Ukraine from 01.10.2023 until 31.12.2024.

9.3. Improving the mechanism of financial support of expenditure powers delegated by the state to local self-government bodies and local executive authorities

The hostilities and temporary occupation of certain territories materially affect indicators of social and economic development of the territorial communities whereas absence of sustainable statistical information and uncertainty about duration of hostilities and their effects have added complexity to forecasting revenues and expenditures of the local budgets.

In order to carry out realistic estimates of horizontal alignment of local budgets, Law of Ukraine No. 3460-IX of 09.11.2023 “On the State Budget of Ukraine for 2024” changed the mechanism for calculation of specific parameters for 2024; in particular, horizontal alignment was carried out for:

- oblast budgets separately for the estimated corporate income tax received in 2023, and for the individual income tax expected in 2023;
- budgets of the territorial communities for the individual income tax expected in 2023.

The individual income tax proceeds (without account of the individual income tax on monetary allowance, monetary rewards and other payments received by the military, police officers and junior and senior staff) and the corporate income tax proceeds were estimated with account of the actual receipt of the taxes in January to August 2023 and estimated receipt in September to December 2023 calculated based on the share of taxes in September to December 2022 in the total volume of the taxes in 2022.

During the martial law and for a year after it is over, horizontal alignment of the tax capacity of the local budgets for the planned year may be carried out for the expected corporate income tax and the individual income tax for the year prior to the planned one.

¹² The Procedures were approved with Resolution of the Cabinet of Ministers of No. 305 of 15.03.2024.



In order to keep improving the mechanism for horizontal alignment and reduce disproportion in the financial sustainability of communities, the principal matter must be the need to provide social services guaranteed by the state all over the territory. For this approach to be implemented, the following needs to be done:

- to determine the clear list of own and delegated powers of the territorial communities, and to divide them between local self-government levels by amending Law of Ukraine “On Local Self-Government in Ukraine”. The draft laws submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine (registration No. 6281 and registration No. 6282 of 04.11.2021) on division of powers of local self-government bodies in connection with changes in the administrative territorial structure were revoked in February 2023;
- to introduce the new model to determine the quantity of the actual population of the territorial communities that is used to calculate horizontal alignment of the tax capacity of the territories to the actual indicators (material differences between the statistical data and actual data of the actual population in the communities result in distortion of horizontal alignment data).

In 2023, the Government amended the Procedure and Terms and Conditions for Additional Grant-in Aid in 2023 from the State Budget to the Local Budgets for the Powers of Local Self-government Bodies in the De-occupied, Temporarily Occupied and Other Territories of Ukraine Affected in Connection with the Full-Scale Armed Aggression of the Russian Federation (Resolution of the Cabinet of Ministers of Ukraine No. 1477 of 30.12.2022), in particular, to improve calculation of the additional grant-in aid.

Moreover, the Government regulated the procedures for developing state standards for physical education and sport, updated the social norms in the field of culture by amending the Law of Ukraine “On State Social Standards and State Social Guarantees” (Laws of Ukraine No. 2868-IX of 12.01.2023 and No. 3495-IX of 22.11.2023).

9.4. Enhancement of financial transparency and accountability of local self-government bodies

Performance of the Strategy activities in this area was temporarily suspended in the context of martial law and in connection with temporary occupation of some of the territories of Ukraine by the Russian Federation.

10. Public procurement system



General goal: effective functioning of the public procurement system, which is the key to the rational use of public funds and the development of a competitive economy.

Progress in achieving the planned results is determined by the following indicators:

- ✓ increasing the proportion of procurement procedures monitoring conducted by the body of public financial control on the basis of automatic risk indicators in the total number of procurement procedures monitored;
- ✓ increasing the average participation rate in competitive procurement procedures;



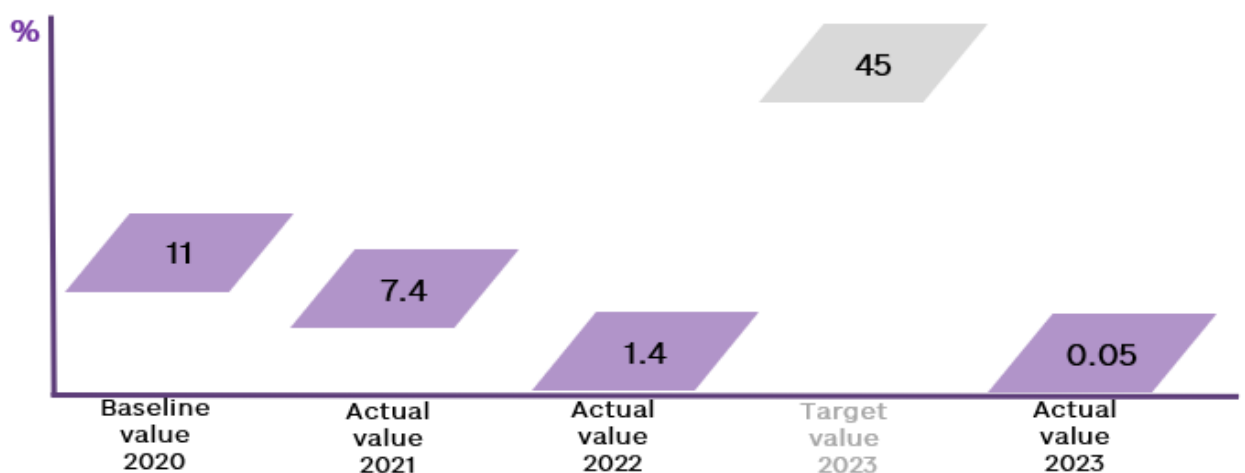
- ✓ increasing the average participation rate in simplified procurement procedures, participants;
- ✓ decreasing the share of cancelled procurement procedures (recognition of those as not having taken place).

Resolution of the Cabinet of Ministers of Ukraine No. 1178 of 12.10.2022 introduced the Special Aspects of Public Procurement of Goods, Works and Services for Procuring Entities under the Law of Ukraine “On Public Procurement”, for the term of the legal regime of martial law in Ukraine and for 90 days after it is terminated or cancelled (hereinafter the “Special Aspects”).

At the same time, in order to ensure efficient operation of the public procurement system in the reporting year, the work was performed as a part of the Strategy to increase transparency and accessibility of public procurement for participants, and to ensure efficient procurement in martial law in Ukraine, with the optimisation of the list of necessary cases in which procurement may be carried out without the e-procurement system as well as to bring the Ukrainian public procurement system in line with the EU Directives on procurement.

⊗ In 2023, the proportion of procurement procedures monitoring conducted by the State Audit Service and its inter-regional territorial units on the basis of automatic risk indicators in the total number of procurement procedures monitored made less than 1%.

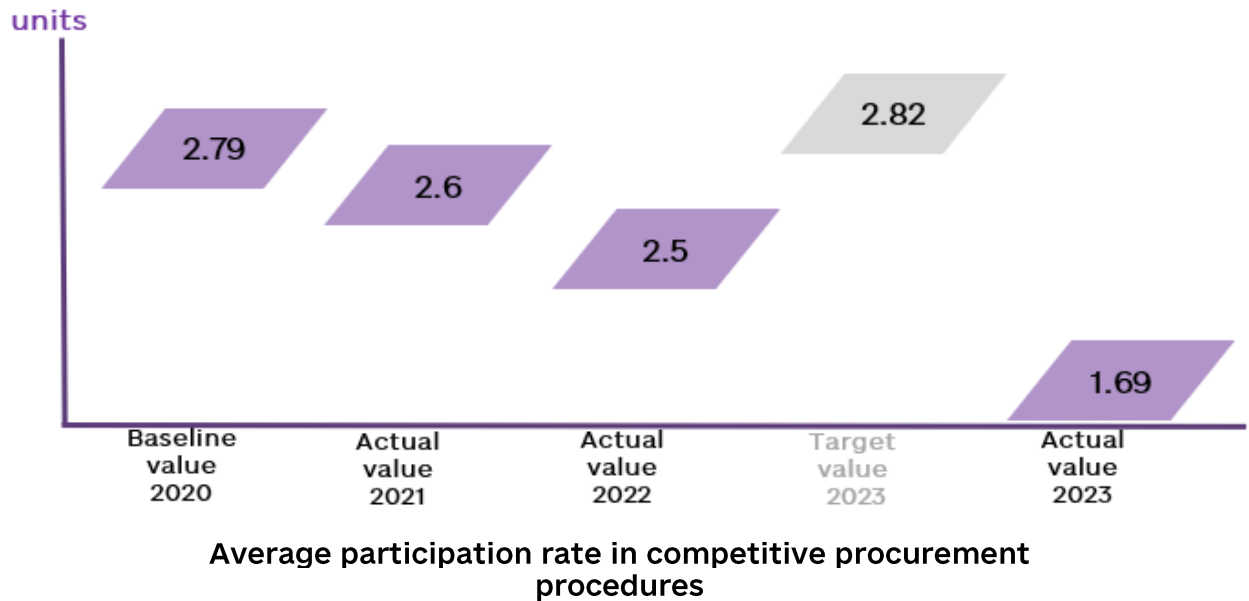
That was caused by the fact that the procurement procedures were mostly selected during the martial law based on the ground “Signs of violation(s) of the public procurement legislation detected by the body of public financial control in the information published in the electronic procurement system”, with account of the special aspects introduced for the period of martial law (changes in the threshold values and resulting calculation algorithms in accordance with the legislation, and application of the procedure of public bidding with special aspects), and the need to monitor procurement with account of information without a machine-readable format in the electronic procurement system.



Proportion of procurement procedure monitoring conducted by the body of public financial control on the basis of automatic risk indicators in the total number of procurement procedures monitored

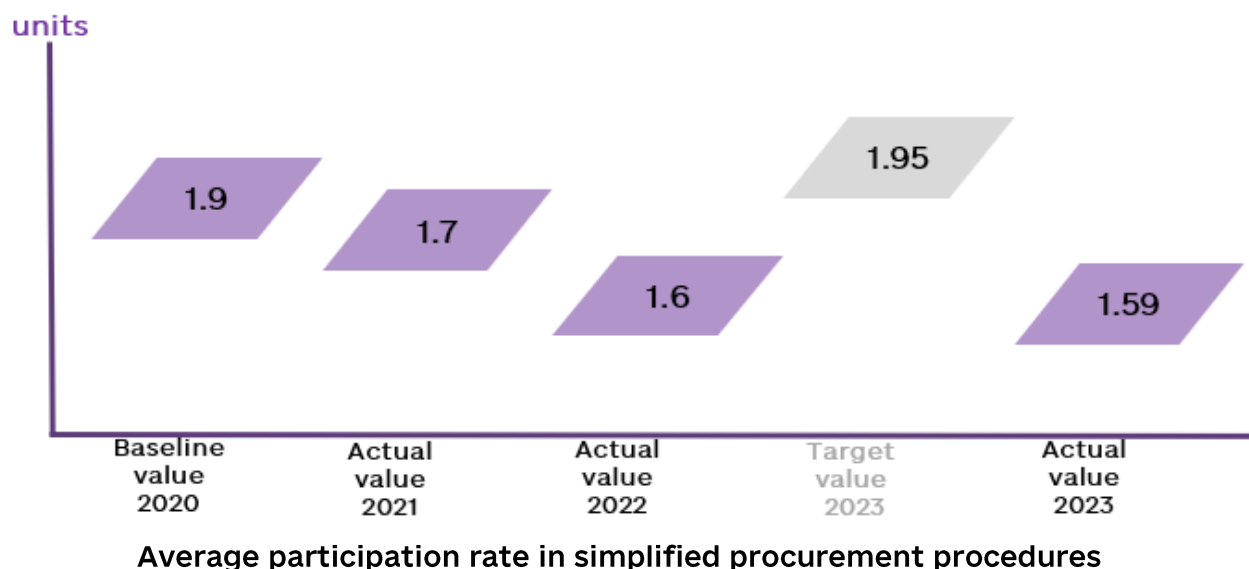


⊗ In 2023, the average participation rate in competitive procurement procedures made 1.69 participants, which was 1.13 units less than the target value.



A decrease in the number of participants of such procurement procedures was connected with the full-scale armed aggression of the Russian Federation against Ukraine. Due to the hostilities, there was a permanent threat of destruction of important infrastructure of economic operators, logistical chains had to be changed, it was difficult to obtain raw material, and there was shortage of staff due to forced migration and mobilisation.

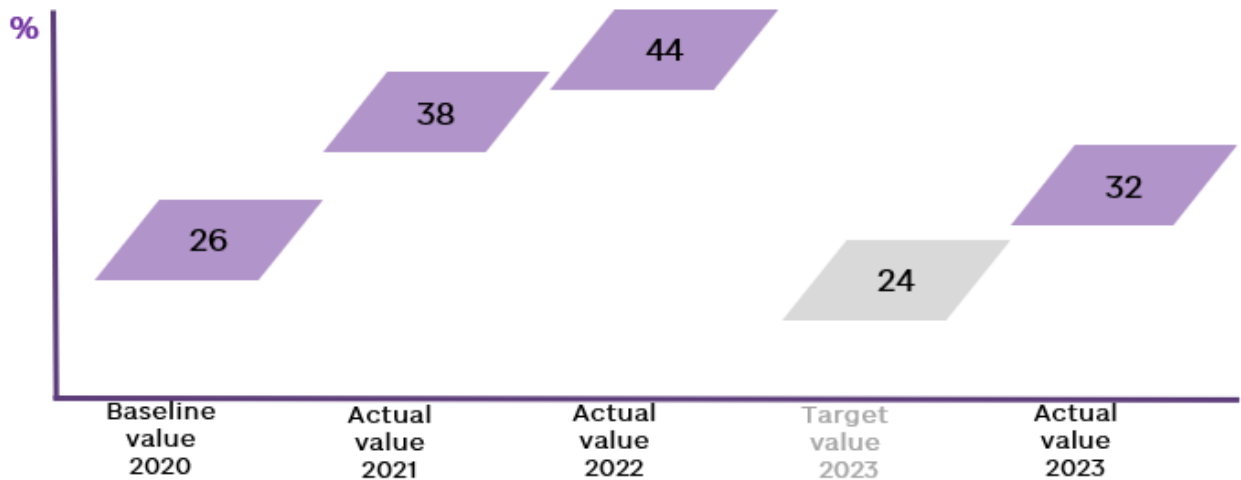
⊗ In 2023, the average participation rate in simplified procurement procedures made 1.59 participants, which was 0.36 units less than the target value.



In 2023, when procuring the goods and services (except for minor repair services) with the cost of less than UAH 100 thousand, the minor repair services with the cost of less than UAH 200 thousand, and the works with the cost of less than UAH 1.5 million, procuring entities may use the e-procurement system in accordance with the terms and conditions set by the administrator of the e-procurement system, by applying the simplified procedure.



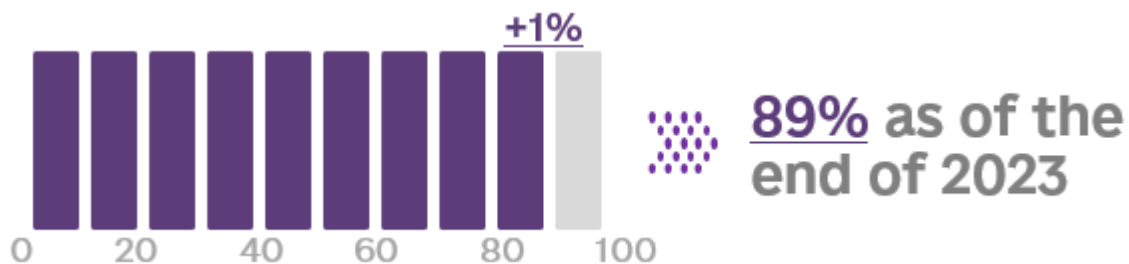
⊗ As of the end of 2023, the share of cancelled procurement procedures (recognition of those as not having taken place) made 32%, which was 8% more than the target (threshold) value of that indicator.



**Share of cancelled procurement procedures
(recognition of those as not having taken place)**

The principal factors that resulted in deviation of actual values from the targets are the ongoing full-scale armed aggression of the Russian Federation against Ukraine, which has affected economic operators. Moreover, there is a permanent threat of destruction of the important infrastructure, shortage of staff, and the considerable number of economic operators ceased their business activities, and some businesses were relocated to safer territories or change their profile.

At the same time, according to the Report of the Cabinet of Ministers of Ukraine of Ukraine on Implementation of the Association Agreement between the European Union and Ukraine, progress in fulfilment of the Public Procurement obligations in 2023 made +1% and reached 89%.



10.1. Improving the procedure for monitoring public procurement and improving access to relevant sources of information

In pursuance of the Strategy in this direction, the part of the information that is to be included into bidding documentation can be entered as separate fields in the electronic procurement system; in particular, it is information on the procuring entity (its location, contact details etc.); procurement procedure; item being procured; bid security; bid language; time frames for submission and opening of the bid; guarantee of performance of the contract; assessment criteria; contractual payment conditions and sources of financing.

Moreover, information on grounds for refusing from participation in the procurement procedure (Article 17 of Law of Ukraine "On Public



Procurement”) can be entered as separate fields in the electronic procurement system.

Also, a number of actions were taken to ensure functioning of the system for determining automated risk indicators in order to select procurement procedures for monitoring purposes. In particular, the State Audit Service improved its methodological approaches to control in the field of public procurement and ensure automation of procurement monitoring and inspection processes.

Within the International Technical Assistance Project “Support to Public Procurement Reform in Ukraine” and the World Bank’s Project, the work continues to improve the process for determination of automated risk indicators, which provides for development of the kit to form risk indicators for the Ukrainian national electronic procurement system ProZorro and recovery procurement monitoring within the Construction Sector Transparency Initiative (CoST). The kits of risk indicators are going to be integrated into ProZorro system and can be customised for specific procurement control / monitoring needs during the national reconstruction of the infrastructure destroyed by the war. The procurement procedures that will be recognised to be risky based on their indicators are going to be openly labelled as such.

In fact, following the numerous meetings with the Ministry of Economy and representatives of the public, the SE “ProZorro” developed 11 risk indicators, which are procurement selection filters by their nature.

The Ministry of Finance and the Ministry of Economy drafted the joint order “On Updating the Automatic Risk Indicators in the Field of Public Procurement” in 2023¹³.

Moreover, Resolutions of the Cabinet of Ministers of Ukraine No. 471 of 12.05.2023 “On Amending Resolutions of the Cabinet of Ministers of Ukraine No. 1178 of 12 October 2022 and No. 253 of 21 March 2023, and On Invalidating Certain Resolutions of the Cabinet of Ministers of Ukraine” and No. 952 of 01.09.2023 “On Amending the Special Aspects of Public Procurement of Goods, Works and Services for the Procuring Entities under the Law of Ukraine ‘On Public Procurement’ during the Legal Regime of Martial Law in Ukraine and for 90 Days Following the Termination or Cancellation Thereof” granted the public financial control body the powers to monitor simplified procurement as well as procurement on which a report on the procurement contract concluded without the e-procurement system is published in the e-procurement system.

10.2. Improving methodological approaches to control in the field of public procurement

The activities in that area were completed in 2022. Order of the State Audit Service No. 126 of 30.06.2022 (as amended on 12.07.2022 under No. 137) on approving the guidelines on public financial control in the field of public procurement, in particular, check lists for procurement procedure monitoring, was developed and approved.

It is stated in the Report of the European Commission that Ukraine demonstrates a certain level of preparation in the field of public procurement. During the reporting period, minor progress was achieved due to the invasion of Ukraine by Russia and imposition of martial law. Further alignment of the

¹³ Order of the Ministry of Finance of Ukraine and the Ministry of Economic of Ukraine No. 66/3757 of 12.02.2024 “On Updating the Automatic Risk Indicators in the Field of Public Procurement”.



Ukrainian law with the EU acquis is necessary, in particular, in terms of concession and public-private partnership (PPP), exceptions, selection, use of the criterion of the most cost-effective bid as well as defence procurement.

With due consideration of the recommendation given by the European Commission, progress needs to be reached in alignment of the legislation on public procurement with the EU acquis, including in terms of concession and PPE, and there must be minimum exceptions to the legislation on public procurement owing to martial law.

Moreover, testing is going to be performed in 2024 to determine the most efficient automatic risk indicators and to modify their algorithms, in particular, by introducing additional procurement selection procedures, which requires information on resolution of technical issues from the SE “ProZorro”.

Also, the assignment will be continued, in particular, in terms of ensuring transition to the electronic tender documents in the format of separate fields in the e-procurement system, to use this information in procurement monitoring by public financial control bodies.

11. Public investment management



General goal: to ensure the planning of public investments on the basis of strategic priorities and medium-term budget perspective and the implementation of transparent and economically sound selection of investment projects.

Public investment management is one of the priorities of the European integration commitments of Ukraine. In order to fulfil the Memorandum of the Economic and Financial Policy between Ukraine and the International Monetary Fund, the Ministry of Finance and the ministries involved developed the Road Map For Public Investment Management Reforms approved by the Government on 22.12.2023 in 2023, with account of the recommendations given by the World Bank and the IMF, the best European practices as well as prompt recovery post-war reconstruction needs.

The purpose of the Road Map is to form the context, vision, main principles and directions of development of the integral, sustainable and effective public investment management system that ensures planning of investment projects based on strategic priorities and medium-term budget framework, selection thereof in accordance with the unified and transparent procedures and clear criteria and implementation within the schedule and financing.

In particular, the Road Map provides for the following:

- decision-making on public investment within strategic and medium-term budget planning as well as establishment of the Strategic Investment Council;
- application of the public investment management procedures to all the investment projects associated with reconstruction, recovery and development via the uniform definition of the public investment project;
- unified approaches to assessment and selection of public investment projects regardless of financing sources and mechanisms, and establishment of the uniform project portfolio to ensure priority and gain access to financing;



- assessment of financial stability of public investment by the Ministry of Finance, and enhanced management of corresponding fiscal risks;
- creation of the single IT ecosystem based on the updated methodological framework for public investment management;
- development of capacities for public investment management at the central and local levels.

The public investment management reform will be implemented in accordance with the action plan to be approved by the Government by the end of quarter II of 2024.

Progress in achieving the planned results in this component is determined by the following indicators:

- ✓ **improving the quality of preparation of state investment projects (share of state investment projects that meet certain criteria for participation in the competitive selection by the Interdepartmental Commission on State Investment Projects in the total number of state investment projects submitted to the Ministry of Economy by the main spending units);**
- ✓ **selection of state capital investments with a view to the implementation of state investment projects, % of the plan.**

② As of the end of 2023, the Strategy indicators “**Improving the quality of preparation of state investment projects (share of state investment projects that meet certain criteria for participation in the competitive selection by the Interdepartmental Commission on State Investment Projects in the total number of state investment projects submitted to the Ministry of Economy by the main spending units)**” and “**Selection of state capital investments with a view to the implementation of state investment projects**” are not subject to assessment since performance thereof was affected by a number of objective factors, namely failure to provide state investment projects to the Ministry of Economy in 2022, in connection with the full-scale invasion of Ukraine by the Russian Federation, suspension of Article 33 of the Budget Code of Ukraine, no expenditures for state capital contributions for implementation of state investment projects in the state budget since 2023, as a result of which the Inter-Agency Commission on State Investment Projects did not select state investment projects.

After the Action Plan for the Implementation of the Road Map for Public Investment Management Reforms is approved, the indicators and activities in this area will be updated.

11.1. Strategic planning of public investment in the medium-term perspective

In 2023, the Ministry of Economy resumed the work to plan public investment in the medium-term perspective.

Thus, the Ministry of Economy received 56 state investment projects from the MSU for consideration; 46 of them were admitted to selection, with the overall financing need for completion of the projects in the amount of UAH 38,956.660 million (including UAH 7,195.145 million in 2024, UAH 10,316.430 in 2025, and UAH 9,645.333 million in 2026).

The Ministry of Economy provided for expenditures under CSPCC 1201360 for state support of implementation of investment projects with major



investment in the amount of UAH 3,000 million in the state budget for 2024 (financing of planned investment projects and engagement of new investment projects with major investment for recovery and development of the Ukrainian economy).

In connection the martial law, activities **11.2 “Harmonisation of approaches to assessment and selection of proposals as regards funding investment projects”, 11.4 “Improvement of the procedure for monitoring of project implementation and improvement of their transparency”, 11.5 “Improvement of the approaches to management of investment projects funded from the local budgets”** were suspended in 2023.

At the same time, the Strategy regarding public investment management is going to be implemented within Grant TF0B6630 of the Project “EU Public Finance Management Support Programme for Ukraine”, the purpose of which is:

- 1) enhanced public resource management by introducing the HRMIS (human resource management information system) all over the country;
- 2) assessment of and increase in efficiency of public investment management system;
- 3) enhanced management of state enterprises (implemented by the Ministry of Economy).

Letter of Amendments No. 1 of 25.09.2023 to the Letter Agreement on the Grant in Project TF0B6630 between Ukraine and the International Bank for Reconstruction and Development provides for extended term of the Project until 11.06.2025 as well as restructured component as to improvement of the public investment management system by engaging new beneficiaries, the Ministry of Finance and the Ministry of Infrastructure, within the coordination of implementation and monitoring of public investment and support of the change management process.

11.3. Building the line ministries’ capacity in public investment management

In 2023, in order to build the capacity in public investment management, the NACS consolidated the proposals made by the MSU on the themes for advance training programmes for public investment management, in particular, as to cost benefit analysis, made the corresponding list of the themes of advance training programmes for civil servants and sent it to be considered in formation of content of the corresponding advance training programmes for civil servants and subsequent training in regional advance training centres, the State Tax University, and the Academy of Financial Management. In 2023, the NACS ensured developed and approval of ten general short-term advance training programmes that covered the matters of public investment management.

During the reporting period, the regional advance training centres and educational establishments selected to fulfil the state order of the NACS for advance training following the bidding procedure conducted training on public investment management for 3,126 persons, including: 1,705 civil servants, 1,421 local self-government officials.

The priorities of 2024 are to develop the Action Plan for the Implementation of the Road Map, implementation of the transitional model of public investment management, including establishment of the Strategic Investment Council to



agree upon strategic priorities of public investment, and ensuring legislative regulation of the new model of public investment management, including comprehensive amendments to the Budget Code of Ukraine.

12. Public sector accounting



General goal: to improve the quality, completeness and reliability of data on the basis of which managerial decisions are made in the area of public finance.

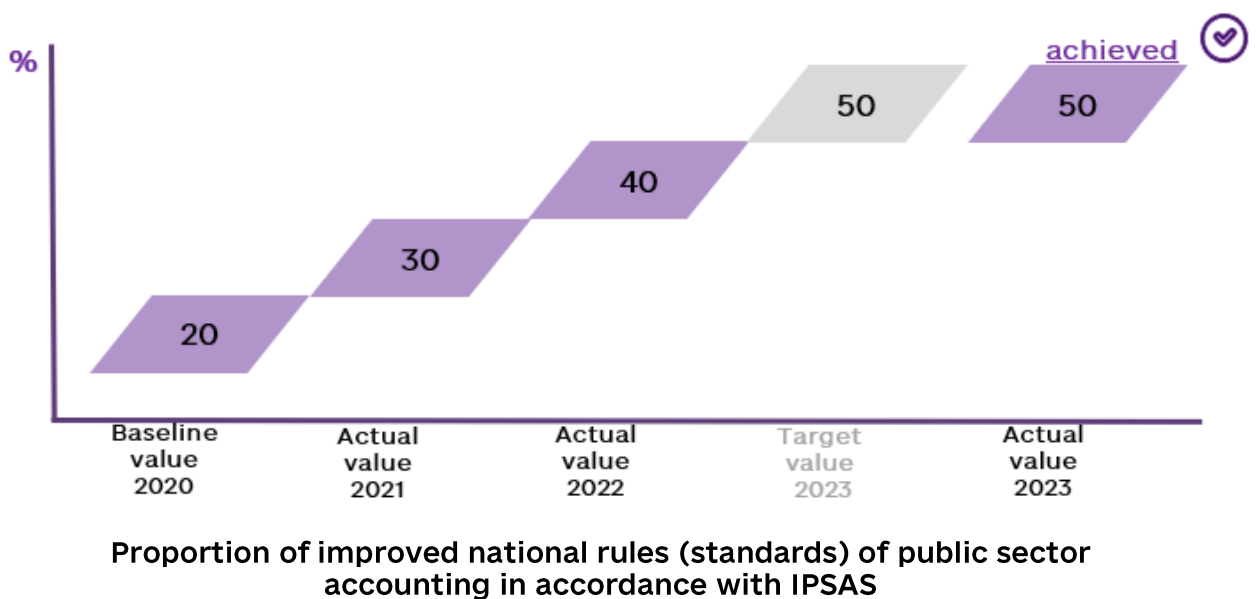
Progress in achieving the planned results is determined by the following indicator:

✓ **increasing the proportion of improved national rules (standards) of public sector accounting in accordance with IPSAS.**

The Ministry of Finance keeps improving the national rules (standards) of public sector accounting in accordance with the International Public Sector Accounting Standards and amendments thereto as well as other accounting legal and normative acts with account of the EU legislation, International Public Sector Accounting Standards and amendments thereto.

☑ At the end of 2023, the target values of the Strategy for this component were achieved.

The proportion of improved national rules (standards) of public sector accounting in accordance with IPSAS pursuant to the IPSAS amendments and improvements makes 50%, as planned by the Strategy.



12.1. Improvement of national rules (standards) of public sector accounting

In 2023, the following Orders of the Ministry of Finance were issued in pursuance of the Strategy:

- No. 189 of 13.04.2023 "On Amending National Rules (Standard) of Public Sector Accounting 102 'Consolidated Financial Statements'" registered with the Ministry of Justice on 28.04.2023 under No. 698/39754;



- No. 230 of 04.05.2023 “On Amending Order of the Ministry of Finance of Ukraine No. 189 of 13 April 2023” registered with the Ministry of Justice on 08.05.2023 under No. 767/39823;
- No. 310 of 09.06.2023 “On Approving the Amendments to Certain Recommendations on Public Sector Accounting”;
- No. 162 of 30.03.2023 “On Approving the Amendments to Certain Legal and Normative Acts on Public Sector Accounting” registered with the Ministry of Justice on 17.04.2023 under No. 629/39685;
- No. 650 of 20.11.2023 “On Approving the Amendments to Certain Legal and Normative Acts on Public Sector Accounting” registered with the Ministry of Justice on 04.12.2023 under No. 2106/41162.

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In pursuance of the Public Finance Management Support Programme for Ukraine (EU4PFM) Project, the Ukrainian translation of IPSAS 41 “Financial Instruments”, IPSAS 43 “Leases”, and IPSAS 44 “Non-current Assets Held for Sale and Discontinued Operations” was received.

12.2. Improving organisational framework and quality of accounting services in the public sector

During the reporting period, the Public Finance Management Support Programme for Ukraine (EU4PFM) Project analysed the international and national best accounting practices and the organisational framework for accounting in the public sector, list of powers and qualification requirements to staff of accounting services. Thus, the experts of EU4PFM Project reviewed the existing organisational framework for provision of public accounting services, studied the international practices of public accounting services. In pursuance of the Strategy, the study will be conducted based on the specific public entity to examine practical implementation of the proposals developed on improvement of the organisational framework for public accounting, the qualification requirements for accounts in public entities, the rules for assessment of chief accountants, which will result in the updated new draft model of organisation of accounting services in the public sector, with due consideration of amendments to the legislation on classification of positions (grading) on the basis of the best international practices, and corresponding proposals to amend the Standard Regulation on the Accounting Service of the Budget Institution approved by Resolution of the Cabinet of Ministers of Ukraine No. 59 of 26.01.2011, and the Procedure for Assessing Discharge of Duties by the Chief Accountant of the Budget Institution approved by Order of the Ministry of Finance No. 1537 of 01.12.2011.

The Ministry of Finance registered applications for development of draft occupational standards “Accountant in a Budget Institution” and “Chief Accountant in a Budget Institutions”, which are developed alongside with analysis of the professional activity, based on the methodological approaches with functional analysis, work place analysis, the scope of tasks, work processes and the environment.



In order to improve assessment of performance of powers by the chief accountant of the budget institution, with due consideration of martial law, Order of the Ministry of Finance No. 174 of 06.04.2023 "On Amending the Procedure for Assessment Performance of Powers by the Chief Accountant of the Budget Institution" registered with the Ministry of Justice on 20.04.2023 under No. 651/39707 was issued.

During the reporting period, the advanced training was conducted for staff of the accounting services of budget institutions based on the special (certificate) programme "Accounting in public institutions and organisations based on the national standards" approved with Order of the Ministry of Finance No. 368 of 09.11.2022. The training was conducted online at the State Tax University. The experts involved by the EU4PFM Project participated in the online training on accounting and financial reporting as trainers. 449 persons completed the advance training course.

12.3. Improving the quality of information on the overall property status and performance of public sector entities and budgets

In order to improve the procedure for drawing up consolidated financial statements on the general property condition and operating results of public entities and budgets in martial law, Order of the Ministry of Finance No. 189 of 13.04.2022 "On Amending National Rules (Standard) of Public Sector Accounting 102 'Consolidated Financial Statements'" Registered with the Ministry of Justice on 28.04.2023 under No. 698/39754 was developed and issued.

The Treasury in consultation with the Ministry of Finance developed and approved the amendments to Order of the Treasury No. 28 of 25.01.2019 "On Approving the Guidelines on Formation of Financial Reporting Forms by the Bodies of the State Treasury Service of Ukraine":

- No. 98 of 17.04.2023 "On Amending Annex 1 to the Guidelines on Formation of Financial Reporting Forms by the Bodies of the State Treasury Service of Ukraine";
- No. 109 of 01.05.2023 "On Approving the Amendments to Annexes 3 and 4 to the Guidelines on Formation of Financial Reporting Forms by the Bodies of the State Treasury Service of Ukraine";
- No. 186 of 18.07.2023 "On Amending the Guidelines on Formation of Financial Reporting Forms by the Bodies of the State Treasury Service of Ukraine".

In 2023, the Treasury formed the general consolidated financial statements for 2022 based on the following data: financial reporting on budget implementation; consolidated indicators of consolidated financial reporting on local budget implementation; consolidated indicators of consolidated financial reporting of main spending units of the state budget; consolidated indicators of consolidated financial reporting of main spending units of local budgets; consolidated indicators of consolidated financial reporting of budgets of the mandatory state social and pension insurance funds in the form of Annexes 1 to 4 to the National Rules (Standard) of Public Sector Accounting 102 "Consolidated Financial Statements".

At the same time, according to Law of Ukraine No. 2134-IX of 15.03.2022 "On Amending Section VI 'Final and Transitional Provisions' of the Budget Code of Ukraine and Other Legislative Acts of Ukraine", the rules of Article 28(5) of the Budget Code of Ukraine as to mandatory publication of information on budget implementation are not applied during the martial law.



12.4. Improving the procedure for disclosing information on the execution of state and local budgets in accounting

Orders of the Ministry of Finance No. 162 of 30.03.2023 “On Approving the Amendments to Certain Legal and Normative Acts on Public Accounting” registered with the Ministry of Justice on 17.04.2023 under No. 629/39685 and No. 650 of 20.11.2023 “On Approving the Amendments to Certain Legal and Normative Acts on Public Accounting” registered with the Ministry of Justice on 04.12.2023 under No. 2106/41162 amended the Chart of public sector accounts (Order of the Ministry of Finance No. 1203 of 31.12.2013) and the Procedure for application of the Chart of public sector accounts (Order of the Ministry of Finance No. 1219 of 29.12.2015) as regards improvement accounting of specific transactions involving state and local budget funds, other long-term liabilities of spending units (state special-purpose funds) as prescribed by the legislation.

The priority for 2024 is to continue improving the national rules (standards) of public sector accounting in accordance with IPSAS.

13. Treasury servicing of budget funds

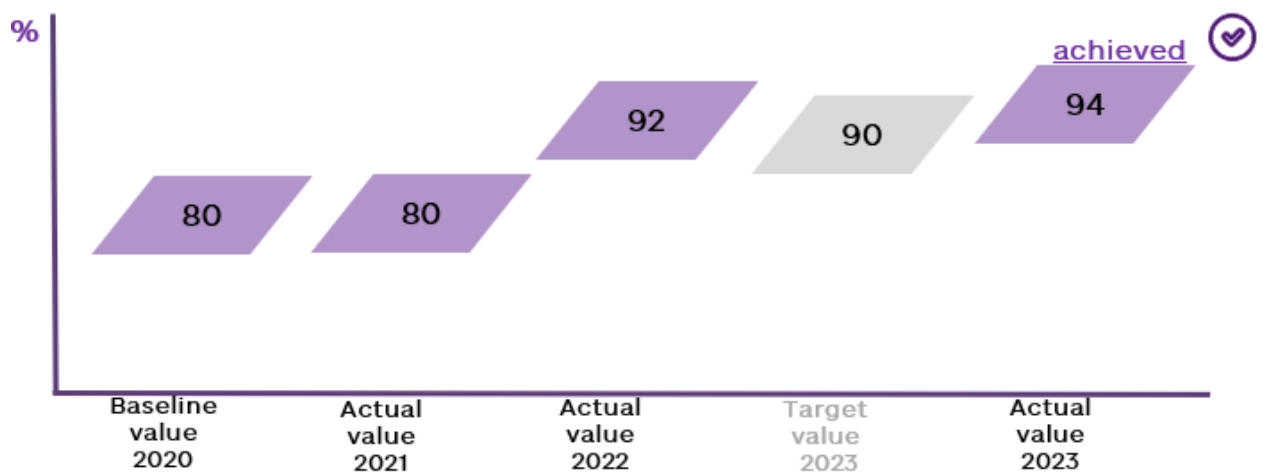


General goal: to ensure efficiency and transparency in budget execution. To achieve that goal, it is necessary to ensure strengthening the Treasury’s institutional capacity and improve management of the single treasury account.

Progress in achieving the planned results is determined by the following indicator:

✓ **increasing the level of access of the participants in the budget process to the Treasury’s digital services.**

☑ As of 31.12.2023, the remote service system “Treasury Client – Treasury” was actually connected to 33,034 spending units and recipients of funds from the state and local budgets, which made 94% of the total number of the budget process participants (35,085 institutions).



Level of access of the participants in the budget process to the Treasury's digital services



In 2023, the quantity of electronic documents submitted by clients during settlement and cash services via the remote service system “Treasury Client – Treasury” to the Treasury’s bodies made 60.4 million electronic documents. That indicator made 49.4 million documents in 2022, and 48.3 million documents in 2021.

The specific weight of the documents submitted by the clients via the remote service system “Treasury Client – Treasury” in the total number of the documents processed by the Treasury bodies went up considerably. Thus, in 2023, the specific weight of the documents submitted by the clients via the remote service system “Treasury Client – Treasury” in the total number of the documents processed by the Treasury bodies made 93%, and only 7% of the documents were submitted by the clients in hard copy. In 2022, 85% of the documents were submitted by the clients via the remote service system “Treasury Client – Treasury” in the total number of the documents processed by the Treasury bodies, and 15% of the documents were submitted by the clients in hard copy. In 2021, 61% of the documents were submitted by the clients via the remote service system “Treasury Client – Treasury”, and 39% of the documents were submitted by the clients in hard copy.

It means the positive tendency and material progress in the process of transition to electronic settlement and cash services.

13.1. Enhancement of the Treasury’s institutional capacity

As martial law was imposed in Ukraine, the Treasury discharges its powers in accordance with the Budget Code of Ukraine and the Regulation on the State Treasury Service of Ukraine approved with Resolution of the Cabinet of Ministers of Ukraine No. 215 of 15.04.2015, with due consideration of the peculiarities set by the Procedure for Discharge of Its Powers by the State Treasury Service in the Special Regime of Martial Law” approved with Resolution of the Cabinet of Ministers of Ukraine No. 590 of 09.06.2021.

In 2023, a number of amendments to the Procedure for Discharge of Its Powers by the State Treasury Service in the Special Regime of Martial Law were made with account of new challenges posed by the martial law.

13.2. Improving the procedures for treasury servicing of budget funds and relevant reporting forms

Order of the Ministry of Finance No. 685 of 11.12.2023 “Report on achievement of targets of allocation of local budget expenditures” improved the form of reporting on the implementation of local budgets to ensure comparison of actual expenditures with approved ones.

The challenging war-time reality demonstrated the importance of the remote form of interaction between the Treasury bodies and clients. In particular, application of the remote service system “Treasury Client – Treasury” turned out to be the only opportunity to receive treasury services for the category of the clients who were unable to physically attend the Treasury bodies with the ordinary work schedule due to their stay in the area of hostilities and/or temporary occupation. The application of the remote service system “Treasury Client – Treasury” enabled ensuring implementation of the budget process in such territories in 2023.

The Treasury took measures to improve the software of the remote service system “Treasury Client – Treasury” and to expand its functions:



- it was adapted to the new format of the Ukrainian payment infrastructure (the new-generation electronic payment system of the National Bank of Ukraine (SEP-4.0) based on the international standard ISO 20022). In particular, the new details line enabled the following: import of transport files and manual entry of the structured format of the detail “Purpose of payment” in the transfer order in payment (collection) of taxes; printing of forms of transfer orders and account statements, including the ones with information on the fact and causes of return of the transfer order by the recipient’s payment service provider;
- it was made possible to submit electronic documents for transactions with one’s own balance as of the beginning of the year (balance transferred, balance received).

However, although the Treasury ensured continuous operation of all the information systems, the hostile actions of the aggressor caused prevented certain categories of clients from accessing the remote service system “Treasury Client – Treasury”. Thus, the clients in the temporarily occupied territories and/or area of active hostilities who still had not been connected were unable to get the connection, in particular, as the officials of such clients did not hold a qualified electronic signature (which was a mandatory condition for work in the remote service system “Treasury Client – Treasury”). The clients who had already been connected to the system, but stayed in the temporarily occupied territories had major difficulty gaining access to the system as the aggressor had blocked the Internet connection from the Ukrainian providers, and the aggressor’s providers had blocked access to the information resources located in Ukraine’s domain zone.

Also, as a result of considerable damage or destruction of the infrastructure during missile attacks and/or cyberattacks, many territories faced major problems with electric power supply and unstable operation of equipment of the operators that provided Internet access services to the clients.

14. System of public internal financial control



General goal: to strengthen managerial accountability at all levels of the public sector, increase the effectiveness of internal control and internal audit in public authorities.

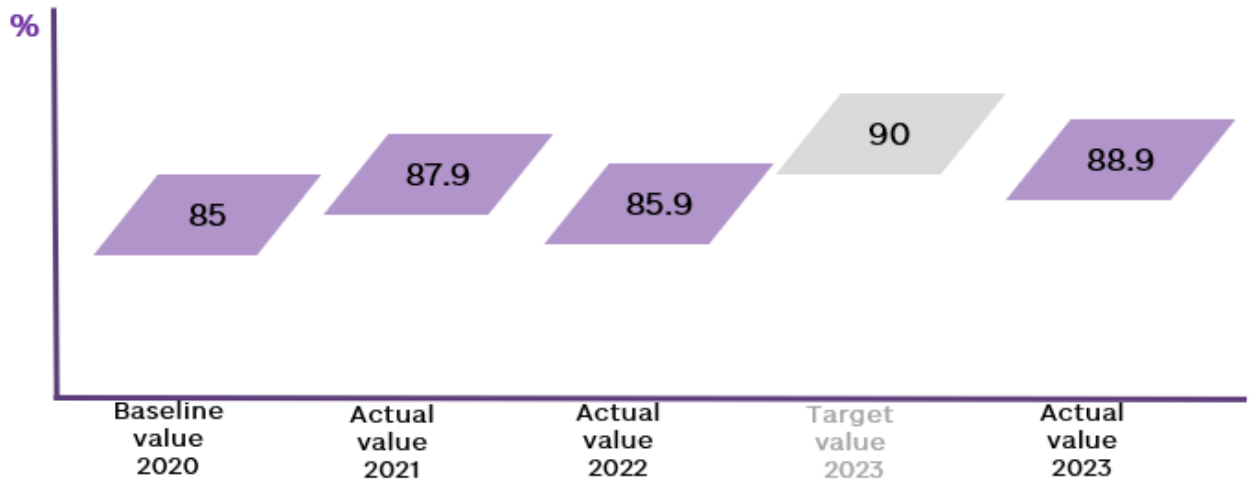
Progress in achieving the planned results is determined by the following indicators:

- ✓ **increasing the rate of implementation of recommendations based on the results of internal audits by public authorities (fully and partially, without taking into account the recommendations for which the deadline has not yet come);**
- ✓ **increasing the rate of implementation of the recommendations of the central harmonisation unit of the Ministry of Finance by public authorities.**

⊗ According to the reports submitted to the Ministry of Finance on operational results of internal audit units for 2023, the level of implementation of audit recommendations (either fully or partly, without taking into account the recommendations for which the deadline had not yet come) went up and made 88.9% in the system of public authorities in total.

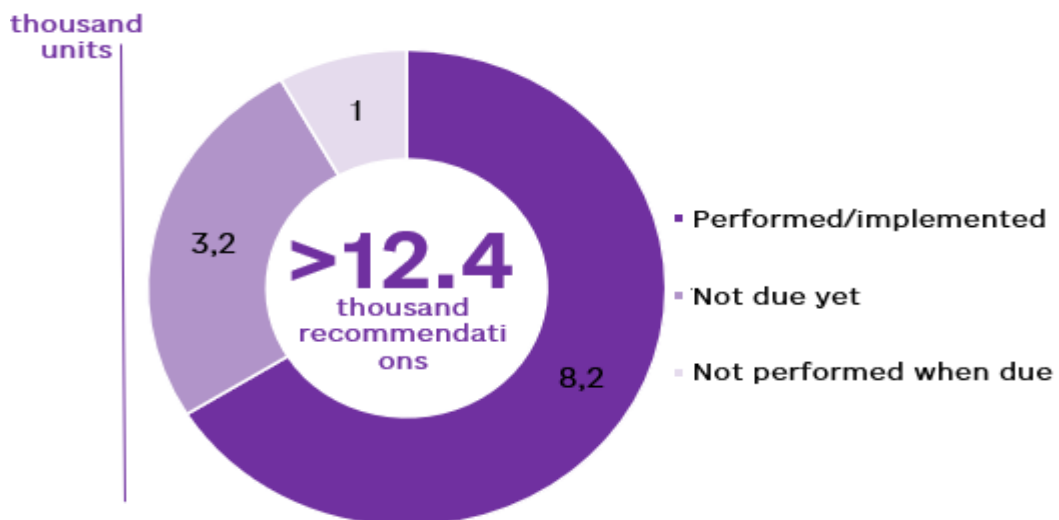


However, despite the positive dynamics, as of the end of 2023, the rate of implementation of recommendations by the public authorities based on the results of internal audits set by the Strategy indicators was not fully achieved.



Rate of implementation of recommendations based on the results of internal audits by public authorities (fully and partially, without taking into account the recommendations for which the deadline has not yet come)

Overall, more than 12.4 thousand recommendations were given following the audits in the reporting period, and almost 8.2 thousand were fully or partially implemented. Moreover, more than 2.4 thousand recommendations out of those given by the internal auditors in the previous reporting years were followed / implemented in 2023.



More than 1 thousand recommendations were not implemented (in particular, by their deadline). As for the other audit recommendations, the deadline had not yet come as of the reporting date (almost 3.2 thousand recommendations).

Most public authorities, namely the system of 79 bodies, ensured achievement of the highest Strategy indicator in terms of the level of implementation of the recommendations (more than 90%); in particular, 63 bodies in the system ensured implementation / performance of all the audit recommendations within the established time frames (100%).

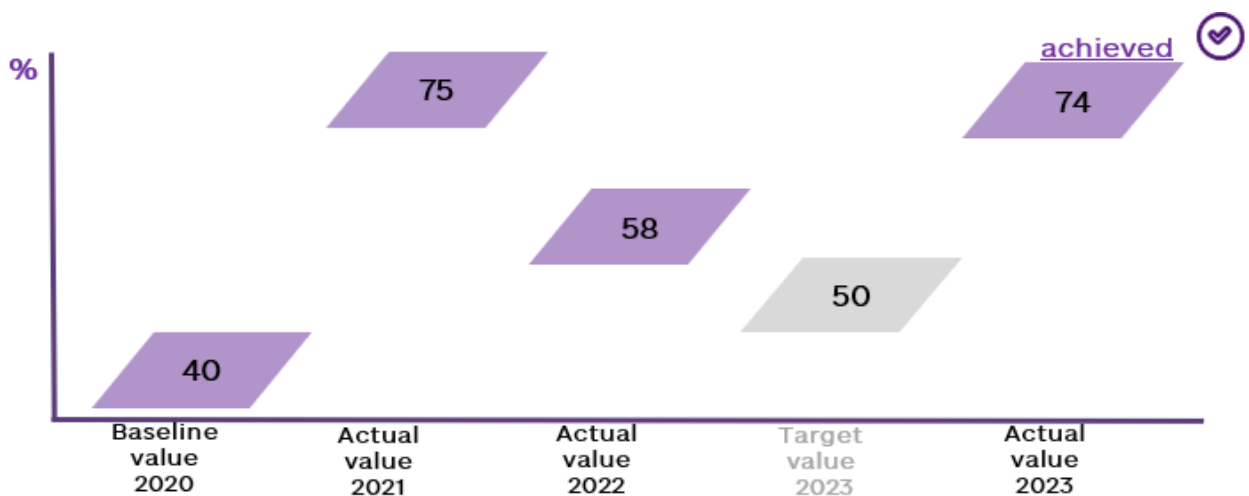
At the same time, that indicator was not achieved in the system of 30 public authorities where the level of implementation of the audit recommendations



for the past year made less than 90%, so control over response to the recommendations given by the internal audits needed to be enhanced.

In certain cases, failure to implement audit recommendations was caused by objective circumstances (in particular, location of enterprises / institutions in the area of active hostilities, loss of documents, reorganisation or changes in the structure of the authorities / institutions, lack of financing for certain activities, additional time necessary for implementation, namely development of regulatory acts etc.).

☑ As of the end of 2023, the rate of implementation of the recommendations of the Central Harmonisation Unit of the Ministry of Finance by the public authorities made 74%. Therefore, the target value set by the Strategy indicators was exceeded in 2023.¹⁴



Rate of implementation of the recommendations of the central harmonisation unit of the Ministry of Finance by public authorities

In particular, in 2023, in order to ensure adequate implementation of the internal audit function following external assessment of internal audit quality, the Ministry of Finance gave 172 recommendations on improvement on the internal audit system, and the corresponding public authorities implemented (either fully or partly) 128 recommendations out of them.

14.1. Implementation of internal control aiming at raising the responsibility of the leaders for management and development of the institution as a whole

In the reporting year, the Ministry of Finance kept working to improve the regulatory and guideline support of internal control, to introduce the best practices and recommendations of the international experts in this area. In particular, the form of the Report on Organisation and Process of Internal Control by Internal Control Elements was amended (Order of the Ministry of Finance No. 441 of 15.08.2023) in order to gradually introduce the duty to submit an annual declaration of the head of the public authority on the state of internal control. Also, Guidelines on Organisation and Process of Monitoring of

¹⁴Calculated as of 25.03.2024 – regarding recommendations based on the results of external quality assessment conducted by the Ministry of Finance, which fully and partially implemented, without taking into account the recommendations for which the deadline had not yet come.



the Internal Control System were developed and brought to the notice of the public authorities.

The implementation of the training programme for financial management and control continued: the special short-term advance training programme “Fundamentals of organisation and process of internal control” was prepared for civil servants of categories B and C, local self-government officials (of categories 2 to 7) and approved by Order of the Ministry of Finance No. 511 of 20.09.2023, and six training events were held to raise awareness of staff of the public authorities on these matters and to enhance their qualifications, namely:

five online seminars for 49 ministries, other central executive authorities and main spending units on the theoretical (fundamental) principles of organisation and process of internal control;

the online seminar on risk management for 20 ministries, where the matters of management responsibility and accountability, models and tools of risk management activities etc. were considered.

In the reporting year, the positive tendencies persisted in organisation and process of internal control in the public authorities, in particular, in terms of:

- further integration of internal control elements, their components, and risk management into practical operations;
- application of risk management results in planning of operations and management decision-making;
- actions aimed at detection and adjustment of deviations in the internal control system;
- implementation of a number of actions to improve the internal control system (revision of approaches to planning of operations, management of budget funds, accounting and reporting, introduction of IT tools and other matters associated with functioning of the institution);
- shift in accents of internal control from the priority focus on legal compliance to higher performance in accordance with the purpose, tasks, action plans of institutions within the legislative framework;
- more management responsibility and accountability and adequate management and development of the institution etc.

14.2. Enhancement of effectiveness, capacity and independence of internal audit

In the reporting year, the Ministry of Finance continued the work aimed at improving the guideline support of internal audit, introduction of the best practices and recommendations of the international experts in this area. In particular, three guidelines were prepared and brought to the notice of the public authorities: the guide “Recommendations on Developing the Key Performance Indicators of the Internal Audit Unit in the Public Sector”, the brochure “Agile Approach to Internal Audit”, and the report and recommendations on enhancing the role of internal audit in corruption and fraud prevention and detection.

The implementation of the programme for professional development of internal auditors in the public sector continued: in 2023, five training events on internal audit were conducted:



- training under the special professional (certificate) advanced training programme “Basic course on internal control and internal audit” for 30 heads and employees of internal audit units of the public authorities;
- training under the special short-term advanced training programme “Key aspects of internal audit, which provides for assessment and provision of opinions and recommendations on efficiency of the internal audit object” for 30 heads and employees of internal audit units;
- round table on the theme “Introduction of national certification of internal auditors and organisation of their training” for 34 representatives of higher educational establishments;
- webinar “Mechanism for national certification of internal auditors” for 136 heads and employees of internal audit units of the public authorities;
- training under the Recommended Programme for Training of Internal Auditors for Certification for 162 employees of internal audit units of the public authorities that submitted packages of documents on registration for certification.

In 2023, the national certification of internal auditors was introduced in order to improve operations of the internal audit units and professional skills of internal auditors, and with account of the best European practices and recommendations given by the international experts in this area, in particular:

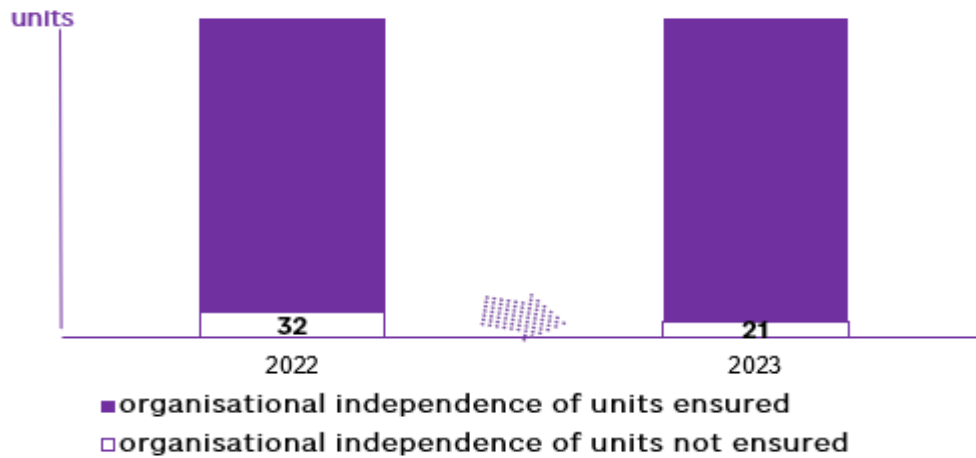
- organisational measures were taken to introduce certification of employees of internal audit units of the public authorities, including to develop test questions for the qualification test and to develop and conduct the training course under the Recommended Programme for Training of Internal Auditors for Certification;
- eight qualification tests were organised and conducted for 143 candidates for the internal auditor's certificate, as a result of which 19 internal auditors passed the test and received the internal auditor's certificate.

In 2023, the operation of the internal audit systems continued, in particular, in order to give recommendations to the public authorities on how to improve internal audit. Four external assessments of internal audit quality were completed in the National Health Service of Ukraine, the Ministry of Culture and Information Policy, the State Customs Service and the Ukrainian Institute of National Memory. Also, such assessment was introduced in the State Judicial Administration of Ukraine and the Ministry of Reintegration. A number of violations, defects and gaps in internal audit activities were detected during the external assessment of internal audit quality, and respective recommendations were prepared for the public authorities in order to improve their internal audit systems.

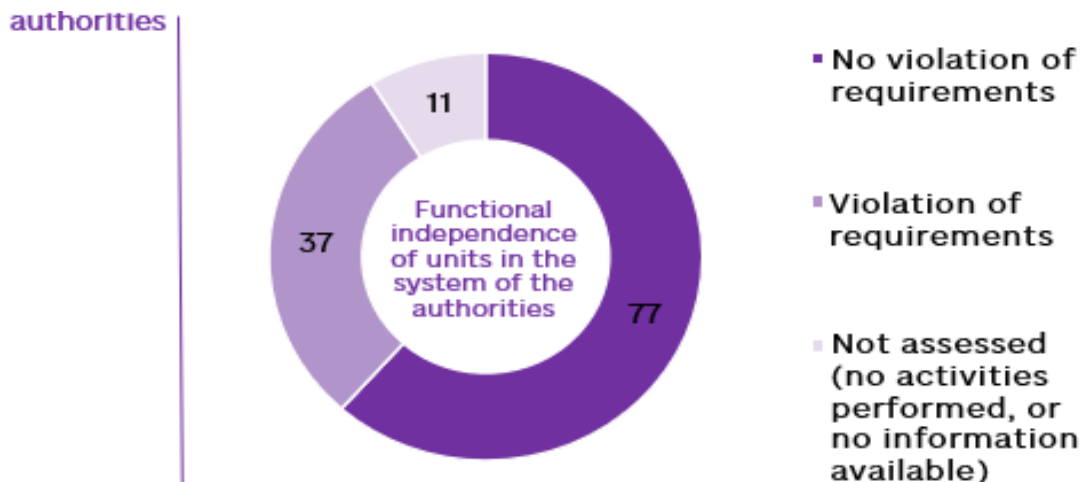
In general, the internal audit was developed and improved in the reporting period, and many public authorities had positive changes and tendencies in organisation and process of corresponding activities. The internal audit activities were organised in all the public authorities that functioned (discharged their powers) in the reporting period and were covered by the applicable requirements, and the system of most public authorities ensured implementation of the internal audit function in practice and overall performance of such activities.

Last year, the organisational and functional independence of internal audit units was enhanced, in particular, with due consideration of the recommendations given by the Ministry of Finance.

Therefore, the number of the public authorities whose system allows imposing non-inherent functions to internal audit units and/or failure to respect organisational independence keeps going down.



According to the reports, organisational independence of internal audit units was ensured in the system of most public authorities (in particular, with the independent status of the unit and subordination thereof directly to the head of the authority / institution – 95% (402 out of 423) internal audit units have organisational independence).



The system of most public authorities (77 authorities or 61.6%) also ensure functional independence of internal audit activities. In particular, the corresponding units were not imposed non-inherent functions, and did not participate in the controls not associated with internal audit.

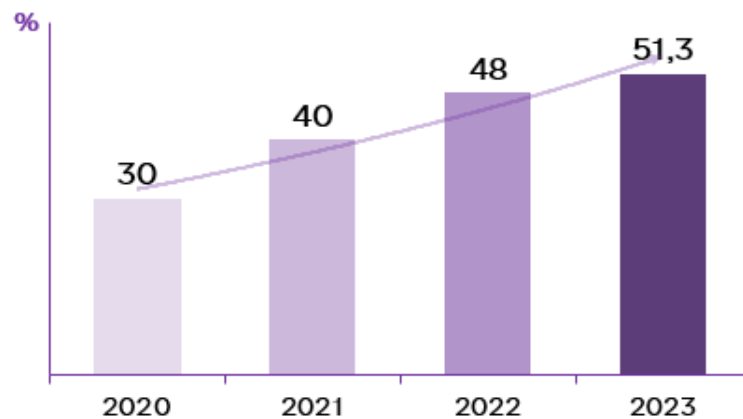
In the reporting period, the work continued to introduce audit committees into the practice of the public authorities (namely ministries), including as a tool to facilitate independence of internal audit units and to improve internal audit activities.

In particular, according to the reports, the audit committees were established at 13 public authorities while the work to establish audit committees in a number of ministries was under way.

Moreover, the audit committees in four public authorities started their practical operations (meetings of the audit committees were held to consider internal audit matters), and five authorities held constituent meetings of their audit committees.

In 2023, most public authorities kept taking actions to change priorities of internal audits and to increase the number / share of internal audits of assessment of performance, namely with account of the recommendations given by the Ministry of Finance and in pursuance of point 138 of the Action Plan for the Implementation of the Strategy.

In particular, the share of planning of internal audits to assess performance kept growing in the reporting year: in 2023, such audits made most of operations of the internal audit units, and the share of performance assessment audits in the total number of the audits planned made 51.3%.



In general, despite the ongoing full-scale military aggression of the Russian Federation against Ukraine, in the reporting year, the public authorities made operations of internal audit units more active: they ensured an increase in the number of the internal audits conducted and improved of performance indicators based on their findings.

14.3. Building institutional capacity of the central harmonisation department of Ministry of Finance

In the reporting period, in order to build the institutional capacity of the Central Harmonisation Department, the actions were taken to integrate various educational formats into work processes of the Central Harmonisation Department, and cooperation was performed to keep developing the public internal financial control in Ukraine together with the technical support project of the National Academy for Finance and Economics of the Ministry of Finance of the Kingdom of the Netherlands, the EU Public Finance Management Support Programme for Ukraine (EU4PFM), the Public Expenditures for Administrative Capacity Endurance (PEACE) Project for Ukraine ordered by the USAID as well as the international technical assistance project SOERA.

Also, all the representatives of the Central Harmonisation Department keep advancing their qualifications by participating in meetings of the PEMPAL Internal Audit Community of Practice (IACOP), in the educational events organised by EU4PFM and SURGe, SIGMA, Deloitte, IIA, pWc Academy, namely on public finance management and administrative reforms, introduction of the European principles of public administration of OECD/SIGMA, outcome-driven management, strategic planning, risk management, audit in the IT environment, cooperation of internal and external auditors, planned amendments to the Global Internal Audit Standards etc.

The actions were also taken to prepare for automation of processes in the field of public internal financial control. In particular, the Concept Note on the principal parameters and structure of the PIFC portal that would be a basis for



development of the technical specification for the applicable IT solution was developed together with the experts of the EU Public Finance Management Support Programme for Ukraine (EU4PFM).

15. Public financial control

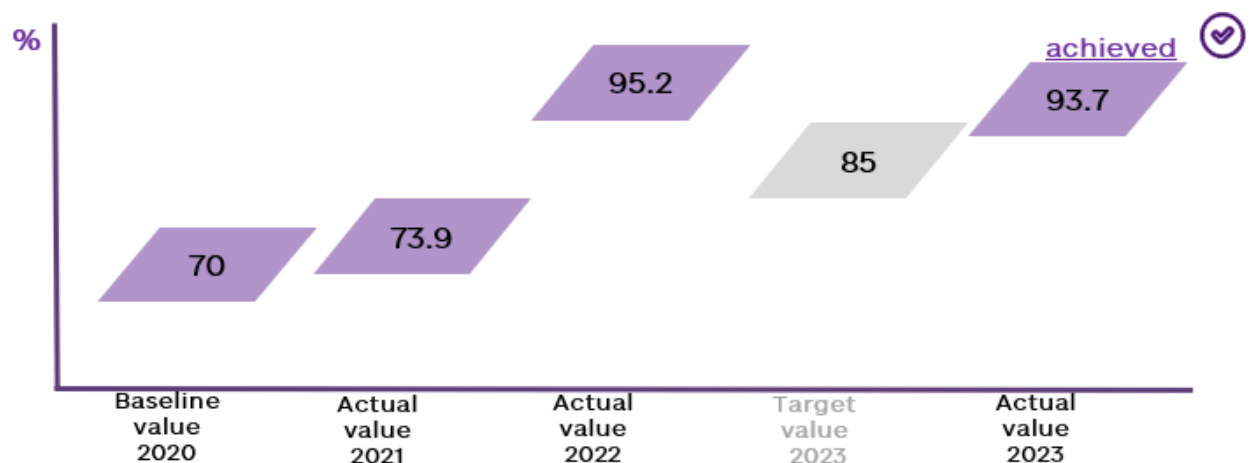


General goal: to improve the system of public financial control, which will promote effective public administration, detect and prevent violations of the law and inefficient use of financial and material resources at the national and local levels.

Progress in achieving the planned results is determined by the following indicators:

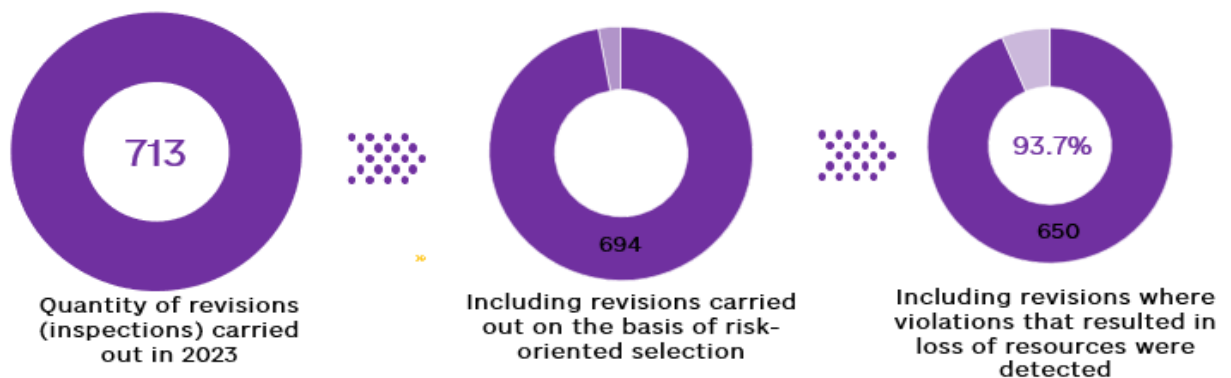
✓ **increasing the number of inspections detecting loss of financial resources in the total number of inspections carried out on the basis of risk-oriented selection.**

☑ As of the end of the reporting year, the share of inspections detecting loss of financial resources in the total number of inspections carried out on the basis of risk-oriented selection made 93.7%, which was 8.7% more than the target value.



Share of inspections detecting loss of financial resources in the total number of inspections carried out on the basis of risk-oriented selection

In total, in 2023, the bodies of the State Audit Service conducted 694 inspections carried out on the basis of risk-oriented selection.





In 2023, the State Audit Service conducted 713 revisions and 395 audits of procurement, during which more than one thousand enterprises, institutions and organisations were checked.

The total amount of the financial violations that resulted in loss of financial and material resources made almost UAH 211.0 billion (more than UAH 99.8 billion during the equivalent period last year), including around UAH 43.1 billion (around UAH 7.5 billion) of budget funds of all levels and budget institutions.

As a result of the work performed by the State Audit Service in January to December 2023, the financial violations that resulted in loss of financial and material resources were eliminated for the total amount of more than UAH 6.4 billion (more than UAH 1.1 billion), including almost UAH 488.8 billion as to the violations detected in the previous reporting periods.

15.1. Stepping up public financial control in the areas exposed to major risks

All the actions in that area were performed.

Resolution of the Cabinet of Ministers of Ukraine No.1123 of 08.10.2022 “On Amending the Procedure for Inspections by the State Audit Service and Its Inter-Regional Territorial Bodies” was adopted to elaborate the matters of organising and conducting revisions, to amend execution of findings of the revision, and to supplement the Procedure with two new sections: “Special Aspects of Revision at Control Objects Including Standalone Units without a Status of the Legal Entity” and “Special Aspects of Making Documents in Electronic Form and Conducting Revisions Based on Documents in Electronic Form”.

Order of the State Audit Service No. 355 of 12.12.2023 approved the Procedure for determining risk indicators for development of risk-oriented approaches to planning public financial control by the State Audit Service, its inter-regional territorial bodies, which established the procedure for determining risk indicators, assessment, testing, approval, revision and introduction thereof in the integrated automated system for supporting decision-making by the public financial control body “e-auditor”, for the State Audit Service and its inter-regional territorial bodies to plan and carry out scheduled on-site revisions and state financial audits.

15.2. Ensuring effective interagency cooperation in exercise of financial control

In 2023, the representatives of the State Audit Service took part in a number of round tables organised by the Accounting Chamber within the international technical assistance project of the European Union “Strengthening Capacities in External Audit in Line with International Standards in Ukraine”. One of its tasks is to support establishment of cooperation between internal and external audits and public financial control bodies. The need to establish cooperation between the public authorities was understood at those events in order to ensure efficiency and performance of public financial control at all the levels.

The work to draft the Cooperation Agreement is under way.

15.3. Enhancement of the SAS bodies’ institutional capacity at the central, regional and local levels

All the actions in that area were performed in 2022.



16. Independent external financial control (audit)



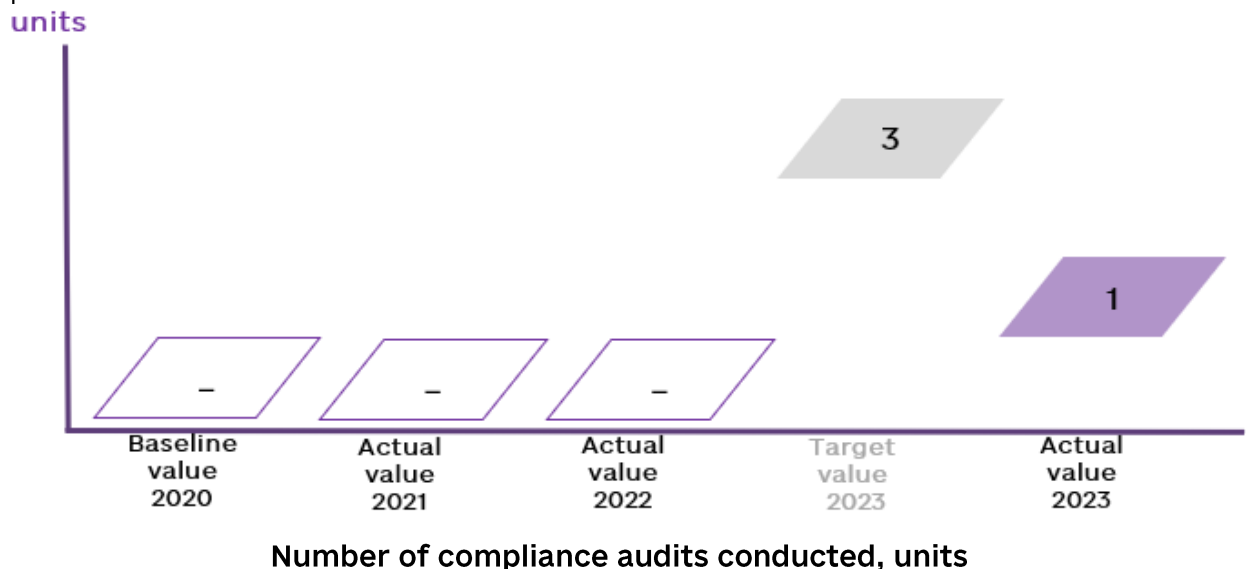
General goal: to strengthen the role and increase the effectiveness of external financial control in accordance with INTOSAI standards.

Progress in achieving the planned results is determined by the following indicators:

- ✓ **increasing the number of compliance audits conducted;**
- ✓ **score for the indicator PI31 “Legislative scrutiny of audit reports” under dimension 31.2 “Hearings on audit findings” of the PFM Assessment Report (PEFA);**
- ✓ **score for the indicator PI31 “Legislative scrutiny of audit reports” under dimension 31.3 “Audit recommendations by the legislature” of the PFM Assessment Report (PEFA).**

Achievement of the goal set by this Strategy is closely connected with implementation of the Strategy of the Accounting Chamber for 2019-2024, a number of activities from which were not fully performed within the set timeframe due to the full-scale aggression of the Russian Federation against Ukraine.

⊗ Also, the target values of the Strategy were not reached. At the end of 2023, achievement of the results in the field “Independent external financial control” of the Strategy is determined with the indicator “number of compliance audits conducted, units”. The target value for 2023 is three units, with one audit performed.



Pursuant to the Methodology for the Compliance Audit, the Accounting Chamber audited compliance of operation of the system for state architecture and construction control and oversight, performance of authorisation and registration functions in construction in 2023; the report thereon was approved by Resolution of the Accounting Chamber No. 27-3 of 21.11.2023.

ⓘ The target values of the indicators “Score for the indicator PI31 “Legislative scrutiny of audit reports” under dimension 31.2 “Hearings on



audit findings” of the PFM Assessment Report (PEFA)” and “Score for the indicator PI31 “Legislative scrutiny of audit reports” under dimension 31.3 “Audit recommendations by the legislature” of the PFM Assessment Report (PEFA)” are set by the Strategy for 2025. So these indicators are not to be assessed in 2023.

16.1. Maximum approximation of audit methodology and practices to INTOSAI standards

In 2023, the Accounting Chamber conducted all three types of external audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) (27 performance audits, nine financial audits, and one compliance audit).

This, pursuant to the Methodology for the Compliance Audit approved with Resolution of the Accounting Chamber No. 12-3 of 06.06.2023, the Accounting Chamber audited compliance of operation of the system for state architecture and construction control and oversight, performance of authorisation and registration functions in construction in 2023; the report thereon was approved by Resolution of the Accounting Chamber No. 27-3 of 21.11.2023.

The action plan of the Accounting Chamber for 2024 provides for 13 compliance audits. In order to facilitate implementation of ISSAIs in operations of the Accounting Chamber, and to give the officials of the administrative office of the Accounting Chamber knowledge on and practical skills of compliance audits, the experts of the international technical assistance project “Strengthening Capacities in External Audit in Line with International Standards in Ukraine” conducted 12 three-day trainings “Training auditors on the compliance audit” from October 2023 to January 2024.

The training programme covered all the stages of a compliance audit: planning, auditing, reporting on audit findings, and controlling implementation of recommendations. In total, 205 employees of the Accounting Chamber took part in the training.

Implementation of international standards is a necessary precondition for the development of the Accounting Chamber as a modern supreme audit institution, and that requires systematic improvement of legislation, improving the Accounting Chamber’s interaction with stakeholders.

Given the above, on 06.06.2023, the Accounting Chamber resolved to recognise the INTOSAI Framework of Professional Pronouncements (IFPP) as a basis for auditing activities of the Accounting Chamber. Ultimate implementation of the International Standards of Supreme Audit Institutions (ISSAIs) into operations of the Accounting Chamber is proven with adoption of a number of guidelines.

Thus, the resolutions of the Accounting Chamber of 06.06.2023 approved the Methodology for the Performance Audit and the Methodology for the Compliance Audit, of 25.07.2023 – the Methodology for the Financial Audit (the restated Guideline on the Financial Audit and the Procedure for the Financial Audit by the Accounting Chamber approved with the resolution of the Accounting Chamber of 22.12.2022), which entered into force on 01.08.2023.

On 26.09.2023, the Algorithm for the Audit of Consolidated Financial and Consolidated Budget Statements (Part 3 of the Methodology for the Financial Audit) by the Accounting Chamber. The algorithm covers two types of the financial audit by the Accounting Chamber: the financial audit of general consolidated statements and budget statements on implementation of the



State Budget of Ukraine, and the financial audit of consolidated financial and consolidated budget statements of the main spending unit.

The Code of Ethics of the Accounting Chamber was approved with the resolution of the Accounting Chamber of 11.07.2023. Based on the INTOSAI Code of Ethics (ISSAI 130), it establishes the general requirements and fundamental values and principles of ethical conduct in professional activities in the Accounting Chamber, at the facilities where public external financial control (audit) is conducted, outside the Accounting Chamber, for all the officers who are directly employed by the Accounting Chamber or act on its behalf.

In order to introduce the comprehensive quality management system, the Accounting Chamber introduced the Guideline on the Functioning of the Quality Management System in the Accounting Chamber (Resolution of the Accounting Chamber No. 25-1 of 31.10.2023). This Guideline is based on the best international practices, INTOSAI principles and standards ISSAI 130 “Code of Ethics”, ISSAI 140 “Quality Management for SAIs”, ISSAI 150 “Auditor Competence” as well as the requirements of the effective legislation of Ukraine.

The procedure for annual planning of operations of the Accounting Chamber was approved by Resolution of the Accounting Chamber No. 31-9 of 21.12.2023. The document was developed with account of the requirements and rules of the Law of Ukraine “On the Accounting Chamber”, the Rules of Procedure of the Accounting Chamber, the principles of INTOSAI P12 “The Value and Benefits of Supreme Audit Institutions”. It establishes the principles of and procedures for formation of the uniform Action Plan of the Accounting Chamber, which will cover both auditing and administrative operations of the Accounting Chamber. Themes of public external financial control (audit) will be selected based on the strategic assessment of the areas (industries), which regulates application of the risk-oriented approach in audit planning.

The specification and description of the process “Monitoring of implementation of decisions of the Accounting Chamber following the consideration of the public external financial control (audit)” were approved with Resolution of the Accounting Chamber No. 31-10 of 21.12.2023. The process “Monitoring of implementation of decisions of the Accounting Chamber following the consideration of the public external financial control (audit)” is based on the requirements of the INTOSAI Framework of Professional Pronouncements (IFPP), namely ISSAI 100 “Fundamental Principles of Public-Sector Auditing”, ISSAI 200 “Financial Audit Principles”, ISSAI 300 “Performance Audit Principles”, and ISSAI 400 “Compliance Audit Principles”.

This process is an official procedure to monitor implementation of recommendations of the Accounting Chamber following the audits, which was requested by the European Commission in Ukraine Report 2023 within the EU Enlargement package. Moreover, with the support of the international technical assistance project “Strengthening Capacities in External Audit in Line with International Standards in Ukraine”, the corresponding IT tool was developed to help the auditors trace the audit recommendations given.

The growing role of supreme audit bodies in the modern world necessitates a partial revision of the existing powers of the Accounting Chamber. In order to ensure adequate legal regulation of specific organisational matters, powers and operational procedures of the Accounting Chamber and to establish its financial independence, the consolidated proposals of the Accounting Chamber members on amendments to the Budget Code of Ukraine, the Law

of Ukraine “On the Accounting Chamber” and other legislative acts of Ukraine approved with Resolution of the Accounting Chamber No. 16-1 of 31.07.2023 were developed. As the Accounting Chamber does not hold the right of legislative initiative, the document was sent to the Budget Committee of the Verkhovna Rada of Ukraine for consideration and joint processing.

16.2. Enhancement of the advisory (expert) role of the Accounting Chamber as the highest audit body in Ukraine

The activities in this field are scheduled for 2024.

17. Budget transparency and participatory budgeting

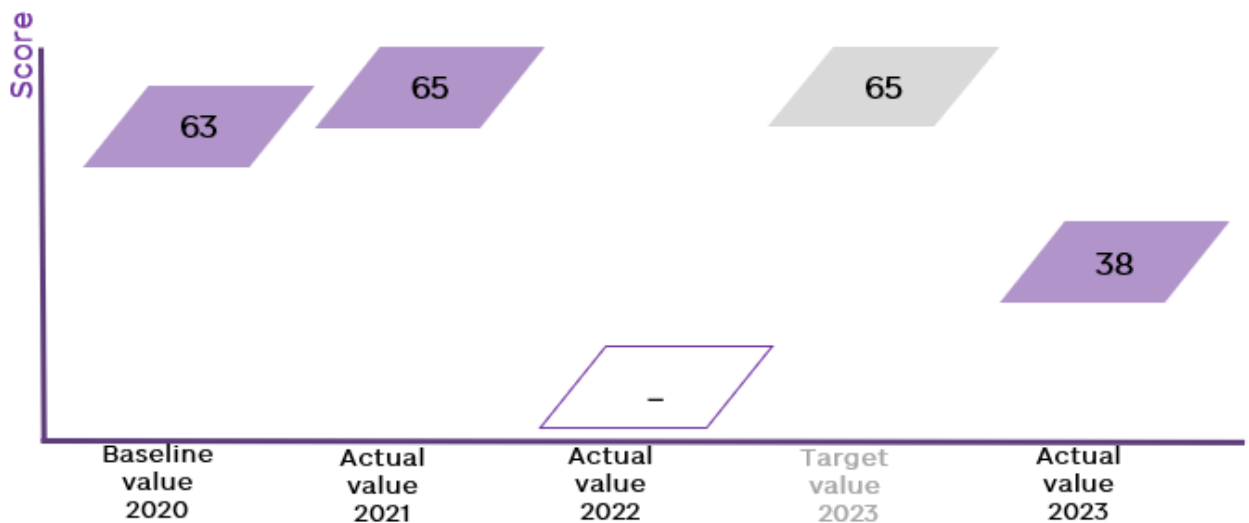


General goal: to increase the transparency and accessibility of budget information and increase of opportunities for its analysis.

Progress in achieving the planned results is determined by the following indicator:

✓ increasing Ukraine's score Open Budget Index.

In May 2024, the results of assessment under the Open Budget Index (hereinafter the “OBI”) for 2023 were made public: Ukraine got 38 points out of 100. The performance target set by the Strategy for 2023 as “at least 65 points” was not reached.



With due consideration of the ongoing full-scale invasion by the Russian Federation, the legislative restriction of publication of some budget information in 2022, which was a basis for the assessment (based on Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, no budget information is made public under martial law pursuant to Article 28 of the Budget Code of Ukraine), both sides (the IBP experts and Ukraine) understand that the current result of budget transparency for Ukraine is of rather statistical nature and does not represent Ukraine’s actual progress in the budget transparency rating under the OBI.

The subsequent main purpose of the Ministry of Finance and the other public authorities in the field of public finance transparency is to resume public



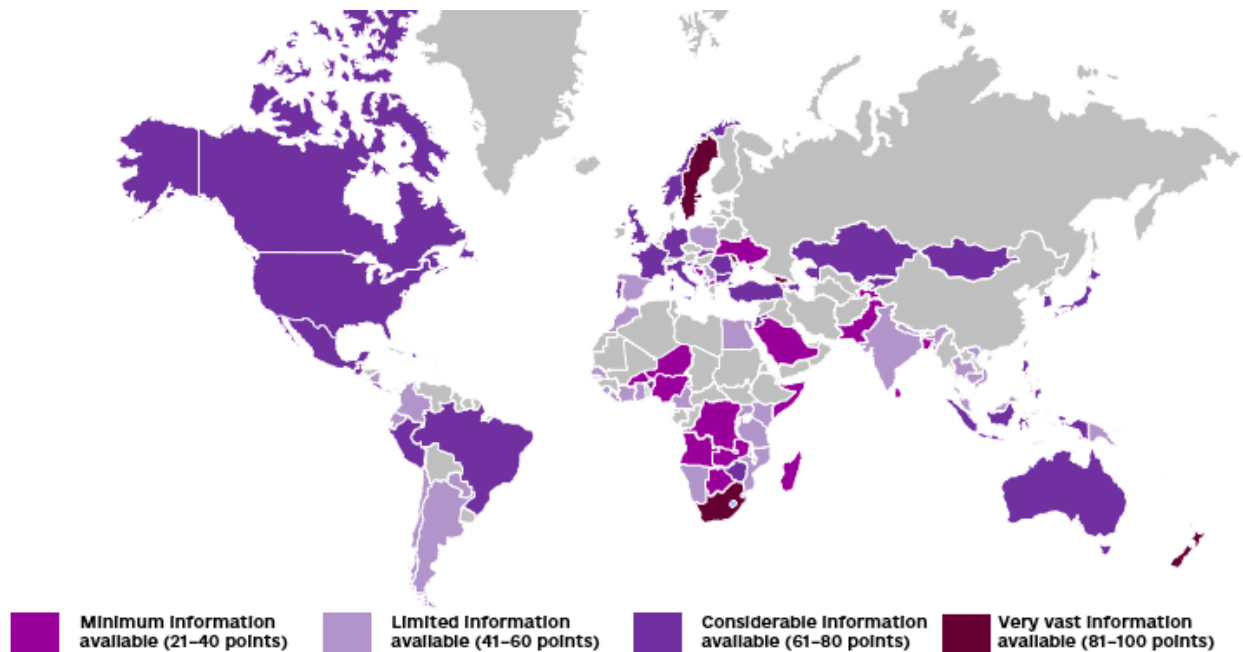
access to timely, complete and quality information on the budget and to progress in the OBI rating in the following reporting period, provided that the circumstances are favourable, and all the security restrictions are met.

17.1. Ensuring compliance with international standards on budget transparency

In 2023, the cooperation with the International Budget Partnership (hereinafter the “IBP”) was continued in connection with another review of openness of Ukraine’s budget based on the OBI criteria for 2023. The OBI experts were given answers and comments on transparency of Ukraine’s budget indicators for OBI survey 2023 by uploading the data to the website <http://research.openbudgetsurvey.org>.

According to the OBI rating published in May 2024 for 2023, Ukraine received 38 points out of 100, ranked 79th among 125 participants, and was included into the group of countries with the minimum access to budget information (21-40 points).

However, as assessed by the IBP experts, the results as to publication of such budget documents as the draft law on the state budget for 2023 and the law on the state budget for 2023 adopted by the Verkhovna Rada of Ukraine did not change in comparison with OBI results 2021 and remained at the level associated with the group “access to material information” (61-100 points).



In general, in the special statement made public on its website, the IBP emphasises continuous improvement of budget transparency in Ukraine from 2015 until 2022 (when Ukraine got 65 points, ranked 23rd among 120 countries involved, and settled in the group of countries with “access to material information”) and recognises the full-scale invasion of the Russian Federation as the only basis to restrict public access to a number of budget documents and the resulting low score of Ukraine (<https://internationalbudget.org/a-note-on-ukraines-performance-on-the-open-budget-survey>).

The point is that the methodology used for the assessment does not allow exceptions for specific countries in emergency situations in order to ensure comparability of the participating countries, reliability and consistency of the assessment.



17.2. Ensuring openness and accessibility of information on the local budgets

All the activities in that area were completed in 2022.

At the same time, in 2023, in order to increase transparency of planning and utilisation of budget funds at the local level, the function of publication and downloading of the following documents from the information and analytical system for management of local budget planning and implementation “LOGICA” was modified:

- as regards main spending units: budget requests; budget programme passports; implementation reports on budget programme passports; as regards local state administrations, executive authorities;
- as regards corresponding local councils: local budget forecast; a draft decision on the local budget, a decision on the local budget, information on implementation of the local budget (on a monthly, quarterly and annual basis).

With due consideration of the practical use of the webportal “Transparent Budget”, the information on the structure of the budget system of Ukraine in the title “Budget System” was improved.

In 2023, the detailed User Manual for the webportal “Transparent Budget” was developed and posted on the webportal. Also, the training was conducted on how to use the webportal “Transparent Budget” and its analytical tool BOOST.

In 2023, pursuant to the analysis of the webportals carried out in accordance with the WCAG (Web Content Accessibility Guidelines), which were mandatory for the executive authorities pursuant to Resolution of the Cabinet of Ministers of Ukraine No. 3 of 04.01.2002 “On the Procedure for Posting Information on Operations of the Executive Authorities on the Internet”, the indicators of basic accessibility on the webportal “Transparent Budget” and the unified public funds utilisation webportal were modified.

Considerable progress in public access to open, timely, comprehensive and verified information on utilisation of public funds is expansion and introduction of the new title “Search by liabilities” in 2023 at the unified public funds utilisation webportal: it publishes registers of budgetary commitments of spending units (recipients) and registers of budget financial liabilities of spending units (recipients) that are submitted during registration and accounting of budgetary commitments of spending units and recipients of budget funds in the bodies of the State Treasury Service of Ukraine.

18. Information technologies in public finance management



General purpose: to build a modern and effective information technology management system with a view to ensuring the support and further digital development of an effective and transparent public finance management system.

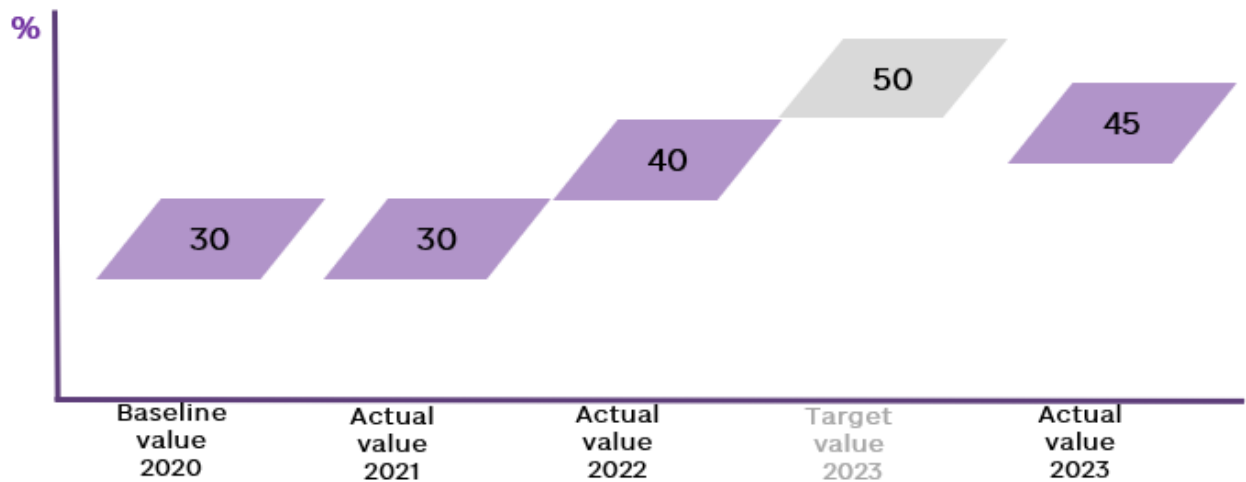
Progress in achieving the planned results is determined by the following indicator:

- ✓ increasing the proportion of regulated information flows shared among the Ministry of Finance and other central executive authorities



whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Finance of Ukraine, in total number of such flows.

⊗ In 2023, the proportion of regulated information flows shared among the Ministry of Finance and other CEAs whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Finance of Ukraine, in total number of such flows exceeded 45%.



Proportion of regulated information flows shared among the Ministry of Finance and other central executive authorities whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Finance of Ukraine, in total number of such flows

In 2023, the Information and Analytical System for Management of Local Budget Planning and Implementation “LOGICA” that ensures exchange of information between the Ministry of Finance and budget process participants at the local level was put into industrial operation by order of the Ministry of Finance No. 108 of 24.02.2023.

In order to regulate the information flows, the following orders of the Ministry of Finance were issued in the reporting year:

- No. 153 of 24.03.2023 “On Approval of the Amendments to the Procedure of Information Exchange between the Ministry of Finance of Ukraine and Participants of the Budget Process at the Local Level”.
- No. 67 of 07.02.2023, No. 252 of 16.05.2023, and No. 385 of 12.07.2023 “On Approval of the Amendments to the Format of and Regulation on Information Exchange between the Ministry of Finance of Ukraine and the State Treasury Service of Ukraine”.

At the same time, as a part of standardisation of the information flows, the following amendments to the exchange regulations were approved in the reporting year:

- amendments to the Specification of Interaction between the Information Systems of the Ministry of Finance of Ukraine and the State Treasury Service of Ukraine via the Service (21.04.2023, 20.07.2023);
- amendments to the Process Format of Exchange of Information on Payment Transactions and Interaction Scheme (08.06.2023);



– restated Specification of Interaction of the Information and Analytical System for Management of Local Budget Planning and Implementation “LOGICA” and the Information and Telecommunication Systems of the State Tax Service, the structure and format of electronic messages transmitted and received in information interaction, in accordance with the Procedure for Exchanging Information between the Authorities Controlling Budget Proceeds and the Local Self-Government Bodies approved with Resolution of the Cabinet of Ministers of Ukraine No. 627 of 16.06.2021 (06.02.2023).

At the same time, 17 Protocols and Agreements were signed with the exchange entities in order to regulate and improve information flows for verification and monitoring of state payments in the reporting year.

The activities in the directions specified in the component “Information technologies in public finance management” are carried out in pursuance of 2025 Strategy for Digital Development, Digital Transformation and Digitisation of Public Finance Management as approved by the Ordinance of the Cabinet of Ministers of Ukraine No. 1467-p of 17.11.2021.

In particular, in 2023, as a part of the project “Public Finance Management Support Programme for Ukraine (EU4PFM): Components 3 and 4”, the development of the systems of the IT System of the Ministry of Finance of Ukraine “State Budget – Ministry of Finance”, and the Automated Information System for Online Interactions with Administrators of State Budget Funds (WebCFA AIS) was started, and the system was piloted successfully with participation of the main spending units.

The priorities for 2024 include implementation of common IT standards, development of the Unified Information and Telecommunications System of the Public Finance Management.

19. Development of human resource management in public finance

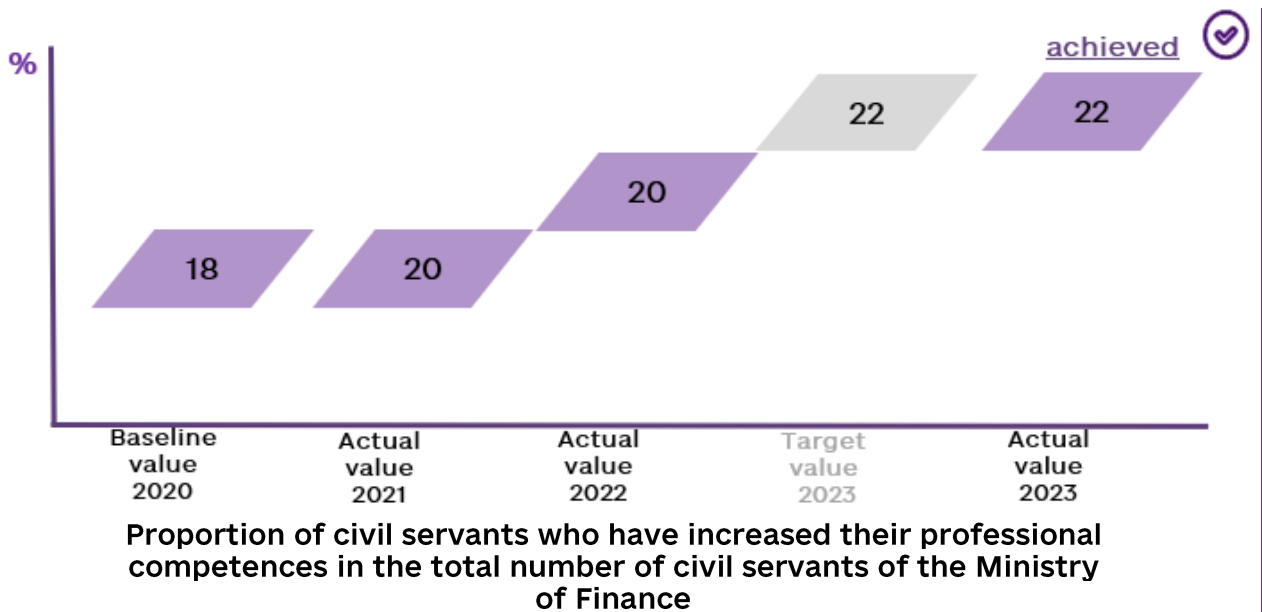


General goal: strengthening the human capacity with a view to effective formulation and implementation of public policy in the area of public finance.

Progress in achieving the planned results is determined by the following indicator:

✓ **increasing the proportion of civil servants who have increased their professional competences in the total number of civil servants of the Ministry of Finance.**

☺ In 2023, the proportion of civil servants who have increased their professional competences in the total number of civil servants of the Ministry of Finance made 22%, which is consistent with the target value.

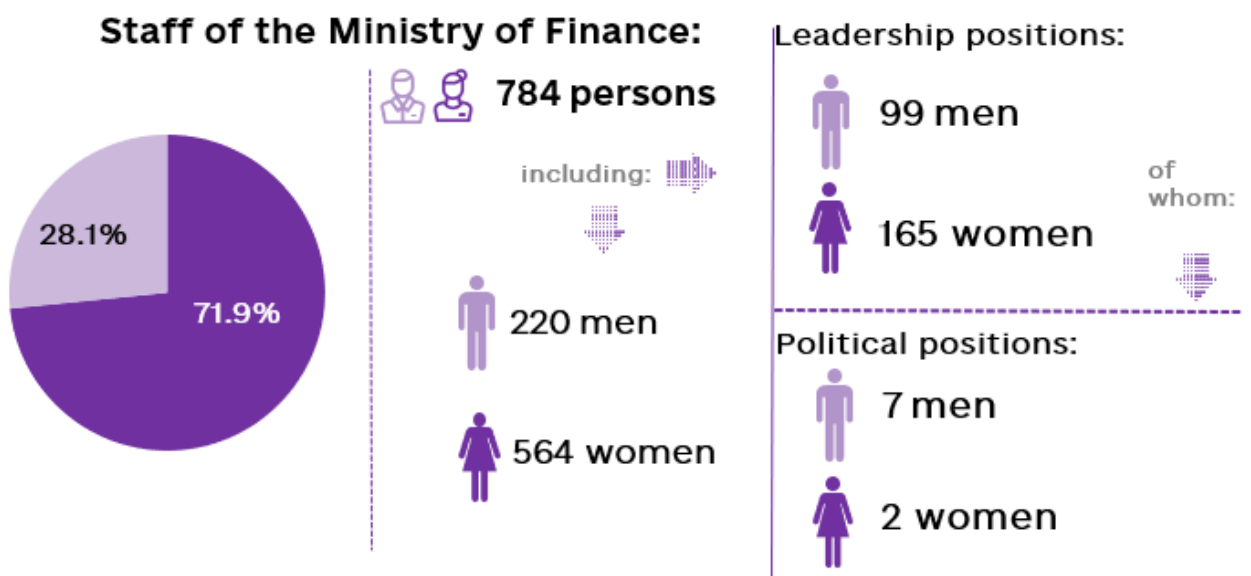


In total, during the reporting year, the advanced training programme was completed by 239 civil servants of the Ministry of Finance of category B and 328 civil servants of the Ministry of Finance of category B.

Also, 100% of the staff of the Ministry of Finance educated themselves in 2023.

The most relevant types of professional training for the specialists of the Ministry of Finance were themed short-term workshops and professional advanced training programmes that correlated with such professional competences as professional knowledge, digital literacy, perception of changes. In pursuance of the individual development programme, the civil servants of the administrative office of the Ministry of Finance were trained on alignment of the Ukrainian legislation with the EU acquis, Euro-Atlantic integration, cybersecurity and cyberprotection, and English language skills, namely via the platform EF English Online etc.

In total, as of 31.12.2023, the staff of the Ministry of Finance was 784 persons (564 women and 220 men).



Moreover, as of 31.12.2023, the leadership positions were held by 165 women and 99 men.



19.1. Implementation of the strategic approach and improvement of efficiency of human resource management in public finance

In 2023, the Ministry of Finance supported by the EU4PFM Project developed its recommendations on formation of general and special competences (long and short list of competencies model). The short list of competencies with account of special aspects of the work was formed for eight structural subdivisions.

The pilot project was launched in the HR services of the State Customs Service and its territorial bodies by Order of the State Customs Service No. 182 of 03.05.2023 “On the Pilot Project to Introduce the Competencies Model”, the action plan for preparing and implementing the pilot project was approved, and Dnipro, Kyiv, Lviv and Odesa Customs Offices were designated the basic ones to test the competencies model. Order of the State Customs Service No. 365 of 04.08.2023 “On Approving the Customs Competency Directory” that contained the approximate list of questions to assess the competence level of candidates for positions was issued. Following the selection of candidates based on the competency approach, 22 vacant positions in the territorial bodies of the State Customs Service involved into the pilot project were filled with the winners.

The working group on development of the competency-based human resource management model was established, and its members were approved by Ordinance of the STS No. 57-p of 27.09.2023 “On Establishing the Working Group”.

In 2023, the survey on the employees’ interest in the results of their work and achievement of strategic goals was conducted in the bodies of the public finance management system.

Ministry of Finance. The survey to determine the level of emotional involvement, satisfaction with civil service conditions and needs for professional development of the staff of the Ministry of Finance was conducted November and December 2023. 261 employees of the Ministry of Finance took part in the survey, which made 34% of the headcount of the Ministry of Finance. According to the survey findings posted on the internal website of the Ministry of Finance, the level of involvement of the staff (emotional dedication to the organisation and its goals) is 70%.

Treasury. In 2023, the Treasury employees took part in the survey on the employees’ interest in the results of their work and achievement of strategic goals (involvement of the staff). According to the survey findings, the indicator “level of overall involvement of the staff” made 55%, which means that most employees feel their contribution into the success of the entire public authority. The indicator “level of forced and normative involvement” is 45%: it is a reverse indicator that demonstrates the percentage of the employees who keep working for the public authority only as they have no other career opportunities.

State Audit Service. In September 2023, the anonymous survey of the staff of the administrative office of the State Audit Service and its inter-regional territorial bodies was conducted in Google Forms. In total, 262 employees of the administrative office of the State Audit Service took part in the survey, which made 65.5% of the actual employees as of 01.09.2023, and 1,347 employees of the inter-regional territorial bodies of the State Audit Service, which made 76.5% of the actual employees as of 01.09.2023.

State Customs Service. In September 2023, the anonymous pulse survey was conducted in the State Customs Service on certain matters of staff



involvement, with account of peculiarities of operation of the customs authorities in martial law, and with 4,748 respondents involved. The number of the responses given is 48.5% of the actual headcount. The pulse survey involved 527 (11.1%) employees transferred to the other territorial bodies from the customs offices located in the occupied territories or areas of hostilities. The survey was conducted in accordance with the principles of anonymity, free will and data security.

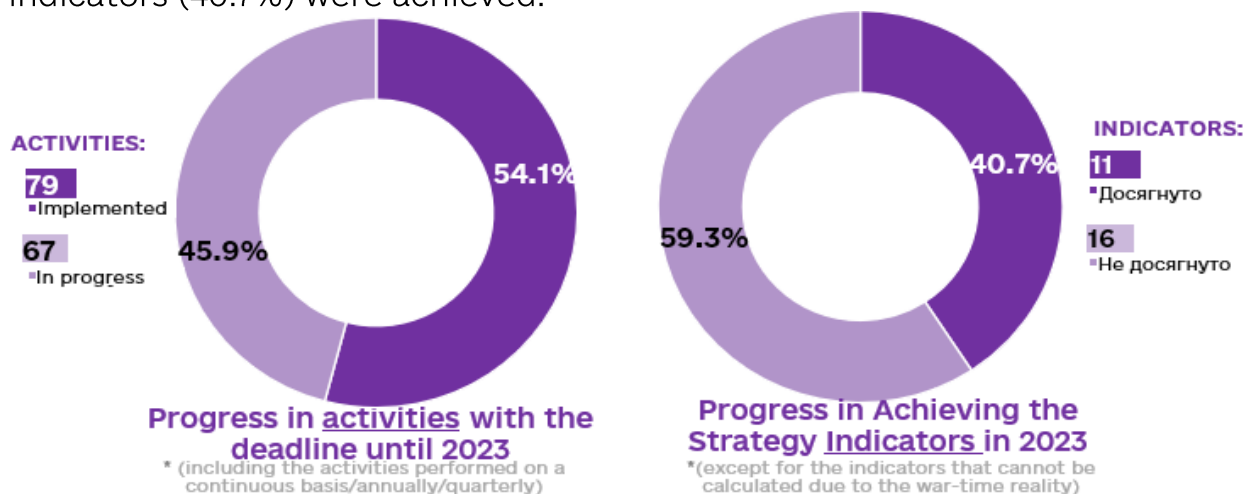
State Tax Service. In order to determine the level of emotional involvement, satisfaction with working conditions and efficiency of the internal communication system (involvement of the staff) of the STS, the employees of the administrative office of the STS and its territorial were surveyed. The survey included 12,414 persons. The analytical report posted in the network resource of the STS was prepared based on the survey findings.

19.2. Improving professional competence of financial system staff

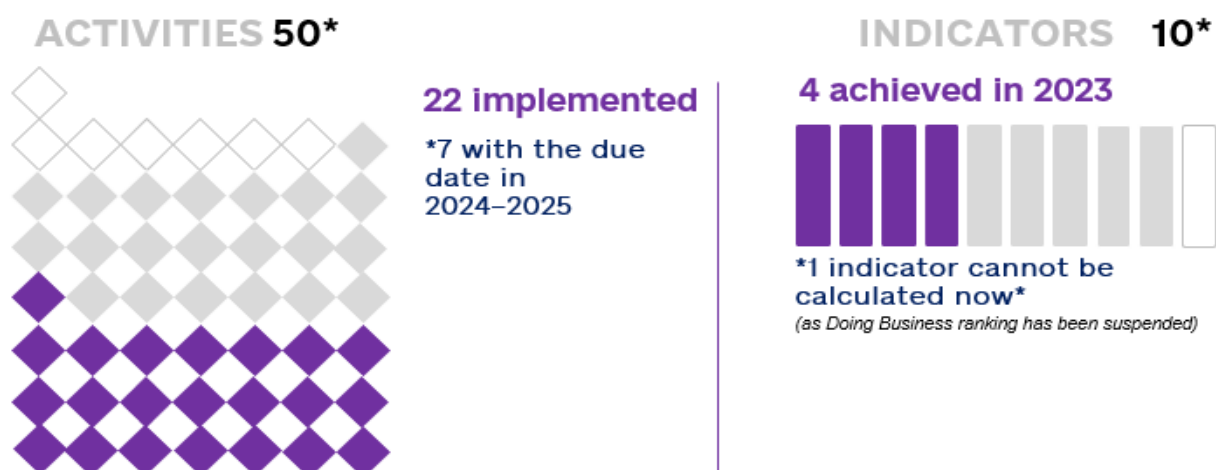
In 2023, the professional competence of 80% of the staff of the administrative office of the Ministry of Finance was improved namely via training at educational online platforms in real time. The profiles of the staff of the administrative office of the Ministry of Finance were updated at the Knowledge Management Portal and with international information resources. Internal training was not conducted on a result basis in connection with the regime of martial law imposed. However, two internal trainings on determination of results of professional competence of civil servants and formation of tasks and the individual development programme for the next year were conducted.

OVERVIEW OF PROGRESS IN IMPLEMENTATION AND ACHIEVEMENT OF THE STRATEGY INDICATORS

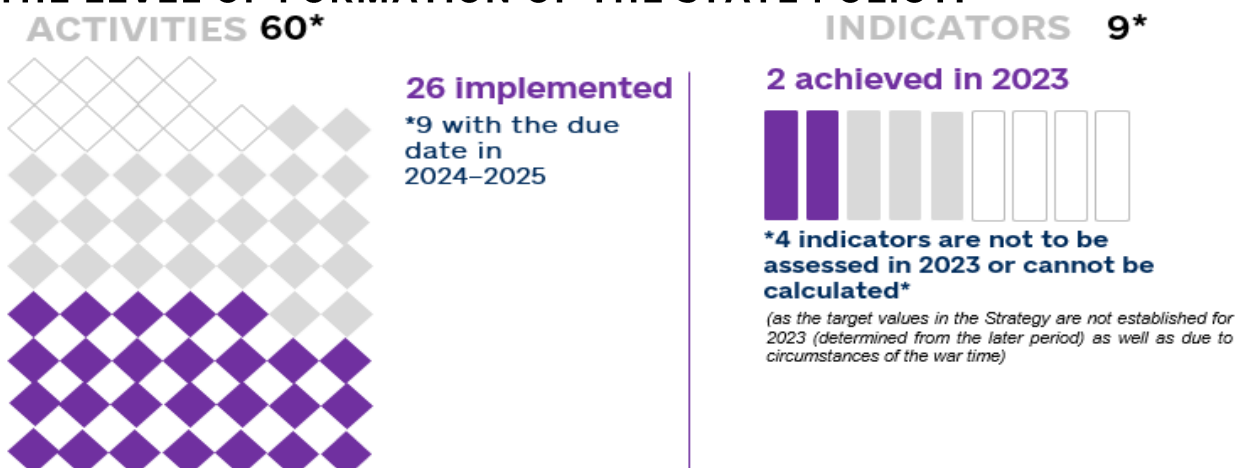
As of the end of 2023 (half of the term of the Strategy), 79 activities (or 54.1%) under the Action Plan were completed, and the target values of 11 Strategy indicators (40.7%) were achieved.



I. COMPLIANCE WITH GENERAL FISCAL DISCIPLINE IN THE MEDIUM-TERM PERSPECTIVE:



II. IMPROVING THE EFFICIENCY OF RESOURCE ALLOCATION AT THE LEVEL OF FORMATION OF THE STATE POLICY:





III. ENSURING EFFECTIVE EXECUTION OF THE STATE AND LOCAL BUDGETS:

ACTIVITIES 46*



23 implemented

***8 with the due date in 2024–2025**

INDICATORS 14*

4 achieved in 2023



4 indicators are not to be assessed in 2023 or cannot be calculated

(as the target values in the Strategy are not established for 2023 (determined from the later period) as well as due to circumstances of the war time)

IV. ENHANCING TRANSPARENCY AND ACCOUNTABILITY IN PUBLIC FINANCE MANAGEMENT:

ACTIVITIES 7*



3 implemented

1* with the due date in 2024*

INDICATORS 2



V. DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT IN PUBLIC FINANCE:

ACTIVITIES 8*



5 implemented

INDICATORS 1

1 achieved in 2023



ANNEX 1. PROGRESS IN ACHIEVING THE STRATEGY INDICATORS IN 2023

Result indicator	Target value 2023	Actual value 2023	Progress
I. COMPLIANCE WITH GENERAL FISCAL DISCIPLINE IN THE MEDIUM-TERM PERSPECTIVE			
1. Taxation system			
Share of court cases on tax disputes resolved by courts in favour of STS in the total number of lawsuits considered by courts of various instances, %	52.2	71.8	Achieved.
Level of taxpayers' satisfaction with the services rendered by STS according to the results of periodic surveys, points (on a six-point scale) or %	4.56	5.31	Achieved.
Time spent by a taxpayer on submitting reports and paying taxes, hours per year	280	-	It cannot be assessed since this indicator is calculated based on Doing Business ranking, which has been suspended.
2. Customs system			
Time costs for entities engaged in foreign economic activities associated with the customs procedures (average time of customs clearance of goods for which the Automated Risk Assessment and Management System (ARAMS) did not generate a list of customs formalities) in the regime of:			Not achieved. Failure to achieve the target was caused by the martial law as well as rules of the effective legislation (delays in customs clearance of goods were caused without limitation by the air raid alert in the territory of operations of the customs authority; electric power cut; carrying capacity of checkpoints in connection with changes in the logistic routes of delivery of goods to Ukraine; performance of the binding customs formalities determined following application of the automated risk management system by officials of the customs authorities etc.).
export, minutes	43	52	Not achieved.
import, minutes	85	93	Not achieved.
transit, minutes	27	43	Not achieved.
3. Management of fiscal risks and public assets			
Representation of fiscal risks that materialised in the register of fiscal risks, %	100	97	Not achieved. Failure to reach the target value is explained by the fact that two risks that could not be forecast in advanced, but still materialised were not represented in the register of



			fiscal risks in 2023 as a result of the following: 1) explosion of the dam of the Kakhovka HPP by the army of the Russian Federation and destruction thereof; 2) introduction of the ban on the import of the Ukrainian agricultural products by the EU countries, blocking of checkpoints for Ukrainian cargo vehicles from the Polish side (Poland, Bulgaria, Hungary, Slovakia, Romania).
Deviation between actual and planned indicators of revenues as part of net profit, and state budget dividends due to the materialisation of fiscal risks, %	5	-	Achieved. The fiscal risks in that group did not materialise. The planned revenues were exceeded.
4. Debt management			
Ratio of public debt to gross domestic product, %	49	80.2	Not achieved. Deviation of the actual value for 2023 from the target was caused by the impact of the war upon public finance since the Strategy targets, including the ones for the public debt level, had been set before the start of the full-scale hostilities.
Share of long-term concessional financing incoming from IFIs and foreign countries for the implementation of investment projects in the total amount of public debt, %	6.7	5.2	Not achieved. Deviation of the indicator was caused by the fact that some of the financing was received as grants on a free-of-charge and non-refundable basis. Therefore, the share of long-term financing in the total amount of public debt went down in 2023.
5. Liquidity management			
The ratio of the total of the monthly forecasts' absolute deviations to the amounts of outflows from the single treasury account, %	5	6.7	Not achieved. Deviation from the target value was caused by the fact that, in connection with martial law, information for the purposes of liquidity management of the single treasury account and currency accounts of the Treasury set out in Resolution of the Government No. 970 of 30.08.2022 "On Approving the Procedure for Submission of Information between by Budget Holders and

Recipients, Other Clients of the State Treasury Service to the Ministry of Finance for the Purpose of Liquidity Management of the Single Treasury Account and Foreign Currency Accounts of the State Treasury Service” was provided in the limited format.

Ratio of budget debt to actual expenditures of the general fund of the state budget, %	2.5	0.06	Achieved.
II. IMPROVING THE EFFICIENCY OF RESOURCE ALLOCATION AT THE LEVEL OF FORMATION OF THE STATE POLICY			
6. Macroeconomic and budgetary forecasting and strategic planning			
Proportion of the main spending units that annually update and publish their action plans for the medium term, %	75	-	Suspension of medium-term budget planning as well as for the other reasons associated with the military aggression of the Russian Federation against Ukraine, it is impossible to objectively assess achievement of the indicators in 2023.
Proportion of the main spending units that annually present to public their progress reports as regards implementation of their action plans for the medium term, %	75	-	Suspension of medium-term budget planning as well as for the other reasons associated with the military aggression of the Russian Federation against Ukraine, it is impossible to objectively assess achievement of the indicators in 2023.
Deviation between forecast and actual indicators of nominal gross domestic product, %	4	4	Achieved.
Deviation between forecast and actual indicators of tax revenues of the consolidated budget, %	±4	-1.8	Achieved.
7. Medium-term budget planning			
Deviation of budget indicators provided by the Budget Declaration for the planned year from the respective indicators approved by the previous year's Budget Declaration, %	no more than 10	-	According to Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, the rules of Article 33 of the Budget Code of Ukraine and related rules regarding the Budget Declaration as well as the rules of Article 75' of the Budget Code of Ukraine and related rules regarding local budget forecasts are not to

be applied during the martial law.

8. Programme-based budgeting

Proportion of expenditures and loans from the state budget covered by cost overviews in the respective year, %	at least 5	0.7	Not achieved.
Proportion of the main spending units that have revised their budget programmes in accordance with new approaches, %	30	-	This indicator is not to be assessed in 2023 as there is no Budget Declaration.

9. Inter-budget relations and fiscal decentralisation

Change in the actual indicator of the volume of transfers from the state budget to local budgets for the reporting period towards the approved target, %	no more than 1	-3.7	Not achieved. Failure to achieve the target was caused by the fact that, in the context of the martial law and temporary occupation of some of the territories of Ukraine by the Russian Federation, budget expenditures were aimed at maintaining the defensive ability and fulfilling all the social commitments of the state in the first place.
Share of local budget revenues (excluding transfers) in the consolidated budget of Ukraine, %	25	15.3	Not achieved. Deviation of the actual indicator from the target is explained by the fact that the pace of local budget revenues gain in Ukraine in 2023 was considerably smaller than the pace of revenues gain in the consolidated budget of Ukraine.

III. ENSURING EFFECTIVE EXECUTION OF THE STATE AND LOCAL BUDGETS

10. Public procurement system

Proportion of procurement procedures conducted by the body of public financial control on the basis of automatic risk indicators in the total number of procurement procedures monitored, %	45	<1	Not achieved. The deviation was caused by the fact that the procurement procedures were mostly selected during the martial law based on the ground "Signs of violation(s) of the public procurement legislation detected by the body of public financial control in the information published in the electronic procurement system", with account of the special aspects introduced for the period of martial law
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			(changes in the threshold values and resulting calculation algorithms in accordance with the legislation, and application of the procedure of public bidding with special aspects), and the need to monitor procurement with account of information without a machine-readable format in the electronic procurement system.
Increasing the average participation rate in competitive procurement procedures, participants	2.82	1.69	Not achieved. A decrease in the number of participants of such procurement procedures was connected with the full-scale armed aggression of the Russian Federation against Ukraine. Due to the hostilities, there was a permanent threat of destruction of important infrastructure of economic operators, logistical chains had to be changed, it was difficult to obtain raw material, and there was shortage of staff due to forced migration and mobilisation.
Increasing the average participation rate in simplified procurement procedures, participants	1.95	1.59	Not achieved. A decrease in the number of participants of such procurement procedures also resulted from the full-scale armed aggression of the Russian Federation against Ukraine.
Decrease in the share of cancelled procurement procedures (recognition of those as not having taken place), %	24	32	Not achieved. The principal factors that resulted in deviation of actual values from the targets are the ongoing full-scale armed aggression of the Russian Federation against Ukraine, which has affected economic operators. Moreover, there is a permanent threat of destruction of the important infrastructure, shortage of staff, and the considerable number of economic operators ceased their business activities, and some businesses were relocated to

safer territories or change their profile.

11. Public investment management

Improving the quality of preparation of state investment projects (share of state investment projects that meet certain criteria for participation in the competitive selection by the Interdepartmental Commission on State Investment Projects in the total number of state investment projects submitted to the Ministry of Economy by the main spending units), %	94	-	Not subject to assessment. Achievement of the indicators was affected by a number of objective factors, namely failure to provide state investment projects to the Ministry of Economy in 2022, in connection with the full-scale invasion of Ukraine by the Russian Federation, no expenditures for state capital contributions for implementation of state investment projects in the state budget since 2023, as a result of which the Inter-Agency Commission on State Investment Projects did not select state investment projects.
Selection of state capital investments with a view to the implementation of state investment projects, % of the plan	98	-	Not subject to assessment. Achievement of the indicators was affected by a number of objective factors, namely failure to provide state investment projects to the Ministry of Economy in 2022, in connection with the full-scale invasion of Ukraine by the Russian Federation, no expenditures for state capital contributions for implementation of state investment projects in the state budget since 2023, as a result of which the Inter-Agency Commission on State Investment Projects did not select state investment projects.

12. Public sector accounting

Proportion of improved national rules (standards) of public sector accounting in accordance with IPSAS, %	50	50	Achieved.
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13. Treasury servicing of state funds

The level of access of the participants in the budget process to the Treasury's digital services, %	90	94	Achieved.
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14. System of public internal financial control

Rate of implementation of recommendations based on the results of internal audits by public authorities (fully and partially, without taking into account the	90	88.9	Not achieved. More than 12.4 thousand recommendations were given following the audits in the reporting period, and almost 8.2 thousand were
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recommendations for which the deadline has not yet come), %			fully or partially implemented.
Rate of implementation of the recommendations of the central harmonisation unit of the Ministry of Finance by public authorities, %	50	74	Achieved.
15. Public financial control			
Number of inspections detecting loss of financial resources in the total number of inspections carried out on the basis of risk-oriented selection, %	85	93.7	Achieved.
16. Independent external financial control			
Number of compliance audits conducted, units	3	1	Not achieved. Compliance of operation of the system for state architecture and construction control and oversight, performance of authorisation and registration functions in construction was audited; the report thereon was approved by Resolution of the Accounting Chamber No. 27-3 of 21.11.2023.
Score for the indicator PI31 "Legislative scrutiny of audit reports" under dimension 31.2 "Hearings on audit findings" of the PFM Assessment Report (PEFA)	-	-	This indicator is not to be assessed in 2023. The target value of the indicator is set by the Strategy starting from 2025.
Score for the indicator PI31 "Legislative scrutiny of audit reports" under dimension 31.3 "Audit recommendations by the legislature" of the PFM Assessment Report (PEFA)	-	-	This indicator is not to be assessed in 2023. The target value of the indicator is set by the Strategy starting from 2025.
IV. ENHANCING TRANSPARENCY AND ACCOUNTABILITY IN PUBLIC FINANCE MANAGEMENT			
17. Budget transparency and public participation in budgeting			
Ukraine's score Open at least Budget Index (OBI)	65 points	38	Not achieved. The ongoing full-scale invasion by the Russian Federation resulted in legislative restriction of publication of certain budget information and, therefore, loss of Ukraine's position in OBI 2023.
18. Information technologies in public finance management			
Proportion of regulated information flows shared among the MoF and other	50	45	Not achieved.



central executive bodies
whose activities are
directed and coordinated
by the Cabinet of Ministers
of Ukraine through the
Minister of Finance, in total
number of such flows, %

V. DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT IN PUBLIC FINANCE

19. Development of human resource management in public finance

Proportion of civil servants who have increased their professional competences in the total number of civil servants of the Ministry of Finance, %	22	22	Achieved.
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ANNEX 2. PROGRESS OF THE ACTION PLAN FOR THE IMPLEMENTATION OF THE STRATEGY IN 2023

Activity name	Responsible persons	Result	Time-frame	Progress
I. COMPLIANCE WITH GENERAL FISCAL DISCIPLINE IN THE MEDIUM-TERM PERSPECTIVE				
1. Taxation system				
Improvement of the effectiveness of tax administration and quality of services rendered to taxpayers				
1. Implementation of the action plan on implementation of conceptual directions of reformation of the system of authorities that implement the state tax and customs policy	State Tax Service Ministry of Finance	progress report on implementation of the action plan has been provided	Q1 2022	Implemented. The report on implementation of the Action Plan on implementation of conceptual directions of reforming the system of authorities that implement the state tax policy as approved by Ordinance of the Government No.542-p of 05.07.2019 (as amended) for 2021 was sent to the Cabinet of Ministers of Ukraine by letter of the STS No. 420/3/99-00-01-03-01-03 of 17.12.2021 and to the Ministry of Finance by letter of the STS No. 1070/4/99-00-01-03-01-04. of 13.07.2022.
2. Development of a strategy for managing compliance with tax discipline ("compliance") with identification of taxpayer segments and risks for each segment, approaches to risk reduction, and preparation of the action plans to that effect	State Tax Service Ministry of Finance	relevant legal and normative acts have been adopted	Q1 2022	In progress. The STS representatives took part in the following online meetings as a part of the international technical assistance projects in 2022: - with the experts of the International Technical Assistance Project Public Finance Management Support Programme for Ukraine (EU4PFM): Components 3 & 4 (hereinafter the "EU4PFM") where the key clauses of the draft compliance strategy were discussed; - with the international experts of the Office of Technical Assistance of the U.S. Department of the Treasury (hereinafter the "OTA of the U.S. Department of the

Treasury), where practical consultations were given on how to organise the work to implement the compliance strategy, risk management and principal rules for filling the work table of gap analysis in connection with compliance risk management.

The principal risks of non-compliance with the legislation from the international practices set out in the work table of gap analysis were analysed, and the results were sent to the OTA of the U.S. Department of the Treasury on 23.01.2023. In 2023, a number of video conferences with the international partners were conducted, in particular, with:

OTA of the U.S. Department of the Treasury, where the matters of compliance risk management, development of segment and sector plans and the STS plans for improving compliance as well as training plans were discussed;

IMF, where specific sections of the Concept of the Functioning of the Tax Risk Management System and development of segment and sector plans were discussed, the draft National Revenue Strategy was processed, and implementation of the Letter of Intent and Memorandum of the Economic and Financial Policy was discussed.

The draft Tax Compliance Strategy for 2023-2028 was developed and is now being approved by the international

experts and interested structural subdivisions of the STS.

The STS also drafted the following documents:

Programme for the implementation of the compliance risk management strategy and the composition of the working group on the implementation of the compliance risk management strategy;

Terms of reference for developing the software of the automated risk management system (ARMS);

Procedure for developing the tax risk data sheet and processing the information therein;

Methodology for assessing the degree of tax risks;

Regulation on the Expert Commission of the STS by means of the tax risk management system;

Order of the STS “On Organising Operations of the State Tax Service of Ukraine in Tax Risk Management”, which is going to approve the Procedure for the Functioning of the Tax Risk Management System in the STS.

Order of the STS No. 813 of 04.10.2023 “On Approving the Concept of the Functioning of the Tax Risk Management System” was issued.

3. Enhancement of the STS’s institutional capacity in terms of identifying and preventing threats of external and internal interference with the	State Tax Service Ministry of Finance	a means of information security has been introduced to control and monitor the administration of the	Q1 2022	<p>In progress.</p> <p>In order to follow the Procedure for the Ministry of Finance to control and monitor how the STS and the State Customs Service administer the</p>
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operation of the State Tax Service's databases and information resources		STS databases and information resources used for the administration of taxes, duties and other mandatory payments		databases and information resources used for the administration of taxes, duties and other governmental charges approved with Resolution of the Cabinet of Ministers of Ukraine No. 484 of 21.06.2017, the STS is introducing the information security tool for the Ministry of Finance to control and monitor administration of databases and information resources by the Ministry of Finance.
4. Introduction of electronic desk audit ("e-audit") of large taxpayers	Ministry of Finance State Tax Service	relevant legal and normative acts have been adopted, relevant software has been put into operation	Q4 2024	<p>Not due yet.</p> <p>Introduction of electronic desk audit (e-audit) of large taxpayers is carried out within the EU4PFM.</p> <p>On 22.06.2022, the STS presented technical description of the standard audit file SAF-T UA for developers and suppliers of ERP systems and accounting software.</p> <p>In June 2022, the detailed technical description of the elements of the standard audit file (SAF-T UA) of XSD file (XML documents) was presented.</p> <p>On 29.07.2022, the tab "XSD for standard audit file SAF-T UA" was placed on the web-portal of the STS in the section "Main page>Electronic reporting", and taxpayers were given an opportunity to download the file.</p> <p>The Electronic Account ICS was modified to enable upload of the SAF-T UA.</p> <p>The working group and subgroups responsible for developing the methods for auditing specific issues were</p>

established by Ordinance of the STS No. 1-p of 10.01.2023.

Following the work of the working group, the following was done with the orders of the STS:

- Order No. 300 of 01.05.2023 approved the Methodology for checking reliability, completeness of accrual and deduction of the tax on the income gained by the non-resident in Ukraine, paid by the resident legal persons,

- Order No. 322 of 04.05.2023 approved the Methodology for checking reliability, completeness of accrual and timely payment of the individual income tax, the single contribution to the compulsory state social insurance, and the military duty,

- Order No. 444 of 09.06.2023 approved the Methodology for checking the general rules of the tax and other legislation of Ukraine to be controlled by the tax authorities,

- Order No. 445 of 09.06.2023 approved the Methodology for checking reliability, completeness of accrual and payment of the income tax,

- Order No. 446 of 09.06.2023 approved the Methodology for checking reliability, completeness of accrual and payment of the value-added tax,

- Order No. 831 of 09.10.2023 approved the Methodology for checking reliability, completeness of accrual and payment of the excise duty.

The terms of reference for automation of the electronic audit process (e-audit) applicable to development of the E-Audit ICS were developed and approved by the Ministry of Finance. The terms of reference were sent to the EU4PFM experts for the bidding.

On 26.04.2023, the Central Project Management Agency (CPMA) posted the terms of reference for the software product on ProZorro in order to carry out market (marketing) consultations and determine the bid assessment criterion (the parameters of the budget project, its deadlines and requirements for implementation are set).

The comments and notes from the EU4PFM experts as well as questions from the potential supplier received as a part of market consultations were processed. The final revision of the Terms of Reference was sent to the EU4PFM experts.

After the international bidding procedure for development of software for E-Audit ICS had been carried out, contract No. 2023/4-3-251 was concluded with the winner AMEDIA LLC on 14.09.2023.

The Operational Procedure and the Composition of the Working Group on creation of the intellectual property item, i.e. the software of the information and communication system for electronic audit "E-audit", as well as development of the integrated information protection system (IIPS) within the EU4PFM Project

and interaction with the service provider (Order of the STS No. 953 of 15.11.2023). The work is underway to draft the Terms of Reference together with AMEDIA LLC. The STS also made the memorandum of cooperation with several large taxpayers that intended to take part in the e-audit implementation experiment in Ukraine. In order to keep implementing the Concept, the following draft laws were submitted by the Government to the Verkhovna Rada of Ukraine for consideration: “On Amending the Tax Code of Ukraine regarding Introduction of Electronic Inspections (E-Audit)” (registration No. 6255 of 02.11.2021) and “On Amending Article 9 of Law of Ukraine ‘On Accounting and Financial Reporting in Ukraine’” (registration No. 6256 of 02.11.2021). The proposed amendments oblige taxpayers to submit the SAF-T file to the STS bodies within sixty calendar days following the last calendar day of the reporting (tax) year. Large taxpayers are imposed this duty from 01.01.2025, and VAT payers – from 01.01.2027.

5. Conducting a survey on the level of taxpayers’ satisfaction with the services provided by the State Tax Service	State Tax Service Ministry of Finance	a report on the study has been published	on an annual basis	<p>In progress (Completed in terms of the surveys in 2023).</p> <p>In 2023, the annual study of satisfaction of business entities with the level of the services provided by the tax authorities took place from 07.11 until 07.12.2023. The STS analysed the survey results and made the report posted at https://tax.gov.ua/media-tsentr/novini/745898.html.</p>
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With due consideration of the conclusions made in the report as well as the proposals made by the payers during the survey, the Action Plan was developed to improve the payer service system and approved on 22.12.2023.

6. Further harmonisation of tax legislation with EU acquis	Ministry of Finance State Tax Service	draft laws have been approved by the Cabinet of Ministers of Ukraine and submitted to the Verkhovna Rada of Ukraine	within the time limits stipulated by law	<p>Not due yet.</p> <p>It is provided for by subsection 5(17) of Section XX “Transitional Provisions” of the Tax Code of Ukraine (hereinafter referred to as “the Code”) that the specific rates of the excise duty and the minimum excise tax liability for the tobacco product excise duty will be gradually increased until 2025 (20% each year). The purpose of such steps is to approximate the rates set by the legislation of Ukraine to the ones prescribed by Council Directive 2011/64/EU of 21 June 2011 on the structure and rates of excise duty applied to manufactured tobacco. However, owing to the considerable inflation level, the effective schedule that provides for increased rates until 01.01.2025 will not ensure achievement of the taxation level set in the EU (EUR 90 per 1,000).</p> <p>With due consideration of the above, the Ministry of Finance drafted the Law of Ukraine “On Amending the Tax Code of Ukraine to Review the Excise Duty on Tobacco Products”¹⁵, which suggested the following.</p>
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¹⁵ The Draft Law was adopted by the Government on 15.04.2024 and registered with the Verkhovna Rada of Ukraine on 18.03.2024 under No. 11090.

- setting the monetary unit of measurement of the excise duty rate for tobacco products in EUR in order to avoid impact of inflation processes upon an increase in the rates;

- gradually increasing specific excise duty rate for cigarettes until 2028, up to EUR 90 per 1,000, with the concurrent equivalent increase in such rates for other tobacco products.

In order to bring the Ukrainian legislation in line with the EU acquis, the Ministry of Finance drafted the Law of Ukraine “On Amending the Tax Code of Ukraine to Bring the Legislation of Ukraine in Line with the Legislation of the European Union in Terms of the Excise Duty”¹⁶. The draft Law provides for:

- to define the term “intermediate products” and to establish the excise duty rate at the level of sparkling wines and carbonated wines;

- to technically elaborate the term “weighted average cigarette selling price”, namely to incorporate all the taxes into the price with account of the comments made in the letter of the Directorate-General for Taxation and Customs Union of the European Commission (DG TAXUD of The European Commission);

- to introduce the schedule of increasing the rates of the fuel excise duty up to the level prescribed by Directive 2003/96/EC.

¹⁶ The Draft Law was adopted by the Government on 22.04.2024 and registered with the Verkhovna Rada of Ukraine on 13.05.2024 under No. 11256.

Also, in order to bring the national tax legislation in line with the EU acquis, on 29.06.2023, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 3173-IX “On Amending the Tax Code of Ukraine and Certain Other Laws of Ukraine in Connection with Introduction of Electronic Traceability of Alcohol Beverages, Tobacco Products and Liquids Used in Electronic Cigarettes”. The Law is aimed at aligning the national legislation on circulation of excise goods with the EU acquis, namely Council Directive (EU) 2020/262 and Directive 2014/40/EU of the European Parliament and of the Council. On 29.08.2023, the Ministry of Finance sent the Report on the Primary Assessment of the Progress in Implementation of the EU Acquis, Negotiation Title 16 “Taxation”, in particular, Council Directive 92/83/EEC of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages, to the Government Office for the Coordination of European and Euro-Atlantic Integration of the SCMU. The implementation level was estimated to be good (up to 80%). The EU Side keeps processing the comparative tables prepared by the Ministry of Finance as regards conformity of the national legislation to the applicable rules of Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and

electricity (provided to the EU Side on 13.10.2022). Also, in 2023, there were online meetings with experts from the EU Member States on the EU acquis in the field of taxation to be implemented into the national legislation.

Widening of the tax base

7. Improvement of the rules of control of transfer pricing under the Action Plan on Base Erosion and Profit Shifting (BEPS)	Ministry of Finance State Tax Service	relevant legal and normative acts have been adopted	Q4 2024	<p>Not due yet.</p> <p>In order to improve the rules of control of transfer pricing in pursuance of the Action Plan on Base Erosion and Profit Shifting (BEPS) with account of the recommendations given by the Organisation for Economic Co-operation and Development (OECD) as well as the international experience of taxation, the Ministry of Finance drafted the Law of Ukraine “On Amending the Tax Code of Ukraine to Improve the Rules of Transfer Pricing”.</p> <p>The draft law still is under way as the OECD experts need to complete expert examination thereof, and its rules need to consider the new recommendations given by the World Bank experts, the updated rules of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of 20.01.2022, the OECD Bilateral Advance Pricing Arrangement Manual of 28.09.2022, and the OECD Multilateral Mutual Agreement Procedures and Advance Pricing Arrangements of 01.02.2023.</p> <p>Moreover, during the technical mission of the Fiscal Affairs Department of the</p>
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International Monetary Fund on tax administration and tax policy, the draft law was sent to the IMF experts to obtain professional comments and proposals. As of today, the IMF experts keep processing and analysing the draft law.

With due consideration of the above, the draft law has been included into the draft Law-Making Plan of the Verkhovna Rada of Ukraine for 2024 and the draft Plan for Priority Actions of the Government for 2024.

8. Ensuring the creation of conditions for Ukraine's accession to the Multilateral Agreement on Automatic Exchange of Financial Account Information	Ministry of Finance State Tax Service National Bank (by agreement)	legal and normative acts necessary for signing the Multilateral Agreement on Automatic Exchange of Financial Account Information have been developed	Q4 2022	<p>Implemented.</p> <p>On 19.08.2022, the STS as the competent authority of Ukraine signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA CRS). The original Declaration of Accession to the MCAA CRS signed by the acting Head of the STS and attachments thereto were sent to the OECD Secretariat via diplomatic channels.</p> <p>At the same time, in order to ensure conformity of the national legislation to the requirements of the CRS, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 2970-IX of 20.03.2023 "On Amending the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Implementation of the International Standard for Automatic Exchange of Financial Account Information" and subordinate normative and legal acts.</p>
9. Ensuring the creation of conditions for Ukraine's	Ministry of Finance	together with the Organisation for	Q4 2024	Not due yet.

accession to the Multilateral Agreement on Automatic Exchange of CbC Reports

State Tax Service

Economic Co-operation and Development (OECD), an assessment of confidentiality, consistency and the appropriate use of CbCR information has been conducted; a Multilateral Agreement on Automatic Exchange of CbC Reports has been signed

On 03.11.2022, the STS as the competent authority of Ukraine signed the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (hereinafter the "MCAA CbC"). The original Statement of Accession to the MCAA CbC signed by the acting Head of the STS and attachments thereto were sent to the OECD Secretariat via diplomatic channels.

The mandatory condition for Ukraine to join international automatic exchange of information is for the STS to complete the assessment by the Global Forum regarding maturity of the information security management system.

In 2023, the STS and the Ministry of Finance processed the survey of the OECD Global Forum based on the comments given by the forum experts, and the answers to the questions were sent to the e-mail of the OECD designated contact persons for consideration.

From 11 to 14.12.2023, the series of online sessions of assessment of the STS by the experts of the Global Forum on Transparency and Exchange of Information for Tax Purposes regarding was conducted for the purposes of automatic information exchange.

At the same time, in the reporting period, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 2970-IX of 20.03.2023 "On Amending the Tax Code of Ukraine regarding Implementation of the Standard for Automatic Exchange of

Financial Account Information” developed by the Ministry of Finance; in particular, it provided for amendments to point 53 of subtitle 10 of Title XX “Transitional Provisions” of the Code regarding the first reporting period for the Report to be submitted by ICC countries.

The Ministry of Finance and the STS developed and approved the Procedure for Organising Due Use of the Information in Country-by-Country Reports of International Company Groups (Order of the STS No. 230 of 13.04.2023 as amended by Order No. 488 of 20.06.2023).

The actions were taken to connect the STS to the test environment Common Transmission System (hereinafter the “CTS”), and the prototype of the software of the subsystem “Automatic Exchange of Tax Information” was installed at the equipment of the STS for testing. The subsystem is being tested in the area of CbC. On 01.03.2023, the authorisation was obtained from the CTS secretariat to access the “conformity environment”, which enables corresponding settings and testing of the information systems that will ensure automated information exchange. Based on the authorisation, the STS was connected to the CTS on 03.03.2023.

The functionality of the Automatic Exchange of Tax Information Subsystem as an element of the information and communication system “International

Automatic Exchange of Information” in the fields of CRS and CbC was checked (preliminary test protocol No. ID3333/ID3636 of 19.06.2023).

The formation and dispatch of CbC and CRS packages to the CTS portal and receipt of the packages formed for Ukraine from the CTS portal was tested successfully. The IIPS certificate of conformity No. 446B of 23.06.2023 for the system “Automatic Exchange of Tax Information” was received.

The statement of transfer and acceptance of the intellectual property item created and transfer (alienation) of all the exclusive property rights thereto under the Contract was signed by the Contractor (INTELLECT-SOFT LLC), the Transferee (the STS) and the Customer (the CPMA).

Based on the statement of transfer and acceptance of the intellectual property item created and transfer (alienation) of all the exclusive property rights thereto of 07.07.2023, the intellectual property item, i.e. the software “Subsystem “Automatic Exchange of Tax Information” as an element of the International Automatic Exchange of Information ICS was entered into the books of the STS on 17.11.2023 and put into operation (Order of the STS of 23.11.2023 No. 979).

10. Creating proper conditions for optimising the tax burden	Ministry of Finance	draft treaties for the avoidance of double taxation between	Q4 2024	<p>Not due yet.</p> <p>With due consideration of the obligations assumed by Ukraine under the</p>
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through the mechanism of
avoidance of double taxation

Ukraine and Qatar,
Lichtenstein,
Montenegro and Japan
have been drawn up

Memorandum of the Economic and Financial Policy of 01.12.2023 with the International Monetary Fund under which Ukraine undertook to avoid any tax policy and administrative actions capable of affecting the tax revenues based in 2023 and thereafter, negotiation on new international treaties on the avoidance of double taxation (namely with Lichtenstein) was suspended.

Also, the work is under way to review the international legal framework of Ukraine for the avoidance of double taxation with due consideration of the national economic interests and challenges associated with the military aggression of the Russian Federation. Thus, in 2022–2023, the international treaties of Ukraine on the avoidance of double taxation with the Russian Federation, Belarus, Iran and Syria were suspended.

In order to replace the Soviet and Japanese agreement on the avoidance of double taxation, which is in effect in the bilateral Ukrainian and Japanese relations, the negotiation with the Japanese side was conducted in 2022-2023¹⁷.

In order to replace the Ukrainian and Yugoslavia Convention for the Avoidance of Double Taxation, which is in effect in the bilateral relations with Montenegro, the negotiation with Montenegro was conducted in 2021-2023, and the parties

¹⁷ Following the negotiation, the Convention between the Government of Ukraine and the Government of Japan for the Elimination of Double Taxation with Respect to Income Taxes and the Prevention of Tax Evasion and Avoidance was concluded on 19.02.2024. The Convention will enter into force after the necessary domestic procedures are completed in both states.

reached consent on the text of the draft Convention. The domestic state procedures necessary for the international treaty are in progress.

The Protocol between the Government of Ukraine and the Government of the State of Qatar on amending the Agreement between the Government of Ukraine and the Government of the State of Qatar for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was signed in Kyiv on 02.09.2021. The Protocol was ratified by the Verkhovna Rada of Ukraine in Law of Ukraine No. 3030-IX of 10.04.2023 “On the Ratification of the Protocol between the Government of Ukraine and the Government of the State of Qatar on Amending the Agreement between the Government of Ukraine and the Government of the State of Qatar for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income”. The Protocol entered into force on 11.06.2023.

11. Implementation of the rules of taxation of controlled foreign companies	Ministry of Finance State Tax Service	relevant legal and normative acts have been adopted	Q1 2022	<p>Implemented.</p> <p>Order of the Ministry Finance No. 254 of 25.08.2022 “On Approving the Form of the Report on Controlled Foreign Companies, the Reduced Form of the Report on Controlled Foreign Companies, the Procedure for Completion of the Report on Controlled Foreign Companies, and Submission to the Regulatory Authority, and Amendments to the Form of the Corporate Income Tax Return” was registered with the Ministry of Justice on</p>
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11.10.2022 under No. 1219/38555. The Order entered into force on 21.10.2022.

Also, Order of the Ministry of Finance No. 19 of 01.11.2022 No. 360 approved the Procedure for Inspecting the Controlling Entity. The Procedure was developed for the officials of the regulatory authorities during desk inspections of the controlling entities being either resident natural or legal persons of Ukraine that directly or indirectly held (controlled) the controlled foreign company (registered with the Ministry of Justice on 18.11.2022 under No.1432/38768). The Order entered into force on 02.12.2022.

12. Revision of an environmental tax	Ministry of Finance State Tax Service Ministry of Ecology and Natural Resources	relevant legal and normative acts have been adopted	Q1 2022	<p>Implemented.</p> <p>Pursuant to the rules of the Tax Code of Ukraine, the following amendments as to the environmental tax entered into force on 01.01.2022:</p> <ul style="list-style-type: none"> - the rates of the environmental tax were adjusted by index (except for the rates for carbon dioxide emissions into the atmosphere by fixed sources of pollution, for discharge of contaminants into water bodies and for waste disposal), with account of the consumer price index in 2020 (105%); - the rate of the environmental tax for carbon dioxide emissions into the atmosphere was increased from UAH 10 to UAH 30 per tonne; - the rates of the environmental tax for discharge of contaminants into water bodies were increased 2.4 times in 2022 and 8 times until 2025 (gradually);
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- the rates of the environmental tax for waste disposal were increased by 10%. However, according to Law of Ukraine No. 2836-XI of 13.12.2022 "On Amending the Tax Code of Ukraine and Other Laws of Ukraine to Facilitate Recovery of the Energy Infrastructure of Ukraine", the electric generation plants classified under code 8502 of the Ukrainian classifier of goods of foreign economic activity are not to be considered fixed sources of pollution during the period of martial law and for thirty calendar days following its termination.

Also, during the martial law (until 31 December of the year when the martial law is terminated or cancelled), pursuant to Law of Ukraine No. 2142-IX of 24.03.2022 "On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine on Improving the Legislation for the Duration of the Martial Law", the environmental tax is not to be assessed and paid by the payers of this tax registered at the location of fixed sources of pollution, for generation of radioactive waste and temporary storage of radioactive waste in the territories where there are (have been) hostilities, in the territories temporarily occupied by the Russian Federation.

2. Customs system

Enhancement of the institutional capacity of customs authorities

13. Implementation of the action plan on reformation and development of the	State Customs Service	progress report on implementation of the	Q1 2022	Implemented. The information on implementation of the action plan on reformation and
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system of authorities that implement customs policy	Ministry of Finance	action plan has been provided		development of the system of authorities that implement customs policy for 2021 was sent to the Cabinet of Ministers of Ukraine by letter of the State Customs Service No. 08-1/08-01/3/11332 of 17.12.2021.
14. Implementation of a pilot project for competency and integrity testing of the customs officials	Ministry of Finance State Customs Service	testing programmes have been drawn up and implemented; testing has been conducted; report on the implementation of the pilot project and proposals as to the need in amendments to legislation have been prepared	Q1 2022	<p>Implemented.</p> <p>The experimental project of testing of customs officials was implemented by the Ministry of Finance together with the State Customs Service and the NACS with the support of the US Embassy and IOM Ukraine and participation of the experts with the international and Ukrainian experience of HR reforms and assessment of competence and integrity of staff of the public authorities. In total, 9,048 officials of the State Customs Service in all the regions were tested. The testing results were taken into consideration when the officials were transferred to customs offices as standalone units within the transfer of the State Customs Service to operates as a sole legal entity, and were used as a basis to revise the conception of professional training and advanced training in the State Customs Service. The report on implementation of the experimental project was sent to the Cabinet of Ministers of Ukraine by letter of the Ministry of Finance No. 34040-02-3/32796 of 27.10.2021. In order to ensure legislative regulation of the procedure for performance review of officials of the customs authorities, to enhance and maintain their qualifications</p>

and integrity at the appropriate level, to improve the human resource potential of the State Customs Service, the Ministry of Finance and the State Customs Service drafted Law of Ukraine “On Amending the Customs Code of Ukraine regarding Performance Review of Officials of the Customs Authorities” (registration No. 6490 of 30.12.2021).

The Draft Law was included into agenda of the Verkhovna Rada of Ukraine No. 2557-IX of 06.09.2022 together with the draft Law of Ukraine “On Amending the Customs Code of Ukraine regarding Introduction of Performance Review of Officials of the Customs Authorities” (registration No. 6490-1 of 18.01.2022), which was submitted by MPs of Ukraine D. O. Hetmantsev, O. H. Sova and O. V. Kovalchuk.

15. Development of customs infrastructure and provision of customs authorities with modern technical means for customs control in accordance with the action plan for the construction of priority checkpoints for 2021–2023	State Customs Service Ministry of Finance	customs infrastructure has been reconstructed, built, overhauled and re-equipped; structural subdivisions of customs authorities have been provided with intelligent video surveillance systems, weighing and scanning systems of all types, other technical means and customs control systems	Q4 2023	<p>In progress.</p> <p>Ordinance of the Government No. 333-p of 29.04.2022 approved the decision to open the international checkpoint of Diakivtsi across the state border for pedestrians and vehicles (including buses), except for cargo ones, with the permanent regime of operation and 24/7 working hours, as well as the international checkpoint of Krasnoilsk across the state border for pedestrians and vehicles (up to 3.5 tonnes).</p> <p>On 10.11.2022, the international automobile checkpoint of Krasnoilsk – Vicovu de Sus between Ukraine and Romania was opened.</p>
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In February 2023, Diakivtsi checkpoint was opened for international traffic.

On 27.12.2023, the Commission on confirmation of performance of the construction works at the facility "Reconstruction of Krasnoilsk motor road checkpoint" (adjustment) established by Order of the State Customs Service No. 204-AГ of 27.12.2023 made the statement of examination of the facility under construction in order to examine the facility construction works visually.

The State Customs Service is preparing the package of documents to launch the new procurement procedure for the project "Construction of the site for passenger vehicles and buses at Krakivets motor road checkpoint, and recovery of the infrastructure of the Ukrainian part of existing Krakivets checkpoint at the Ukrainian and Polish border".

In quarter IV of 2023, a number of meetings were also held with Unibep S.A. to conclude a contract for reconstruction of the international motor road checkpoint "Shehyni" at the Ukrainian and Polish border. As of 29.12.2023, it was agreed to sign the contract.

Also, as of 29.12.2023, Euroexpertise LLC carried out expert examination of the design and cost estimate documents for the project "Construction of the pedestrian crossing at the international motor road checkpoint 'Rava-Ruska' at the Ukrainian and Polish border" received on 19.07.2023 from T4B Sp. Z o.o., the

contractor under contract No. 17 of 23.03.2018. Moreover, following the meeting of the Management Team of the Investment Project for Development of the Border Infrastructure and Equipment of the Checkpoints on 28.11.2023, in its letter No. 21-1/21-01/14/72 of 29.11.2023, the State Customs Service sent Euroexpertise LLC the information on approval of the estimated mean level of the cost estimated salary in construction and the approved Statement of Agreement upon Prices of the Materials, Products and Equipment for the project.

On 15.08.2023, Ordinance of the Cabinet of Ministers of Ukraine No. 710 "On Approving the Draft Agreement (via Exchange of Notes) between the Cabinet of Ministers of Ukraine and the Government of Romania on Opening the New International Checkpoint at the Ukrainian and Romanian State Border between the Settlements of Bila Tserkva (Ukraine) and Sighetu Marmăției (Romania)".

According to Resolution of the Government No. 280 of 24.03.2023, the Ministry of Infrastructure was designated the main authority in the system of central executive authorities responsible for developing and implementing the state policy for development, construction, reconstruction, repairs, equipment and modernisation of checkpoints at the state border, and the State Customs Service was instructed to

ensure transfer of the state-owned facilities of the existing checkpoints at the state border for motor vehicles to the State Agency for Recovery and Development of Infrastructure by 01.06.2023.

In order to draw additional financial resources for customs control technical devices, the State Customs Service submitted its proposals to the donors (international organisations and institutions) regarding the need for international assistance to provide customs control technical devices to the territorial bodies of the State Customs Service as well as to enable maintenance and repairs of customs control technical devices. Moreover, actions are taken to receive the corresponding customs control technical devices within component 2 of the Project “EU Support to Strengthening IBM in Ukraine – Resilience (EU4IBM – Resilience)”, the international technical assistance project “Economic Support to Ukraine” (financed by the USAID), the international technical assistance project “EU Support to Ukraine: Strengthening Integrated Border Management and Solidarity Paths” as well as cooperation with the Export Control and Related Border Security Program of the U.S. Department of State.

Improvement of the customs controls and harmonisation of customs procedures, and facilitation of international trade				
16. Implementation of a common transit system (NCTS)	State Customs Service	software has been implemented; software has been in	Q4 2022	Implemented. On 07.07.2022, at the 187th meeting of the EU-CTC Working Group on Common

Ministry of Finance use at the international level.

Transit and the Simplifications of Formalities in Trade in Goods, the representatives of the common transit countries were officially declared the opinion of the final monitoring mission in Ukraine, which had been conducted on 23-24.06.2022, and it was resolved by the vote to officially invite Ukraine to accede to the Convention.

The Ukrainian Side received invitation of the General Secretariat of the Council of the European Union No. LT 168/22 of 25.08.2022 to accede to the Convention on a common transit procedure and the Convention on the simplification of formalities in trade in goods. In that regard, pursuant to the Law of Ukraine "On International Treaties of Ukraine", the Ministry of Finance drafted Laws of Ukraine "On Acceding to the Convention on a common transit procedure" and "On Acceding to the Convention on the simplification of formalities in trade in goods", which were adopted by the Verkhovna Rada of Ukraine on 30.08.2022 (Laws No. 2555-IX and 2554-IX accordingly).

On 31.08.2022, the Ukrainian Side submitted documents on the accession to the conventions to the General Secretariat of the Council of the European Union.

The NCTS started to be applied at the international level on 01.10.2022.

Furthermore, in order to introduce the European practices into the customs

operations in Ukraine, to prepare the national legislation for organisational procedures for Ukraine's accession to the conventions, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 2510-IX of 15.08.2022 developed by the Ministry of Finance "On Amending the Customs Code of Ukraine as to Certain Matters of Implementation of Title 5 of Section IV of the Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Community and their Member States, of the other part".

17. Establishment of an authorised economic operator (AEO)	Ministry of Finance State Customs Service	relevant legal and normative acts have been adopted; software has been implemented.	Q1 2022	<p>Implemented.</p> <p>All the legal and normative acts that are provided for by the Customs Code of Ukraine and necessary for the assessment (for AEO authorisation to be granted to companies) and monitoring of companies' conformity to the AEO criteria have already been adopted.</p> <p>The State Customs Service has introduced the AEO software and information suite that allows accepting applications for the AEO authorisation in electronic form and entering the assessment results. Also, the Unified State Register of Authorised Economic Operators has been created.</p> <p>The first enterprise to obtain AEO authorisation was JT International Ukraine Public Joint Stock Company.</p> <p>Also, on 29.06.2023, Epicentr K was authorised as the AEO of the type</p>
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				<p>“granting the right to apply simplifications”.</p> <p>As of the end of 2023, the State Customs Service gave the enterprises 22 AEO authorisations (including one on certification of safety and reliability) and 148 authorisations for simplifications (including 147 authorisations in 2023).</p>
18. Creation of new IT services to control the movement of goods that may infringe intellectual property rights	State Customs Service	relevant IT services have been put into operation	Q1 2022	<p>Implemented.</p> <p>The State Customs Service developed the new software and information suite of the Unified Automated System “Customs Register of Intellectual Property Items” (SIS “IPI Register”).</p> <p>In pursuance of Order of the State Customs Service No. 165 of 19.04.2022 “On Trial Operation of the SIS ‘Customs Register of Intellectual Property Items’”, the trial operation of the SIS “IPI Register” is under way.</p> <p>As of 31.12.2023, 980 intellectual property items were recorded in the IPI Register.</p>
19. Implementation of a methodology for measuring the average time of release of goods on the basis of best practices	State Customs Service Ministry of Finance	relevant executive documents have been adopted	Q1 2022	<p>In progress.</p> <p>The average time required for the release of goods from the time of delivery to the checkpoint until release is now measured in accordance with the method prescribed by the World Customs Organization.</p> <p>Also, according to the State Customs Service, in order to introduce automated measuring of the average time required for the release of goods, that method was taken into consideration in development of the upgraded Unified Automated</p>

3. Management of fiscal risks and public assets

Carrying out a comprehensive assessment of fiscal risks and determining their impact on the state budget

20. Analysis of fiscal risks and their impact on state budget indicators and inclusion the results of their overall assessment in the Budget Declaration	Ministry of Finance Ministry of Economy other central executive authorities National Bank (by agreement) State Property Fund	overall assessment of fiscal risks in line with the IMF Fiscal Transparency Code and its inclusion in the Budget Declaration	on an annual basis in Q2	In progress. According to Law of Ukraine No. 3278-IX of 27.07.2023 "On Amending the Budget Code of Ukraine to Ensure Predictability of the Budget Policy and to Enhance Debt Sustainability", the rules of Article 33 of the Budget Code of Ukraine and related rules regarding the Budget Declaration resume their effect from 01.01.2024.
21. Preparation of information on fiscal risks and their impact on the state budget's indicators during the planned budget period	Ministry of Finance Ministry of Economy other central executive authorities National Bank (by agreement) State Property Fund	information on fiscal risks and their impact on the state budget's indicators has been included in budget documentation and published on the MoF's official website	on an annual basis in Q3	In progress (Completed in terms of the inclusion and publication in 2023). Information on the fiscal risks (including contingent obligations and quasifiscal transactions) and impact thereof upon the state budget indicators for 2024 was included into the budget documentation and made public on the official website of the Ministry of Finance at: https://mof.gov.ua/uk/zvity .

Ensuring effective monitoring of fiscal risks and minimisation thereof

22. Creation of a Register of Fiscal Risks that may affect	Ministry of Finance Ministry of	Register of Fiscal Risks has been created	Q1 2022	Implemented. The Ministry of Finance has created the Register of Fiscal Risks, monitors and
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the state budget and monitoring them	Economy other central executive authorities National Bank (by agreement) State Property Fund			takes actions to mitigate fiscal risks. The Register of Fiscal Risks includes 65 risks. Information in the Register of Fiscal Risks is updated with account of the data received without limitation from the public authorities and state-owned enterprises.
23. Development of action plans to minimise fiscal risks associated with the activities of economic entities included by the MoF in the list of economic entities with which the greatest fiscal risks may be associated	central executive authorities (economic operators' manageme nt bodies) Ministry of Finance Ministry of Economy	economic operators' management bodies have approved action plans in agreement with the MoF	on the annual basis, by 1 May	In progress. The list of the economic operators with possible largest fiscal risks was updated in 2023. It was made public on the official website of the Ministry of Finance and brought to the notice of corresponding administrative entities and economic operators. The activity is performed with account of martial law and requires additional time.
Improvement of institutional capacity of Ministry of Finance and other public authorities as regards fiscal risk management				
24. Strengthening the institutional and analytical capacity of the MoF and other public authorities with a view to identification, assessment, monitoring of fiscal risks and taking measures to minimise them	Ministry of Finance Ministry of Economy other central executive authorities State Property Fund National	training on fiscal risk management has been conducted (based on the results, the number of employees trained is indicated)	on a continuo s basis	In progress (Completed in terms of training in 2023). In 2023, the experts of the IMF Ukraine offered technical assistance in fiscal risk management and guarantee management, enhancement of fiscal risk management at state-owned enterprises. As a part of operations of IMF Ukraine, in order to enhance the institutional and analytical capacity of the staff of the Ministry of Finance, the IMF experts gave consultations and carried out training on

Bank (by agreement)

practical application: the tool of debt guarantees and assessment of loans to issue debt guarantees; stress-test modelling of operational indicators of state-owned enterprises, and determination of their impact upon budget indicators.

Also, in order to enhance the institutional and analytical capacity in determination and classification of the main types of contingent liabilities related to debt, assessment and management of credit risks related to the public debt, at the example of state guarantees and lending, in 2023, the employees of the Ministry of Finance took part in the educational seminar of the Joint Vienna Institute "Assessment and Management of Debt-Related Fiscal Risks: Focus on State Guarantees".

Implementation of local budget fiscal risk management				
25. Amending the Budget Code of Ukraine in terms of determination of the procedure for the local fund fiscal risk management	Ministry of Finance Ministry of Economy Ministry of Justice	draft law on amendments to the Budget Code of Ukraine has been approved by the Cabinet of Ministers of Ukraine and submitted to the Verkhovna Rada of Ukraine	Q2 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>Thus, with due consideration of the new extreme challenges for the state and local budgets, new approaches to the fiscal risk management system were required.</p> <p>Ukraine Facility 2024 – 2027¹⁸ provides for adoption and effect of the Law on amending the Budget Code of Ukraine to establish the procedure for fiscal risk management of local budgets in quarter IV of 2026.</p>

¹⁸ Adopted by the Government of Ukraine on 18.03.2024

26. Drawing up methodological recommendations on the local budget fiscal risk management	Ministry of Finance Ministry of Economy all-Ukrainian association of local self-government bodies (by agreement)	methodological recommendations have been drawn up and notified to local self-government bodies	Q4 2022	In progress. Performance of the activity requires additional time in connection with the martial law. Implementation of the activity depends on implementation of activity 25 under this Action Plan.
27. Monitoring of compliance with the agreements executed by the local executive authorities under public-private partnership	Ministry of Economy Ministry of Finance Ministry of Regional Development	report has been drawn up, monitoring results have been taken into account in fiscal risk assessment	on an annual basis in Q1	In progress (Implemented in 2023). According to point 3 of the Procedure for Submission of the Annual Report on Performance of the Contract Made within Public-Private Partnership, Including the Concession Agreement, by Public Partners (Concessors) (Order of the Ministry of Economy No. 986 of 26.05.2020 registered with the Ministry of Justice on 06.07.2020 under No. 628/34911), the public partner (concessor) submits a monthly report on performance of the contract made within public-private partnership, including the concession agreement, to the Ministry of Economy by 15 March of the year following the reporting one, in the form approved by Order No. 986. The form has Title V "Analysis of the risks imposed upon the public partner/concessor under the agreement (it contains information on the risks within the scope of responsibility of the public partner/concessor pursuant to the agreement)".

In 2023, the fiscal risks related to implementation of the public-private partnership projects were assessed, and the Ministry of Finance was informed in letter No. 3102-07/19533-03 of 01.05.2023.

28. Strengthening of the local self-government bodies' capacity as regards fiscal risk management	Ministry of Finance all-Ukrainian associations of local self-government bodies (by agreement) local state administrations local councils' executive authorities (by agreement)	training materials have been developed and training of the members of local self-government bodies on fiscal risk management has been conducted (based on the results, the number of bodies where training was conducted and the number of persons trained is indicated)	on a continuous basis	In progress. Implementation of the activity depends on implementation of points 25, 26 under this Action Plan.
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4. Debt management

Ensuring functioning of the Debt Agency

29. Development of the requirements to, and holding, competition for the position of the Debt Agency's Head	National Agency of Ukraine for Civil Service Ministry of Finance	requirements have been developed, competition has been held	Q1 2022	In progress. Performance of the activity requires additional time in connection with the martial law. The NACS has developed the Conditions for Conducting the Competition for the Position of the Head of the Public Debt Management Agency to be further adjusted. In connection with the military aggression of the Russian Federation
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against Ukraine and the challenging security situation, in order to ensure integrity of personal data of candidates for civil service positions, operations of the Unified Portal of Civil Service Vacancies were suspended on 25.02.2022, which prevents competitions in accordance with the Procedure for Civil Service Competitions approved with Resolution of the Cabinet of Ministers of Ukraine No. 246 of 25.03.2016.

30. Establishment of the Debt Agency	Head of the Debt Agency Ministry of Finance	Debt Agency has been registered as a legal entity	Q1 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>Creation of the Public Debt Management Agency was suspended as a result of the military aggression of the Russian Federation against Ukraine.</p>
Improvement of the instruments and mechanisms of state guarantees, including for support of small and medium-sized businesses				
31. Introduction of a fee for the provision of state guarantees based on risk assessment	Ministry of Finance Debt Agency	relevant legal and normative acts have been drafted	Q4 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>In pursuance of the Memorandum of the Economic and Financial Policy, the Ministry of Finance is working to enhance the system to assess the risks related to provision of state guarantees and introduction of a fee for provision of state guarantees on the basis of such assessment.</p> <p>The work is under way together with the experts of the IMF technical mission to draft the Resolution of the Cabinet of Ministers of Ukraine "On Amending Resolution of the Cabinet of Ministers of</p>

				Ukraine No. 256 of 17 March 2011” regarding the fee for provision of state guarantees based on risk assessment.
32. Improvement of the competitiveness assessment of the debtor at the time of provision of public guarantees	Ministry of Finance Debt Agency	relevant legal and normative acts have been drafted	Q3 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>In pursuance of the Memorandum of the Economic and Financial Policy, the Ministry of Finance is working to enhance the system to assess the risks related to provision of state guarantees and introduction of a fee for provision of state guarantees on the basis of such assessment.</p> <p>The work is under way together with the experts of the IMF technical mission to draft the Resolution of the Cabinet of Ministers of Ukraine “On Amending Resolution of the Cabinet of Ministers of Ukraine No. 256 of 17 March 2011”.</p>
33. Introduction of the mechanism for provision public guarantees on a portfolio basis	Ministry of Finance Debt Agency	relevant legal and normative acts have been drafted	Q1 2022	<p>Implemented.</p> <p>Law “On the State Budget of Ukraine for 2022” provided for possible issue of state guarantees by the decision of the Government, namely to ensure partial fulfilment of debt obligations within the portfolio of the lending banks’ loans granted to the economic operators being micro, small and/or medium-sized businesses and residents of Ukraine.</p> <p>The procedure for selecting lending banks, conditions for granting portfolio-based state guarantees, payment for such guarantees as well as the amount and type of the security to be provided by corresponding economic operators was</p>

approved by Resolution of the Government of Ukraine No. 723 of 14.07.2021.

Resolutions of the Government No. 133 of 16.02.2022, No. 374 of 27.03.2022, No. 497 of 29.04.2022, No. 625 of 24.05.2022 approved the lists of corresponding lending banks and maximum scope of portfolio-based state guarantees for such banks for the total amount of UAH 23 billion, No. 591 of 13.06.2023 to the total amount of UAH 7,794 million.

On 06.01.2023, the Resolution of the Government “On Amending Certain Resolutions of the Cabinet of Ministers of Ukraine as to Granting of Portfolio-Based State Guarantees” (No. 34) was adopted to update the scope of state guarantees in order to ensure partial fulfilment of debt obligations within the portfolio of the lending banks’ loans granted to the economic operators being micro, small and/or medium-sized businesses and residents of Ukraine, as prescribed by Resolutions of the Government No. 1262 of 02.12.2021, No. 133 of 16.02.2022, No. 374 of 27.03.2022, and No. 497 of 29.04.2022.

On 13.06.2023, the Cabinet of Ministers of Ukraine adopted Resolution No. 591 “On Granting Portfolio-Based State Guarantees in 2023”. Moreover, Resolutions of the Government No. 229 of 14.03.2023, No. 282 of 30.03.2023, and No. 489 of 16.05.2023 improved the Procedure for Granting Portfolio-Based State Guarantees.

As a part of support of micro, small and/or medium-sized businesses in Ukraine, since the tool of portfolio-based state guarantees was introduced on 03.12.2020, 32,619 loans for the total amount of almost UAH 103.8 billion had been granted (as of 01.01.2024).

Therefore, as of 01.01.2024, 29 lending banks serviced 18,900 loans of that type for the total amount of UAH 67 billion. The liabilities for the principal debt that is partially secured with portfolio-based state guarantees made around UAH 31.4 billion.

Development of the domestic public securities market			
34. Domestic government bonds joining JP Morgan GBI-EM index	Ministry of Finance Debt Agency	domestic government bonds joined JP Morgan GBI-EM index	Q4 2022
			In progress.
			According to JP Morgan Global Index Research (of 12.10.2021), starting from 31.03.2022, the government bonds of Ukraine were supposed to qualify for inclusion into GBI-EM GD index with the approximate share of 0.12%. One series of bonds that met the index requirements was supposed to be included into all three GBI-EM series: it was the domestic government bonds with the coupon of 15.84% and repayment in February 2025 (UA4000204150).
			However, as a result of the full-scale military aggression of the Russian Federation against Ukraine, it was found out in April 2022 that the domestic government bonds were not included into JP Morgan GBI-EM index. With due consideration of the present-day circumstances, inclusion of Ukraine into the index is to be reviewed in the future. The Ministry of Finance has taken all the

				measures for the domestic government bonds (UA4000204150) to be included into JP Morgan GBI-EM index, but that is impossible in the context of the martial law as the bond fails to meet the criteria.
35. Introduction of active instruments for public debt management in the domestic market	Ministry of Finance Debt Agency	relevant legal and normative acts have been drafted	Q1 2022	<p>In progress.</p> <p>Introduction of active instruments for public debt management in the domestic market has been temporarily suspended for the duration of the martial law.</p> <p>Active transactions with public securities will be carried out after Resolution of the Cabinet of Ministers of Ukraine "On Amending the Procedure for Placing Temporarily Free Ukraine of the Single Treasury Account by Purchasing Domestic Government Bonds" is adopted. At the same time, on 05.04.2023, the Financial Stability Board established the working group on development of the domestic debt market with participation of the representatives of the NBU and the Ministry of Finance at the extraordinary meeting. The working group was established in pursuance of the Memorandum of the Economic and Financial Policy with the IMF.</p> <p>According to the Memorandum, Ukraine undertook without limitation to develop the domestic debt market by expanding and diversifying the circle of investors into public securities, including as a result of return of non-residents to the domestic bond market.</p>
36. Improvement of the functioning of the Institute of Primary Dealers	Ministry of Finance Debt Agency	it has been ensured that primary dealers perform the function	Q4 2022	<p>Implemented.</p> <p>The Procedure for Selection and Functioning of Primary Dealers was</p>

of market-makers as regards domestic government bonds on the secondary market

amended by Order of the Ministry of Finance No. 492 of 31.08.2021. According to the Order, the Commission on Selection and Assessment of Primary Dealers monitors fulfilment of their obligations by primary dealers, in particular, as to the requirement for market makers.

In 2021, agreements with the banks being primary dealers were re-signed with the requirements for performing the market maker's functions. Starting from 01.01.2022, control over fulfilment of the obligations assumed was planned.

However, the NSSMC decided to restrict transactions on the secondary securities market from 24.02.2022 until 08.08.2022, so banks could not perform market maker's functions.

Based on the results of 2023, assessment of primary dealers of the Ministry of Finance was introduced based on the new methodology in accordance with Order of the Ministry of Finance No. 492 of 31.08.2021 (in particular, performance of the function of market makers for domestic government bonds in the secondary market).

The rating of primary dealers can be found on the website of the Ministry of Finance of Ukraine at <https://mof.gov.ua/uk/rejting-pervinnih-dileriv>.

Improvement of the local self-government bodies' capacity as regards debt management

37. Drawing up methodological recommendations on the local debt management	Ministry of Finance, all-Ukrainian	methodological recommendations have been drawn up and	Q1 2022	In progress. Law of Ukraine No. 3428-IX of 08.11.2023 "On Amending the Budget Code of
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associations notified to local self-
of local self- government bodies
governmen
t bodies
(by
agreement)

Ukraine to Maintain the Defensive
Capacity of the State and Develop the
Defence Industry Complex of Ukraine”
gave the village and urban-type
settlement territorial communities to
take local loans and to provide local
guarantees.

The activity requires more time since
development of methodological
recommendations on the local debt
management provides for regulation of
amendments to the procedures for taking
local loans and providing local guarantees
in the first place, as approved with
Resolutions of the Cabinet of Ministers of
Ukraine No. 110 of 16.02.2011 and No. 541 of
14.05.2012, and for improvement of
settlement forms for local loans and local
guarantees, as approved with Orders of the
Ministry of Finance No. 921 and No. 922 of
22.10.2015.

38. Improvement of the mechanism for control of local debts and guarantees	Ministry of Finance	draft law on amendments to the Budget Code of Ukraine has been approved by the Cabinet of Ministers of Ukraine and submitted to the Verkhovna Rada of Ukraine	Q1 2022	<p>Implemented.</p> <p>The Verkhovna Rada of Ukraine adopted Law of Ukraine No. 2709-IX of 03.11.2022 “On Amending the Budget Code of Ukraine to Update and Improve Certain Rules”, which provided for improving the mechanism for determining the limit of the total volume of the local debt and the debt guaranteed by the Autonomous Republic of Crimea, the regional council or city territorial community (Article 18). Resolution of the Cabinet of Ministers of Ukraine No. 234 of 17.03.2023 amended the procedures for taking local loans and providing local guarantees approved with</p>
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Resolutions of the Cabinet of Ministers of Ukraine No. 110 of 16.02.2011 and No. 541 of 14.05.2012.

Moreover, Law of Ukraine No. 2390-IX of 09.07.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine to Enhance Flexibility of Local Budgets and Increase Promptness of Decision-Making”, which entered into force on 27.07.2022, supplemented the Final and Transitional Provisions of the Budget Code of Ukraine with point 22⁶, according to which Article 74(7) of the Budget Code of Ukraine is not to be applied during the martial law in Ukraine and for six months after it is terminated or cancelled.

39. Carrying out monitoring of debt obligations and guarantees provided by local self-government bodies	Ministry of Finance local self-government bodies (by agreement)	report has been drawn up, monitoring results have been taken into account in fiscal risk assessment	on an annual basis in Q1	<p>In progress (Implemented in 2023).</p> <p>The local budget indicators in connection with local loans, local guarantees and repayment thereof as well as volumes of local budget loans to temporarily cover cash shortage with funds from the single treasury account and medium-term loans in 2020-2022 and corresponding planned indicators for 2023 were monitored. Following the work performed, the corresponding analytical materials included into the information brochure “Indicators of Financial and Credit Local Budget Tools” were prepared. There was quarterly analysis of dynamics of the indicators associated with local loans, local guarantees, including as regards the volume of local guarantees, the volume of the debt guaranteed by the</p>
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				Autonomous Republic of Crimea, the regional council or city territorial community, guarantee obligations of local councils etc., and there was monthly assessment of receipt and repayment of short-term and medium-term loans.
40. Strengthening of the local self-government bodies' capacity as regards debt management	Ministry of Finance all-Ukrainian associations of local self-government bodies (by agreement) local state administrations local councils' executive authorities (by agreement)	training materials have been developed and training of the members of local self-government bodies on debt management has been conducted (based on the results, the number of bodies where training was conducted and the number of persons trained is indicated)	on a continuous basis	In progress (Completed in terms of training in 2023). In order to improve the institutional capacity of the local self-government bodies as regards engagement of financial and credit resources for local budgets and management of the local and guaranteed debt, the training was conducted jointly with Ukreximbank JSC for 244 representatives of the local self-government bodies from 15 oblasts.
	Increasing of the share of long-term concessional financing			
41. Improvement of the regulatory framework in order to eliminate obstacles in the preparation/implementation of joint projects with IFIs	Ministry of Finance	relevant legal and normative acts have been adopted	Q4 2024	Not due yet. Ordinance of the Government of Ukraine No. 589-p of 30.06.2023 "On Deferring Payments for the Debt of Private Joint-Stock Company 'National Power Company 'Ukrenergo' under the Loan from KfW within the Project 'Reconstruction of Substations in the Eastern Part of Ukraine'" and No. 594-p of 04.07.2023 "On Deferring

Payments for the Debt of the Economic Operators under the Loans from KfW within Certain Common KfW Projects”. Ordinance of the Cabinet of Ministers of Ukraine No. 1099-p of 01.12.2023 “On Redistributing Certain Expenditures from the State Budget and Granting Loans from the State Budget in 2023 for Implementation of Investment Projects with the Credits (Loans) Raised by the State from Foreign States, Foreign Financial Institutions, and International Financial Institutions” was adopted, and Decree of the President of Ukraine No. 738/2023 of 07.11.2023 “On Ensuring Representation of Ukraine in the Administrative Council of the Council of Europe Development Bank” was issued. In 2023, the draft Decree of the President of Ukraine “On Appointing B. Tarasiuk the Representative of Ukraine in the Governing Board of the Council of Europe Development Bank” was prepared and approved at the meeting of the Cabinet of Ministers of Ukraine and submitted to the President of Ukraine to be signed. Draft Resolution of the Cabinet of Ministers of Ukraine “On Amending Resolution of the Cabinet of Ministers of Ukraine No.1090 of 5 September 2007” was prepared and submitted to the Government for consideration in letter No. 19040-01-3/36780 of 27.12.2023. Also, draft Resolution of the Cabinet of Ministers of Ukraine “On Amending the Procedures Approved with Resolutions of the Cabinet

of Ministers of Ukraine No. 70 of 27 January 2016 and No. 153 of 15 February 2002” was developed, approved by the Ministry of Economy, the Ministry of Digital Transformation, the Ministry of Foreign Affairs and the SCMU, and sent to the Ministry of Justice, the NACP and the Government Office for the Coordination of European and Euro-Atlantic Integration of the SCMU for approval in letter No. 19050-07-5/36433 of 26.12.2023.

In order to increase the scope of the credit and grant funds raised, Law of Ukraine No. 3278-IX of 27.07.2023 “On Amending the Budget Code of Ukraine to Ensure Predictability of the Budget Policy and to Enhance Debt Sustainability” amended Article 29 and point 38 of Title VI “Final and Transitional Provisions” of the Budget Code of Ukraine in terms of grants for budget support when performance indicators are reached.

Law of Ukraine No.3415-IX of 06.10.2023 “On Amending the Law of Ukraine ‘On the State Budget of Ukraine for 2023’ as to Financial Support of the Security and Defence Sector and Resolution of Priority Issues” supplemented the Title “Final Provisions” of the Law of Ukraine “On the State Budget of Ukraine for 2023” with point 14, where it was prescribed that grants for budget support from foreign financial institutions in 2023 could be raised based on agreements made by the state represented by the Minister of Finance of Ukraine or the person who

				performed his or her duties by the decision of the Cabinet of Ministers of Ukraine.
42. Extension of the list of financial instruments under joint project with IFIs	Ministry of Finance	implementation of projects with the use of new financial instruments has been ensured	Q4 2025	<p>Not due yet.</p> <p>In 2023, the work was in progress to raise loans and grants from IFIs in order to finance investment projects and priority state budget costs by means of the following financial support instruments of the IFIs:</p> <ul style="list-style-type: none"> - financing of systemic loans for the development policy with credits and grants from the IFIs; - financing of the systemic project by means of the financial lending product with programme-for-results financing (PforR); - financing of investment projects using the lending mechanism based on achievement of corresponding indicators stipulated in the agreement between Ukraine and the IFI; - receipt of grant funds from foreign states, foreign financial institutions and IFIs to finance common projects; - use of funds of the IFIs to maintain liquidity and sustainability of economic operators in the public sector of economy; - use of resources of Ukraine's partners that take part in framework projects or budget support via grant contributions into the World Bank Trust Funds: URTF (Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund), PEACE MDTF, ADVANCE (Advancing Needed Credit

Enhancement for Ukraine Trust Fund), and also grant credit guarantees to the World Bank (for corresponding countries) to co-finance projects of the World Bank via loans, or grant parallel financing of the projects common with the World Bank;

- receipt of resources from a number of special funds established at the initiative of the World Bank to help Ukraine, with participation of the development partners, namely MDTF PEACE;
- expansion of cooperation with the IFIs in financing of projects with credit funds of the International Development Association.

Also, in 2023, Ukraine became a full member of the Council of Europe Development Bank (hereinafter the “CEDB”), which enabled it to use all the available financial instruments of the bank, namely project and programme lending, inter-industry lending, the EU co-financing mechanism, the mechanism for financing the public sector of economy and financing public-private partnership. Moreover, the CEDB can grant financing to admissible sectors as loans and grants, and issues guarantees for such financing. As of 01.01.2024, 13 international treaties were concluded between Ukraine and the IFIs for the total amount of USD 12.416 billion and EUR 37.7 million for the common projects, namely the ones in the field of energy, energy efficiency, development of the logistical infrastructure and recovery/redecoration

of accommodation, public administration, including the grants for USD 10.760 billion and EUR 37.7 million and the credit funds – USD 1.656 billion.

43. Disclosure of complete and objective information on the initiation, preparation to, and implementation, of projects through loans from IFIs	Ministry of Finance	availability on the IFIs projects web portal of up-to-date information on the projects of social and economic development of Ukraine whose implementation is funded by the IFIs	on a continuous basis	<p>In progress (Completed in terms of coverage of information in 2023).</p> <p>The register projects of social and economic development of Ukraine whose implementation is funded by the IFIs is available here: https://proifi.gov.ua/projects?page=1</p> <p>Also, the IFI projects web-portal contains information on dynamics of utilisation of IFI funds, the structure of project financing by industries, the structure of project financing by a lender (IFI) as well as the structure of project financing by a responsible contractor.</p>
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5. Liquidity management

Improving the quality of forecasting the movement of funds in the accounts of the Treasury

44. Establishing the exchange of information between the Treasury, the Ministry of Finance and other entities responsible for the movement of funds through a single treasury account, for the purposes of forecasting and liquidity management	Ministry of Finance other ministries Treasury State Tax Service State Customs Service, Pension Fund of Ukraine State Property Fund	the Procedure for Information Exchange among the entities of the liquidity management system has been approved; database necessary for forecasting movement of funds has been set up.	Q1 2022	<p>In progress.</p> <p>Resolution of the Government No. 970 of 30.08.2022 “On Approving the Procedure for Submission of Information between by Budget Holders and Recipients, Other Clients of the State Treasury Service to the Ministry of Finance for the Purpose of Liquidity Management of the Single Treasury Account and Foreign Currency Accounts of the State Treasury Service” was adopted. According to point 3 of Resolution No. 970, information is submitted to the Ministry of Finance within six and nine months following the termination of martial law.</p>
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In addition, the following amendments were approved:

- of 21.04.2023 to the Specification of interaction between the information systems of the Ministry of Finance and the Treasury via the information interaction service in connection with provision of daily operational information on the balance in the Single Treasury Account. The information is formed and transferred automatically by means of the information interaction service as of 10.00, 14.00 and 18.00 daily;

- of 08.06.2023 to the Technological format of exchange of information on payment transactions, the list of directories and interaction schemes in connection with changes in the structure of data on payment transactions on the single treasury account in accordance with the new generation of the electronic payment system of the NBU based on the international standard ISO 20022 from 01.04.2023.

The Ministry of Finance piloted collection of information on expected cash flows of local budgets on the single treasury account.

45. Ensuring automatic forecasting of the movement of funds in the Treasury's single treasury account and foreign currency accounts	Ministry of Finance Debt Agency Treasury	automated system of decision-making as regards liquidity management has been put in place	Q2 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>According to the Government Resolution No. 970 of 30.08.2022 "On Approving the Procedure for Submission of Information between by Budget Holders and Recipients, Other Clients of the State</p>
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Treasury Service to the Ministry of Finance for the Purpose of Liquidity Management of the Single Treasury Account and Foreign Currency Accounts of the State Treasury Service”, the automated system can be put in place within nine months after the martial law is terminated or cancelled.

The draft technical specification for information collection software has been developed to forecast the movement of funds in the Treasury’s single treasury account and foreign currency accounts.

46. Extension of the period for forecasting movement of funds in the single treasury account to six months, with further improvement in forecasting quality	Ministry of Finance Treasury State Tax Service State Customs Service National Bank (by agreement)	reliable daily forecasts of movement of funds in the single treasury account for up to three months and monthly forecasts for up to six months have been ensured	Q4 2022	Implemented. Daily forecast of movement of funds in the single treasury account is made for to three months, and the monthly one is made for six months. The forecast of daily and monthly movement of finds in the single treasury account is submitted to the senior executives of the ministry for consideration.
47. Improving the institutional and analytical capacity to forecast the movement of funds in the single treasury account, and the use of liquidity management tools	Ministry of Finance Treasury State Tax Service State Customs Service	training on forecasting of movement of funds in the single treasury account has been conducted (based on the results, the percentage of employees trained is indicated)	on a continuous basis	In progress (Completed in terms of training in 2023). In 2023, as a part of the World Bank technical mission to improve debt and risk management, the employees of the Ministry of Finance studied the international practices of placement of temporarily free funds via repurchase transactions in Krakow.
Improvement of liquidity management tools				
48. Improving the tools for managing temporarily free funds in the Treasury’s single	Ministry of Finance	the procedure for placing temporarily free balances into the	Q1 2022	In progress. Performance of the activity requires additional time in connection with the martial law.

treasury account and foreign currency accounts, making relevant transactions	Debt Agency	Treasury's single treasury account and foreign currency accounts has been amended		<p>The draft Resolution of the Cabinet of Ministers of Ukraine "On Amending the Procedure for Placing Temporarily Free Ukraine of the Single Treasury Account by Purchasing Domestic Government Bonds" is being approved by the stakeholders.</p> <p>Active transaction with public securities will be carried out after the Debt Agency is established, and the above-mentioned Resolution of the Cabinet of Ministers of Ukraine is adopted.</p>
49. Introduction of liquidity management tools with a view to ensure payments by spending units and recipients of state budget funds, serviced by the Treasury, in case of insufficient funds in the single treasury account	Ministry of Finance Debt Agency	use of liquidity management tools has been ensured	Q1 2022	<p>In progress.</p> <p>In March 2022, the Ministry of Finance started auctions to sell military bonds: it is an investment tool to support the state budget that is available to citizens, businesses and foreign investors. Funds from the bonds raised for the State Budget of Ukraine are used for continuous satisfaction of the state financial needs during the martial law: for military objectives and essential social expenditures to support the population. Where there are insufficient funds at the single treasury account, the Ministry of Finance carries out additional placement of short-term domestic government bonds.</p> <p>Active transactions with public securities will be carried out after Resolution of the Cabinet of Ministers of Ukraine "On Amending the Procedure for Placing Temporarily Free Ukraine of the Single Treasury Account by Purchasing Domestic Government Bonds" is adopted and the Debt Agency is established.</p>

50. Carrying out the analysis and preparation of the proposals on coordination of time-limits for considerable receipts and expenses of the state budget	Ministry of Finance Treasury State Tax Service, State Customs Service	relevant analytical report and legal and normative acts have been adopted	Q4 2023	In progress. Performance of the activity requires additional time in connection with the martial law. The analytical report and proposals on actions to be taken to agree upon timeframes for incoming and outgoing flows in the single treasury account were prepared.
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II. IMPROVING THE EFFICIENCY OF RESOURCE ALLOCATION AT THE LEVEL OF FORMATION OF THE STATE POLICY

6. Macroeconomic and budgetary forecasting and strategic planning

Legislative regulation of the functioning of the integrated system of state forecasting and strategic planning of economic and social development

51. Drawing up the draft law on system of state forecasting and strategic planning of economic and social development	Ministry of Economy Secretariat of the Cabinet of Ministers of Ukraine Ministry of Finance Ministry of Regional Development Ministry of Justice	the draft law on system of state forecasting and strategic planning of economic and social development has been approved by the Cabinet of Ministers of Ukraine and submitted to the Verkhovna Rada of Ukraine	Q1 2022	In progress. Performance of the activity requires additional time in connection with the martial law. In order to duly organise the rule-making process and coordinate efforts of those who participate in drafting Law of Ukraine “On State Strategic Planning of Economic and Social Development of Ukraine”, the Ministry of Economy initiated establishment of the Work Group made of the representatives of the Ministry of Finance, the MCDT, the Ministry of Justice, the Secretariat of the Cabinet of Ministers of Ukraine and the Reform Support Team of the Ministry of Economy. As a part of their joint work: - pre-approved conceptual framework of the draft law and approaches to fundamental documents (strategy for the long-term period and targeted strategies); - draft law developed, comparative tables with amendments to Laws of Ukraine “On
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the Cabinet of Ministers of Ukraine”, “On the Central Executive Authorities” as well as amendments to the Budget Code of Ukraine;

- decisions taken on the principal directions of further work within bilateral consultations between the Ministry of Economy and the Ministry of Finance as well as the Ministry of Infrastructure.

At the same time, in 2023, the Procedure for Developing the State Strategy for Regional Development of Ukraine and the Action Plan for the Implementation Thereof was updated by Resolution of the Government No. 817 of 04.08.2023, and the implementation of the Strategy and the action plan as well as the Procedure for Developing the Regional Development Programmes was monitored.

The Procedure for Developing the State Strategy for Regional Development of Ukraine and the Action Plan for the Implementation Thereof as well as for monitoring of the Strategy and the Action Plan (Resolution of the CMU No. 817 of 04.08.2023) was updated.

Thus, in 2023, the UNDP consultants studied the methodological approaches to development of strategic operational plans in different countries, matters of financing of strategic plans, monitoring and assessment of implementation thereof, within the UNDP project “Enhancing Crisis Management and Emergency Response capacities at all levels of government authorities of Ukraine”. In close cooperation with the professionals of the Ministry of Economy, the guidelines were drafted on developing strategic plans and aligning

them with the budget process, the new digital system for monitoring and assessment of implementation of strategic plans (demo model / IT solution) was created based on the operational plan of the Ministry of Economy for 2023. The methodological approaches and model are going to be tested within the budget process in 2024 (in the medium term).

52. Bringing budget law in line with the new system of state forecasting and strategic planning of economic and social development	Ministry of Finance Ministry of Economy	the draft Law of Ukraine "On Amendments to the Budget Code of Ukraine" drawn up based on the law on development of the system of state forecasting and strategic planning of economic and social development has been adopted by the Cabinet of Ministers of Ukraine and submitted to the Verkhovna Rada of Ukraine	within the period of three months from adoption of the draft law on development of the system of state forecasting and strategic planning of economic and social development	Not due yet.
Development of the system of state forecasting and strategic planning of economic and social development within implementation of the legislation on development of the system of state forecasting and strategic planning of economic and social development				

53. Ensuring implementation of the law on development of the system of state forecasting and strategic planning of economic and social development	Ministry of Economy Secretariat of the Cabinet of Ministers of Ukraine Ministry of Finance Ministry of Regional Development Ministry of Justice	necessary normative and legal acts of the Cabinet of Ministers of Ukraine have been adopted in order to bring the system of state forecasting and strategic planning of economic and social development in line with the law; necessary methodological recommendations for the development, implementation, monitoring and evaluation of implementation of strategic planning documents were approved during one year from the date of enactment of the law on development of the system of state forecasting and strategic planning of economic and social development		Not due yet.
Further depoliticisation of macroeconomic and budgetary forecasting and strategic planning				
54. Setting up the Council of Independent Experts	Ministry of Economy Ministry of	independent external evaluation of the macroeconomic forecasting and	within a year from enactmen	Not due yet.

Finance	forecasting of state budget revenues and policy initiatives has been introduced; quality, validity, transparency and public perception of public policy in the field of state forecasting and strategic planning of economic and social development have been improved.	t of the law on developm ent of the system of state forecastin g and strategic planning of economic and social developm ent
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Improvement of the tools and capacity in the areas of macroeconomic and budgetary forecasting and strategic planning

55. Improvement of the quality of modelling scenarios when making budgetary forecasts for a medium-term perspective	Ministry of Finance	the causes of deviations between actual and forecast medium-term budget indicators have been analysed, and proposals for changes in the methods have been developed	Q4 2022	<p>In progress.</p> <p>In connection with the military aggression of the Russian Federation against Ukraine, and in pursuance of Law of Ukraine No. 2115-IX of 03.03.2022 “On Protecting Interests of the Entities Obligated to Submit Reports and Other Documents during the Martial Law or the State of War”, the state statistics authorities have suspended publication of certain statistical information, except for the consumer price index, for the periods of 2022.</p> <p>With due consideration of the above, the activity was implemented with account of such restrictions, which were deepened by the overall unpredictability for further course of hostilities.</p>
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				According to Law of Ukraine No. 3278-IX of 27.07.2023 “On Amending the Budget Code of Ukraine to Ensure Predictability of the Budget Policy and to Enhance Debt Sustainability”, the rules of Article 33 of the Budget Code of Ukraine and related rules regarding the Budget Declaration resume their effect from 01.01.2024.
56. Drawing up a structural macroeconomic model and computable general equilibrium model	Ministry of Economy	a new toolkit for macroeconomic forecasting has been developed	Q4 2024	<p>Not due yet.</p> <p>In 2023, the Ministry of Economy used the new macroeconomic forecasting toolkit developed in 2020-2021 with the support by the RST (Reform Support Team); it was the structural macroeconomic computable general equilibrium (CGE) as a part of forecasting and assessment of decision-making (in particular, impact of investment projects upon the GDP and specific risks of the forecast developed in 2023). This model is updated regularly based on the statistical data available.</p>
57. Comprehensive revision of the methodology for forecasting budget revenues	Ministry of Finance	MoF orders to that effect have been issued	Q4 2023	<p>Implemented.</p> <p>The improvement and review of forecasting methods are carried out on a continuous basis. In order to ensure timely consideration of external factors upon the revenue part of the budget, the methodology for forecasting individual sources of proceeds is updated on a continuous basis.</p> <p>With a view to increasing substantiation of individual income tax proceeds during martial law and state of emergency more substantiated, the Methodology for Forecasting Individual Income Tax Proceeds approved with Order of the Ministry of Finance No. 539 of 31.08.2020</p>

was amended with Order of the Ministry of Finance No. 275 of 13.09.2022.

With a view to increasing substantiation of forecast revenues, the Methodology for Forecasting Licence Fees for the Right to Perform Certain Types of Economic Operations, Issue of Duplicates and Certificates approved with Order of the Ministry of Finance No. 335 of 19.06.2023 “On Approving the Methodology for Forecasting Licence Fees for the Right to Perform Certain Types of Economic Operations, Issue of Duplicates and Certificates” was developed.

The new Methodology for Forecasting the Import Duty with Eviews Software was approved with Order of the Ministry of Finance No. 373 of 05.07.2023 “On Approving the Methodology for Forecasting Import Duty Revenues”.

The enhanced methodologies for forecasting excise duty revenues from the excise goods (products) made in Ukraine and the excise goods (products) imported into the customs territory of Ukraine were approved with order of the Ministry of Finance No. 734 of 28.12.2023 “On Approving the Methodologies for Forecasting Excise Duty Revenues”.

The new model for calculating forecast income tax revenues from banks as a result of the new approach to taxation of the net interest income of banks and the increase in the income tax rate was developed. The algorithm for the impact

				of such changes upon budget proceeds was established.
58. Ensuring further improvement of the transparency of the macroeconomic forecast process	Ministry of Economy	a summary of the modelling mechanism used in forecasting has been published	Q4 2025	Not due yet.
59. Ensuring further improvement of the transparency of the budget revenue forecasting process	Ministry of Finance	a summary of the actual modelling mechanism used in forecasting has been published	Q4 2024	Not due yet.
60. Capacity building in the area of forecasting macroeconomic indicators	Ministry of Economy	training on improvement of the tools for macroeconomic forecasting has been conducted (based on the results, the percentage of employees trained is indicated)	on a continuous basis	In progress (Completed in terms of training in 2023). On 8 and 9 May 2023, the experts from the Ministry of Economy took part in the training course "Foresight technologies and social and economic development methods" organised by TAIEX in cooperation with the Ministry of Finance in Finland in Helsinki (Republic of Finland).
61. Capacity building in the area of forecasting budget revenue indicators	Ministry of Finance State Tax Service State Customs Service	training on improvement of the tools for forecasting budget revenues has been conducted (based on the results, the percentage of employees trained is indicated)	on a continuous basis	In progress (Completed in terms of training in 2023). In 2023, the employees of the Ministry of Finance took part in the training workshops (courses) of the Joint Vienna Institute (JVI) "Fiscal policy analysis" and "Inclusive growth" where they studied without limitation budget revenue forecasting.
62. Capacity building in the area of state strategic planning	Ministry of Economy Ministry of Finance	training on the development, implementation, monitoring and	continuously starting	In progress (Completed in terms of holding events in 2023). The expert forum on strategic management in public institutions was

other ministries	evaluation of the implementation of strategic planning documents has been conducted	from 2023	<p>held on 26.01.2023 at the initiative of the EU representatives within the EU Twinning project; the matters of strategic planning, cooperation of public institutions in connection with strategic priorities, and performance management were considered. The event was attended by representatives of public institutions of Lithuania and Portugal, OECD and SIGMA experts. The representatives of the Ministry of Finance, the Ministry of Economy, the Ministry of Energy, the Ministry of Digital Transformation, the NACS, the Office of the President of Ukraine and others were invited.</p> <p>In quarter II of 2023, the High School of Public Governance conducted the training with the short-term advance training programme “Result-Driven Governance”.</p> <p>On 21.06.2023, the employees of the Ministry of Finance took part in the virtual seminar “Integrating budgeting and strategic planning” with the support of PEMPAL project.</p> <p>on 06.09.2023, there was a final training stage within the educational programme “Strategic Expert School” implemented by the Higher School of Public Governance jointly with the NACS and with the support of SURGe project. The event was attended by 42 civil servants of category A.</p> <p>on 14.09.2023, the NACS conducted the training session on monitoring and approval of detailed activities in the IT</p>
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system PROJECT UA. More than 40 civil servants took part in the training.

On 13.12.2023, the Ministry of Economy held the event to present results of strategic planning modernisation work as a part of the UNDP project “Enhancing Crisis Management and Emergency Response capacities at all levels of government authorities of Ukraine”. In particular:

(1) methodological approaches to development of strategic plans: international experience and practice (participation, RBM- result based management);

(2) financing of strategic plans: interconnection with the budget cycle and budget programmes;

(3) model (demo-model/IT solution) and monitoring systems.

The event was attended by the professionals from the Ministry of Economy and other governmental institutions.

7. Medium-term budget planning

Setting up reliable medium-term framework for state budget planning

63. Development of a methodology for preparing proposals for the Budget Declaration, in particular, as regards the estimation of base expenditures, and approaches to the distribution of marginal expenditures in the medium-term perspective

Ministry of Finance

appropriate legal and normative act has been adopted

Q1 2022

Implemented.

Order of the Ministry of Finance No. 207 of 21.07.2022 “On Approving the Guideline on Preparing Proposals on the Budget Declaration” (registered with the Ministry of Justice on 04.08.2022 under No. 882/38218) has been adopted.

64. Update of the methodology of drawing up budget requests for the draft State Budget of Ukraine for the respective year, in particular, as regards the drawing up budget requests by main spending units within the marginal expenditures and loans approved by the Budget Declaration; identification of cases of adjustment of thresholds approved by the Budget Declaration	Ministry of Finance	appropriate legal and normative act has been adopted	Q1 2022	Implemented. Order of the Ministry of Finance No. 450 of 21.12.2022 "On Approving the Guideline on Preparing Budget Requests" (registered with the Ministry of Justice on 22.02.2023 under No. 322/39378) was approved.
65. Making comparison of the key actual indicators of the state budget for the reporting budget period with the indicators provided by the Budget Declaration for the corresponding period	Ministry of Finance	the comparison of the actual indicators of the State Budget of Ukraine for 2022 with the indicators provided by the Budget Declaration for 2022–2024 is included in the Budget Declaration for 2024–2026	Q2 2023	In progress. Performance of the activity requires additional time in connection with the martial law as the Budget Declaration for 2023–2025 was not made (execution of the Budget Declaration was suspended by Law of Ukraine No. 2134-IX of 15.03.2022). This activity is going to be performed when the Budget Declaration for 2025–2027 is made (according to Law of Ukraine No. 3278-IX of 27.07.2023, the Budget Declaration will be executed starting from 01.01.2024).
66. Drawing up proposals on reduction in the number of main spending units with a view to strengthen the strategic orientation of the budget process	Ministry of Finance Ministry of Justice Ministry of Economy	proposals on reduction in the number of main spending units during the drafting of Law of Ukraine "On the State Budget of Ukraine for 2023" have been developed	Q3 2022	Implemented. When the Law of Ukraine "On the State Budget of Ukraine for 2023" was drafted, the list of the main spending units was consistent with the war-time needs. Moreover, according to Resolution of the Cabinet of Ministers of Ukraine No. 1343 of 02.12.2022, it was decided to reorganise the Ministry for Communities and Territories Development of Ukraine by incorporating it into the Ministry for

Communities, Territories and Infrastructure Development of Ukraine. It is prescribed by point 4 of Resolution of the Cabinet of Ministers of Ukraine No. 1400 of 17.12.2022 "Certain Matters of Activity of the System of the Central Executive Authorities", which entered into force on 20.12.2022 that Resolution of the Cabinet of Ministers of Ukraine No. 197 of 30.04.2014 "On Approving the Regulation on the Ministry for Communities and Territories Development of Ukraine" (as amended) ceased to be in force from 19.03.2023. Therefore, the functions and powers of the Ministry for Communities and Territories Development of Ukraine were transferred to the Ministry for Communities, Territories and Infrastructure Development of Ukraine.

Strengthening the financial and economic validity of the decisions of the Cabinet of Ministers of Ukraine

67. Putting in place consultations as regards the possible impact on the indicators of state and/or local budgets, with the MoF at the stage of drafting normative and legal acts	Ministry of Finance Ministry of Justice Secretariat of the Cabinet of Ministers of Ukraine	proposals on the amendments to the Rules of Procedure of the Cabinet of Ministers of Ukraine have been developed	Q2 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>According to paragraph 55² Rules of Procedure of the Cabinet of Ministers of, the Prime Minister or another member of the Cabinet of Ministers in consultation with the Prime Minister has the right to submit a draft act to the Cabinet of Ministers of Ukraine for consideration without having to adhere to the approval and consultation requirements of this Regulation during the martial law in</p>
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Ukraine in an emergency that requires an immediate decision.

The activity will be resumed after the martial law is terminated or cancelled.

Also, the role of the Ministry of Finance as the authority responsible for balanced and justified budget indicators was enhanced in 2023 when the law on the state budget was amended. Law of Ukraine No. 3278-IX of 27.07.2023 “On Amending the Ministry of Finance to Ensure Predictability of the Budget Policy and to Enhance Debt Sustainability” amended Article 52 of the Code, according to which the Ministry had to attach an expert opinion and information on financial support of the draft law to each draft law on amending the law on the State Budget of Ukraine submitted to the Verkhovna Rada of Ukraine.

68. Strengthening the requirements to financial and economic feasibility of draft legal and normative acts, and to their compliance with budget legislation	Ministry of Finance Secretariat of the Cabinet of Ministers of Ukraine	proposals on the amendments to the Rules of Procedure of the Cabinet of Ministers of Ukraine have been developed	Q2 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>According to paragraph 55² Rules of Procedure of the Cabinet of Ministers of, the Prime Minister or another member of the Cabinet of Ministers in consultation with the Prime Minister has the right to submit a draft act to the Cabinet of Ministers of Ukraine for consideration without having to adhere to the approval and consultation requirements of this Regulation during the martial law in Ukraine in an emergency that requires an immediate decision.</p>
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				The activity will be resumed after the martial law is terminated or cancelled.
69. Monitoring of draft acts for the availability and quality of financial and economic calculations submitted by the chief drafter	Ministry of Finance Secretariat of the Cabinet of Ministers of Ukraine	positive conclusions of the MoF as to the proper quality of financial and economic calculations to the draft acts or draft laws adopted or approved by the Cabinet of Ministers of Ukraine	on a continuous basis	<p>In progress.</p> <p>According to paragraph 55² Rules of Procedure of the Cabinet of Ministers of, the Prime Minister or another member of the Cabinet of Ministers in consultation with the Prime Minister has the right to submit a draft act to the Cabinet of Ministers of Ukraine for consideration without having to adhere to the approval and consultation requirements of this Regulation during the martial law in Ukraine in an emergency that requires an immediate decision.</p>
Raising budgetary discipline and improving budget planning				
70. Improving the procedure for redistribution of state budget expenditures within the overall amount of budget assignments of the main spending unit during the budget year	Ministry of Finance	amendments to relevant legal and normative acts have been made	Q3 2022	<p>In progress.</p> <p>The activity has been temporarily suspended as it is inexpedient to introduce restrictions in redistribution of state budget expenditures during the martial law in Ukraine; it will be resumed after the martial law is terminated or cancelled.</p> <p>At the same time, within the diagnostic overview of medium-term budget planning carried out within the structural beacon proposed by the IMF during the negotiation on the second review of the programme for the Extended Fund Facility, the mechanisms for management of budget funds by main spending units are going to be processed to reduce the number of budget assignments and budget allocations and</p>

71. Automation of planning and monitoring of the state budget implementation	Ministry of Finance	relevant information and analytical system have been developed and implemented	Q4 2024	<p>to increase the efficiency and performance of use of budget funds.</p> <p>Not due yet.</p> <p>As a part of the project “EU Public Finance Management Support Programme for Ukraine (EU4PFM): Components 3 and 4”, in accordance with Contribution Agreement No. ENI/2018/404-165 of 19.12.2018 (project (programme) registration card No. 4266-03 of 13.02.2023), contract No. 2023/4-3-70/13110-05/29 of 28.02.2023 was made between the Ministry of Finance, CPMA and the State Institution “Open Public Finance”, and the assignment is performed to develop the IT system of the Ministry of Finance “State Budget – Ministry of Finance” and the automated information system for online interaction with state budget spending units (WebCFA AIS) based on the Calendar Plan to the contract.</p> <p>On 03.10.2023, the Ministry of Finance held the constituent meeting with the main spending units involved into the pilot project of the new digital solutions in the budget process, where the peculiarities of the new IT system and its benefits were presented. Special attention was paid to organisation of the future system piloting process and interaction with the spending units, which, in its turn, will make it easier to put the system into operation and carry out digital transformation of the budget process. The new IT system for interaction with</p>
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the spending units will be a digital tool for the communication with the Ministry of Finance in the budget process that will ensure exchange of documents to be duly saved, verified and consolidated.

72. Determining the procedure for formation of the payroll budgets in public authorities	National Agency of Ukraine for Civil Service Ministry of Finance	appropriate legal and normative act has been adopted	Q1 2022	<p>In progress.</p> <p>The draft Resolution of the Cabinet of Ministers of Ukraine “On Approving the Procedure for Forming the Payroll Budget of Civil Servants in the Public Authority” has been sent to the Cabinet of Ministers of Ukraine for consideration (letter of the NACS No. 373/92.1-22 of 22.01.2022). According to points 4 and 5 of minutes of the meeting of the temporary work group of the Inter-Institutional Work Group on Reformation of the Labour Remuneration System of Civil Servants No. 49907/3/1-21 of 01.12.2022, the draft Resolution was returned to the NACS for modification, in particular, with account of the results of the experimental procedure of application of the Procedure for Forming the Payroll Budget of Civil Servants in the Public Authority.</p> <p>The draft Resolution of the Cabinet of Ministers of Government regarding implementation of the experimental Procedure for Forming the Payroll Budget of Civil Servants in the Public Authority has been submitted to the Government for consideration (letter of the NACS No. 123/92-23 of 11.01.2023).</p> <p>The draft Resolution was returned for modification with Letter of the Secretariat of the Cabinet of Ministers of</p>
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Ukraine No. 2757/0/2-23 of 07.02.2023, with due consideration of the resolution of the Government Committee on Digital Transformation, Education, Science and Innovation, Healthcare, Environmental Protection and Natural Resources, Legal Policy, Gambling and Lottery of 03.02.2023.

In pursuance of point 2 of Title 6 of Protocol of the Meeting of the Cabinet of Ministers of Ukraine No. 43 of 30.03.2023, with due consideration of results of the inter-agency meeting on modification of the draft resolution on 26.04.2023, it was submitted to the Cabinet of Ministers of Ukraine for consideration with Letter of the NACS No. 2307/92.1-23 of 16.05.2023.

By the Letter of the Secretariat of the Cabinet of Ministers of Ukraine of 17.05.2023, the draft act was returned for full implementation of the decision set out in point 7 of Protocol of the Meeting of the Government Committee on Digital Transformation, Education, Science and Innovation, Healthcare, Environmental Protection and Natural Resources, Legal Policy, Gambling and Lottery No. 1 of 03.02.2023.

In June 2023, the additional work was performed to agree upon controversial opinions and to find a mutually acceptable solutions. The draft act was submitted to the Government for consideration with Letter of the NACS No. 2995/92-23 of 27.06.2023.

The Government approved Resolution of the Cabinet of Ministers of Ukraine No. 734 of 18.07.2023 “On the Implementation of the Experimental Projects to Introduce the Uniform Approaches to Formation of the Payroll Budget of Civil Servants in the Public Authority”, which provided for the experimental project to introduce the uniform approaches to formation of the payroll budget of civil servants in the public authority in 2023.

Also, on 28.07.2023, the Verkhovna Rada of Ukraine adopted the draft Law “On Amending the Law of Ukraine ‘On Civil Service’ as to Uniform Approaches to Labour Remuneration for Civil Servants Based on Position Classification” (registration No. 8222 of 23.11.2022) as a basis and extended the period of preparation for the second reading.

73. Capacity building as regards medium-term budget planning	Ministry of Finance other central executive authorities	training on medium-term budget planning has been conducted (based on the results, the number of employees trained is indicated)	on a continuous basis	<p>In progress (Completed in terms of training in 2023).</p> <p>The main spending units are supported in the matters of medium-term budget planning via instruction letters, consultations etc.</p> <p>On 03.10.2023, the Ministry of Finance presented the new IT system for budget planning and budget implementation monitoring. The event was attended by the representatives of the Ministry of Finance, the State Institution “Open Public Finance”, the international experts of the EU4PFM, and around 50 representatives of the main spending units. The IT system is going to be used to</p>
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prepare the Budget Declaration and the State Budget.

The training was conducted for the staff of the internal audit units (in particular, representatives of the central executive authorities) as a part of the programme for their preparation for certification with participation of the Reform Support Office (RST) of the Ministry of Finance on 10-13 November 2023 on the theme “Programme-based budgeting, including medium-term budget planning”. About 160 participants took part in the training.

Development of local medium-term budget planning				
74. Development of a standard form of a local budget forecast	Ministry of Finance, all-Ukrainian associations of local self-government bodies (by agreement)	appropriate legal and normative act has been adopted	Q1 2022	<p>Implemented.</p> <p>The standard form of a local budget forecast has been approved by Order of the Ministry of Finance No. 314 of 02.06.2021 “On Approving the Standard Form of Local Budget Forecasting and the Guideline on Development Thereof” (registered with the Ministry of Justice on 05.07.2021 under No. 879/36501).</p> <p>The amendments were made to the Standard Form of Local Budget Forecasting and the Guideline on Development Thereof” (Order of the Ministry of Finance No. 288 of 31.05.2023 “On Amending Order of the Ministry of Finance of Ukraine No. 314 of 2 June 2021” (registered with the Ministry of Justice on 16.06.2023 under No. 1006/40062)).</p>
75. Determining the organisational and methodological principles of	Ministry of Finance	appropriate legal and normative act has been adopted	Q1 2022	<p>Implemented.</p> <p>The Guideline on Local Budget Forecasting was approved by Order of the Ministry of Finance No. 314 of 02.06.2021</p>

local budget forecasting,
including a standard form

“On Approving the Standard Form of Local Budget Forecasting and the Guideline on Development Thereof” (registered with the Ministry of Justice on 05.07.2021 under No. 879/36501).

Also, pursuant to paragraph 1 of Article 75 of the Code, the oblast state administrations and the executive body of the Kyiv City Council (Kyiv City State Administration) must be informed of special aspects of calculations for local budget forecasts.

According to the requirements of the second indent of Article 75(1) of the Budget Code of Ukraine, the forms of the local budget proposal and the Guideline on Development Thereof (Order of the Ministry of Finance No. 534 of 06.10.2023 “On Approving the Guideline on Development of the Budget Proposal” (registered with the Ministry of Justice on 20.10.2023 under No. 1842/40898)) were approved.

Also, pursuant to paragraph 1 of Article 75 of the Budget Code, the oblast state administrations and the executive body of the Kyiv City Council (Kyiv City State Administration) are to be informed of special aspects of calculations for local budget forecasts annually.

76. Approval of local budget forecasts in the form of medium-term budget planning documents

local state
administrations and
local
councils’
executive

appropriate legal and
normative act has been
adopted

on an
annual
basis
in Q3

In progress.

Performance of the activity requires additional time in connection with the martial law. In pursuance of Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and

	authorities (by agreement)			Transitional Provisions' of the Budget Code of Ukraine and Other Legislative Acts of Ukraine", Article 75 ¹ of the Budget Code of Ukraine regarding local budget forecasts is not to be applied.
77. Creating a system for monitoring local budget forecasts by automating basic processes, organising communication systems and data transfer	Ministry of Finance local state administrations and local councils' executive authorities (by agreement)	software has been developed and implemented	Q1 2022	Implemented. In order to analyse performance of automation of processes in the field of public finance management at the local level due to introduction of latest information technologies in creation of budget documents and processing of data therein, the Ministry of Finance created the separate report to monitor approval of local budget forecasts as a medium-term budget planning document in LOGICA Information and Analytical System for Management of Local Budget Planning and Implementation.
78. Gender mainstreaming in local budget forecasts (by decision of the body drafting the local budget forecast)	local state administrations local councils' executive authorities (by agreement)	information on gender mainstreaming in local budget forecasts approved has been included	on an annual basis in Q3	In progress. In pursuance of Law of Ukraine No. 2134-IX of 15.03.2022 "On Amending Section VI 'Final and Transitional Provisions' of the Budget Code of Ukraine and Other Legislative Acts of Ukraine", Article 75 ¹ of the Budget Code of Ukraine is not to be applied. At the same time, according to Orders of the Ministry of Finance No. 314 of 02.06.2021 "On Approving the Standard Form of Local Budget Forecasting and the Guideline on Development Thereof" (registered with the Ministry of Justice on 05.07.2021 under No. 879/36501) and No. 534 of 06.10.2023 "On Approving the

Guideline on Development of the Budget Proposal” (registered with the Ministry of Justice on 20.10.2023 under No. 1842/40898), when the local budget forecast is prepared, gender aspects have to be considered in order to reduce gender gaps, weaken negative trends and enhance positive trends in the corresponding area / field, with account of satisfaction of gender needs and interests.

79. Strengthening of the local self-government bodies' capacity as regards medium-term budget planning	Ministry of Finance all-Ukrainian associations of local self-government bodies (by agreement) local state administrations local councils' executive authorities (by agreement)	training materials have been developed and training of the members of local self-government bodies on medium-term budget planning has been conducted (based on the results, the number of bodies where training was conducted and the number of persons trained are indicated)	on a continuous basis	In progress. The training was not conducted in connection with the martial law. In pursuance of Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, Article 75' of the Budget Code of Ukraine is not to be applied.
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8. Programme-based budgeting

Optimisation of budget programmes and strengthening their compliance with public policy goals

80. Analysis of budget programmes and finding optimal approaches to their formation by the main spending units	Ministry of Finance main spending units	proposals / guidance materials on improving approaches to the formation of budget programmes by the	Q1 2022	Implemented. As a part of this activity, a number of budget programmes based on budget requests and passports of budget programmes for the previous budget
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		main spending units have been prepared		periods were processed. The corresponding proposals, which were used as a basis of the Guidelines on Formation of Budget Programmes by the Main Spending Units, were prepared (Order of the Ministry of Finance No. 465 of 25.08.2023).
81. Improving approaches to the formation of budget programmes by the main spending units	Ministry of Finance	appropriate legal and normative act has been adopted	Q2 2022	Implemented. Order of the Ministry of Finance No. 465 of 25.08.2023 "On Approving the Guidelines on Formation of Budget Programmes by the Main Spending Units" was adopted.
82. Revision and update of budget programmes by main spending units with an account taken of the new approaches to the formation of budget programmes	main spending units Ministry of Finance	budget requests to the draft State Budget of Ukraine for the respective year have been submitted by main spending units with an account taken of the new approaches	Q3 2023	In progress. The Guidelines on Formation of Budget Programmes by the Main Spending Units were sent to the main spending units with Letter of the Ministry of Finance No. 04110-08-2/21527 of 07.08.2023 about preparation of budget requests for 2024–2026. The corresponding approaches were recommended to be applied by the spending units to review and update budget programmes, including the information included into budget requests. With due consideration of the periods when the Guidelines were provided to the main spending units, the results of application of the updated approaches to review and update of the budget programmes are expected in the subsequent budget periods.
83. Improving the efficiency of verification of state payments	Ministry of Finance Ministry of Social Policy	information and analytical platform of electronic verification and monitoring has been improved;	Q1 2024	Implemented. The information and analytical platform of electronic verification and monitoring was improved, in particular, via development of the automated

proposals on the planned indicators of budget programmes in the social sector have been submitted on the basis of determining the impact of various factors on those, based on the analysis of the historical data on the recipients.

information exchange (API) with the entities providing information, namely:

- with the Ministry of Justice – regarding receipt of information from the State Register of Civil Status Acts on marriage and dissolution of marriage; from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organisations; from the Estate Register; from the Unified Register of Convicts and Detainees; from the Unified Register of Debtors;
- with the STS – regarding data on employment / conclusion of gig-contract; the data on notification of taxation items or items related for taxation or used in operations that have been received by the regulatory authorities in accordance with point 63.3 of Article 63 of the Tax Code of Ukraine; the check of validity of the taxpayer registration card number / series (if any) and number of passport (for the natural persons who refuse to accept a taxpayer registration card number due to their religious beliefs, and have officially notified the relevant regulatory authority of that and have a respective note in passport), the sources, the period of receipt, the type and amount of income of natural persons;
- with the State Migration Service – regarding receipt of information from the Unified State Demographic Register;
- with the State Customs Service – regarding receipt of information from the

Unified Automated Information System of the State Customs Service;

- with the State Judicial Administration – regarding receipt of information from the Unified State Register of Court Decisions;
- with the Ministry of Social Policy – regarding receipt of information from the Unified Information Database on Internally Displaced Persons.

Moreover, the service was developed for the authorities responsible for state payments to provide information on the decisions made on the recommendations given by the Ministry of Social Policy; the integration of information systems of the Ministry of Social Policy, the Pension Fund of Ukraine and the State Employment Centre with the information and analytical electronic verification and monitoring platform of the Ministry of Finance was ensured as regards receipt of preventive verification results upon request of the authorities responsible for state payments.

Verification also covered new state payments, including the ones introduced during the martial law, namely:

- aid within E-Support Programme;
- compensation for the employer's expenses for labour remuneration for hiring internally displaced persons as a result of hostilities during the martial law in Ukraine.

When the State Budget for 2024 was drafted, the proposals on planned indicators of the social budget

programmes were made. It was proposed by the Ministry of Finance to the Ministry of Social Policy that when the maximum indicators of expenditures from the general fund of the state budget for 2024 were allocated, the volume of expenditures for housing benefits for internally displaced persons should be calculated with account of the verification results (Letter of the Ministry of Finance No. 26040-13-5/21391 of 04.08.2023). According to the estimates of the Ministry of Finance, the results of verification of housing benefits for internally displaced persons enabled preventing unlawful assignment of such benefits to the amount of at least UAH 315 million per month. The Cabinet of Ministers of Ukraine was also informed thereof (Letter No. 26040-02-3/28225 of 17.10.2023).

84. Updating approaches to application of programme-based budgeting	Ministry of Finance	proposals have been developed	Q4 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>The concept of improvement of programme-based budgeting was presented by the experts of the Reforms Delivery Office at the Ministry of Finance of Ukraine on 20.01.2022 to the Budget Committee of the Verkhovna Rada of Ukraine.</p> <p>In 2023, the Ministry of Finance issued Orders No. 41 of 26.01.2023 “On Amending Certain Orders of the Ministry of Finance of Ukraine and Peculiarities of Reporting</p>
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on Implementation of Budget Programme Passports for 2022 and Assessment of Performance of Budget Programmes for 2022” and No. 682 of 11.12.2023 “On Amending Order of the Ministry of Finance of Ukraine No.1098 of 29 December 2022”, which adapted specific elements of the programme-based budgeting to the war-time reality.				
85. Strengthening the capacity to use the programme-based budgeting in the budget process	Ministry of Finance other central executive authorities	training has been conducted (based on the results, the number of bodies where training was conducted and the number of persons trained are indicated)	on a continuous basis	<p>In progress (Completed in terms of training in 2023).</p> <p>The main spending units are supported in the matters of use of the programme-based budgeting in the budget process via instruction letters, consultations etc. The training was conducted for the staff of the internal audit units (in particular, representatives of the central executive authorities) as a part of the programme for their preparation for certification with participation of the Reform Support Office (RST) of the Ministry of Finance on 10–13.11.2023 on the theme “Programme-based budgeting, including medium-term budget planning”. About 160 participants took part in the training.</p>
Making regular reviews of state budget expenditures				
86. Determining areas, goals and time-limits for cost reviews	Ministry of Finance main spending units	draft act of the Cabinet of Ministers of Ukraine has been drawn up	on an annual basis in Q2	<p>In progress (Completed in terms of holding reviews in 2023).</p> <p>Ordinance of the Cabinet of Ministers of Ukraine No. 580 of 30.06.2023 “On State Budget Cost Reviews in Specific Areas in 2023” was issued; six main spending units were designated to be responsible for state budget cost reviews in 2023 in seven areas:</p>

- training and advanced training of specialists (Ministry of Education and Science);
- IBRD project for water supply, waste water disposal and treatment of solid domestic waste (Ministry of Infrastructure);
- development of the urban planning cadastre (Ministry of Infrastructure);
- provision of services of psychological aid, social and professional adaptation, health resort treatment, and development of sports among veterans (Ministry of Veterans);
- geological surveying and rational subsoil use (Ministry of Ecology and Natural Resources);
- use of credit funds from the EIB to develop the system of public motor roads of national significance (Restoration Agency);
- system for planning and distribution of expenditures among scientific institutions (National Academy of Agrarian Sciences).

Moreover, the cost review is going to be completed in 2023 in one area, i.e. the coal industry (Ministry of Energy).

87. Making cost reviews in the above areas	main spending units Ministry of Finance	reports on the results of cost reviews, which contain proposals for optimisation thereof	on an annual basis in Q4	<p>In progress (Completed in terms of holding reviews in 2023 with account of the martial law reality).</p> <p>The cost reviews were completed in five out of eight areas set out in Ordinance of the Cabinet of Ministers of Ukraine No. 580-p of 30.06.2023 "On State Budget Cost Reviews in Specific Areas in 2023".</p> <p>The reports on the results of the cost reviews were submitted to the Cabinet of</p>
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88. Conducting monitoring of the progress of reviewing state budget expenditure	Ministry of Finance main spending units	timely and high-quality expenditure reviews are ensured with the publication of relevant information on the official websites of the Ministry of Finance and the main spending units	on a continuous basis	<p>Ministers of Ukraine and made public on the official websites of the corresponding main spending units.</p> <p>In progress (Completed in terms of posting the reports on the cost reviews in 2023 on the websites of the MSUs with account of the martial law reality).</p> <p>According to point 4 of Ordinance of the Cabinet of Ministers of Ukraine No. 580 of 30.06.2023 and point 10 of the General Requires for the State Budget Cost Reviews approved with order of the Ministry of Finance No. 446 of 23.10.2019 registered with the Ministry of Justice on 23.12.2019 under No. 1277/34248, the reports on the cost reviews were made public by the following:</p> <p>State Agency for Restoration and Infrastructure Development (https://restoration.gov.ua/4489/zvity/58390.html); National Academy of Agrarian Sciences (http://naas.gov.ua/content/publicchna-informaciya/Vikoristannya_koshtiv_derj_budjetu); Ministry of Communities, Territories and Infrastructure Development (https://mtu.gov.ua/news/34978.html) (https://mtu.gov.ua/news/35064.html); Ministry of Environmental Protection and Natural Resources of Ukraine. (https://mepr.gov.ua/wp-content/uploads/2023/12/Zvit-pro-oglyad-vytrat.pdf).</p> <p>The work is under way to improve the website of the Ministry of Finance and present information on state budget cost reviews in the separate title.</p>
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The information on the decision of the Government on cost reviews in 2023 was posted on the website of the Ministry of Finance at
https://mof.gov.ua/uk/news/uriad_priinia_v_rozporiadzhennia_shchodo_oqliadiv_vit_rat_derzhbiudzhetu_v_2023_rotsi-4089

89. Improving the methodology of conducting cost reviews in relevant areas with the determination of their regularity with a view to ensuring full integration into the budgeting process	Ministry of Finance	amendments to legal and normative acts have been made	Q4 2023	<p>Implemented.</p> <p>In order to ensure complete integration of cost reviews into the budget process, the following is provided for by Ordinance of the Cabinet of Ministers of Ukraine No. 580 of 30.06.2023:</p> <p>1) main spending units developing plans for cost reviews for 2024–2028;</p> <p>2) frequency of cost reviews: it is prescribed that a repeated cost review in the field of operations of the main spending unit is at least once every five years.</p> <p>In order to improve the quality of possible ways to achieve goals of cost reviews, there is a requirement in the Ordinance for considering findings of primary assessment of implementation of the EU acquis in the corresponding area during cost reviews.</p>
Effective performance monitoring				
90. Evaluating the effectiveness of budget programmes in accordance with the updated methodology	main spending units	publication of information on the results of the evaluation of the effectiveness of budget programmes for the reporting period by the main spending units has been ensured	on an annual basis in Q1	<p>In progress (Completed in 2023 with account of the martial law reality).</p> <p>According to Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, the rules of Article 28(5) of the Budget Code of Ukraine are not to be applied during the martial law.</p>

At the same time, individual MSU posted information on findings of budget programme performance assessment on their websites since such publication did not pose a threat for national security. In particular, the Ministry of Finance ensured publication of information on findings of budget programme performance assessment under DCC 350 “Ministry of Finance of Ukraine” for 2022 on the official website of the Ministry here: <https://mof.gov.ua/uk/ocinka-efektivnosti-bjudzhetnih-program>.

91. Monitoring publications by the main spending units of information on the results of the evaluation of the effectiveness of budget programmes for the reporting period	Ministry of Finance	monitoring results have been posted on MoF’s official website	on an annual basis in Q2	<p>In progress (Completed in 2023 with account of the martial law reality).</p> <p>In the context of martial law, Article 28(5) of the Budget Code of Ukraine shall not apply (Law of Ukraine No. 2134-IX of 15.03.2022).</p> <p>At the same time, the results of the budget programme efficiency assessment for 2022 were published by around 42% of the main spending units on their websites.</p>
92. Analysis of the need to improve the organisational and methodological framework for assessing the effectiveness of budget programmes	Ministry of Finance main spending units	an analytical note and relevant proposals have been prepared	Q4 2023	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>The restrictions caused by martial law (according to Law of Ukraine No. 2134-IX of 15.03.2022, the rules of Article 28(5) of the Budget Code of Ukraine (namely the ones regarding publication of results of budget programme efficiency assessment by main spending units on their websites shall not be applied during</p>

the martial law) make it impossible to carry out system-wide and objective analysis of application of the effective regulatory framework by the main spending units as regards the organisational and methodological principles of budget programme efficiency assessment.

In 2023, the approaches to efficiency assessment were adapted to the conditions of budget implementation in martial law based on the results of 2022; in particular, the Ministry of Finance issued Order No. 41 of 26.01.2023 "On Amending Certain Orders of the Ministry of Finance of Ukraine and Peculiarities of Reporting on Implementation of Budget Programme Passports for 2022 and Assessment of Performance of Budget Programmes for 2022".

93. Conducting gender analysis of budget programmes	main spending units	each main spending unit has conducted gender analysis of at least one budget programme	on an annual basis in Q2, starting 2022	<p>In progress (Implemented in 2023).</p> <p>According to the information furnished by the main spending units together with the budget requests during the preparation of the draft State Budget of for 2024, gender analysis was conducted for 187 budget programmes, which was 52 more than in 2022, and made almost 41% of the total number of the budget programmes for the expenditures included into the draft state budget for 2024.</p>
Improving the programme-based budgeting at the local level, including the application of a gender-oriented approach in the budgeting				

94. Improvement of a standard form of the budget request to a local budget with an account taken of development of local medium-term budget planning	Ministry of Finance	proposals on the amendments to the standard forms of budget requests and guidelines have been drawn up	Q2 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law. In pursuance of Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, the rules of Article 75¹ (regarding medium-term budget planning) of the Budget Code of Ukraine are not to be applied during the martial law.</p> <p>The activity will be resumed within three months after the martial law is terminated or cancelled.</p>
95. Optimisation of the Standard Programme Cost Classification and local budget crediting	Ministry of Finance Ministry of Education and Science Ministry of Health Ministry of Culture and Information Policy Ministry of Social Policy Ministry of Youth and Sports Ministry of Regional Developme	proposals on amendments to the Standard Programme Cost Classification and Local Budget Crediting have been developed	Q4 2022	<p>In progress.</p> <p>The amendments to the Standard Programme Cost Classification and Local Budget Crediting were made to improve budget classification approved by Orders of the Ministry of Finance No.453 of 21.12.2022 and No. 427 of 03.08.2023.</p>

	nt Ministry of Infrastructu re			
96. Guidelines on the Application of Codes of the Standard Programme Cost Classification and Local Budget Crediting have been approved	Ministry of Finance	guidelines have been developed	Q4 2022	In progress. The activity will be resumed after the martial law is terminated / cancelled.
97. Improving the system of local budget programmes' performance indicators, in particular, by introducing a unified list of indicators and taking into account a gender-oriented approach	Ministry of Finance Ministry of Education and Science Ministry of Health Ministry of Culture and Information Policy Ministry of Social Policy, Ministry of Youth and Sports, Ministry of Regional Development, Ministry of Infrastructure	proposals on the amendments to the local budget programmes' performance indicators have been developed	Q2 2023	Implemented. The Standard Lists of Performance Indicators of Local Budget Programmes in the area "Public administration" were developed (order of the Ministry of Finance No. 322 of 15.06.2023 registered with the Ministry of Justice on 29.06.2023 under No. 1097/40153) and in the youth area and assertion of the Ukrainian national and civic identity (Order of the Ministry of Finance No. 7782 of 28.12.2023 registered with the Ministry of Justice on 11.01.2024 under No. 62/41407).

98. Improvement of the Rules of drawing up local budget programme certificates and reports on implementation thereof	Ministry of Finance	proposals on amendments to the Rules of drawing up local budget programme certificates and reports on implementation thereof have been developed, and amendments thereto have been made	Q4 2024	Not due yet.
99. Strengthening of the local self-government bodies' capacity as regards application of programme-based budgeting in the budgeting process	Ministry of Finance all-Ukrainian associations of local self-government bodies (by agreement) local state administrations local councils' executive authorities (by agreement)	training materials have been developed and training of the members of local self-government bodies on application of programme-based budgeting in the budgeting process has been conducted (based on the results, the number of bodies where training was conducted and the number of persons trained is indicated)	on a continuous basis	In progress.
9. Inter-budget relations and fiscal decentralisation				
Clear division of powers between executive bodies and local self-government bodies				
100. Clear division of powers between executive bodies and local self-government bodies	Ministry of Regional Development	draft laws have been approved by the Cabinet of Ministers of Ukraine and submitted	Q1 2022	Implemented. The Government approved and submitted to the Verkhovna Rada of Ukraine the draft Laws "On Amending

in accordance with the subsidiarity principle	other central executive authorities all-Ukrainian associations of local self-government bodies (by agreement)	to the Verkhovna Rada of Ukraine	Certain Legislative Acts as to Decentralisation and Division of Powers of Local Self-Government Bodies and Executive Authorities due to Changes in the Administrative and Territorial Structure” (registration No. 6282 of 04.11.2021) and “On Amending the Law of Ukraine ‘On Local Self-Government in Ukraine’ as to Division of Powers of Local Self-Government Bodies due to Changes in the Administrative and Territorial Structure” (registration No. 6281 of 04.11.2021). The draft laws propose amendments to the Law of Ukraine “On Local Self-Government in Ukraine” and industry-specific legislation regarding: - determination of the same powers of village, urban-type settlement and city councils and their executive bodies (without division into city councils of cities of raion significance or cities of oblast significance, councils of united territorial communities); - division of powers of village, urban-type settlement and city councils and their executive bodies, raion and oblast councils, raion and oblast state administrations; - elimination of duplicated powers of local self-government bodies of different levels.
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Increase of the local self-government bodies' own financial resources

101. Carrying out analysis of possible options for changes in	Ministry of Finance	an analytical report indicating the benefits	Q1 2022	Implemented.
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approaches to charging personal income tax in respect of natural persons working as salaried employees	Ministry of Regional Development State Tax Service all-Ukrainian association of local self-government bodies (by agreement)	and risks of each of the possible options has been prepared		<p>By the order of the Chairman of the Committee of the Verkhovna Rada of Ukraine on Finance, Taxation and Customs Policy D. Hetmantsev, the Committee has established the work group to develop the uniform concept of the procedure for transferring the individual income tax to budgets.</p> <p>The work group in the Committee of the Verkhovna Rada of Ukraine on Finance, Taxation and Customs Policy and representatives of the Ministry of Finance drafted the Law of Ukraine "On Amending the Tax Code of Ukraine as to Improvement of the Procedure for Assessing, Withholding and Paying (Transferring) the Individual Income Tax to the Budget" (registration No. 8122-1 of 25.10.2022), which was submitted by the Members of the Parliament of Ukraine Yu. O. Didenko, D. O. Hetmantsev, I. V. Allakhverdiieva, V. O. Kinzburska, O. R. Marusiak, N. P. Yuzhanina.</p> <p>According to the regulatory requirements, the Ministry of Finance accompanies the draft law under registration No. 8122-1 in the committees of the Verkhovna Rada of Ukraine.</p>
102. Establishing the exchange of information between local self-government bodies and tax authorities	Ministry of Finance State Tax Service all-Ukrainian association	proposals have been developed and relevant legal and normative acts have been adopted; an opportunity has been given to local	Q1 2022	<p>Implemented.</p> <p>In pursuance of Law of Ukraine No. 1914 of 30.11.2021 "On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine as to Balance of Budget Revenues", the Ministry of Finance issued Order No. 59 of 10.02.2022 "On Amending</p>

of local self-government bodies to use tax information from STS (by agreement) information and telecommunications systems and other sources when performing their official duties.

Order of the Ministry of Finance of Ukraine No. 723 of 23 November 2020”, which was registered with the Ministry of Justice on 28.02.2022 under No. 259/37595. This Order approved the Procedure for Tax Reporting of the Regulatory Authorities by Tax Payers (Legal and Natural Persons) to the Local Self-Government Bodies.

Within the framework of service contracts for supporting, maintaining and adapting the software of the information and communication system (hereinafter the “ICS”) “Electronic Account” No. 57 of 05.08.2022 and adapting the software of the ICS “Tax Block” No. 86 of 24.11.2022, the orders were fulfilled regarding reporting to the local self-government bodies by sources of income and by taxpayers via the ICS “Electronic Account” and IAS “LOGICA”.

The private part of the Electronic Account enables to submit a request for information on taxpayers to the local self-government body, to receive such information on taxpayers (legal and natural persons) and sources of income after it is successfully processed:

- on amounts of taxes and/or levies assessed and paid, amounts of the tax debt and excessive taxes and/or levies paid to the local budgets;
- on the amount of the taxpayers’ tax debt written off;

				<ul style="list-style-type: none"> - on the amount of the taxpayers' tax liabilities paid by instalments and deferred and/or tax debt; - on amounts of the tax benefits granted.
103. Formation of the local self-government bodies' resource base in accordance with their powers established under the principle of subsidiarity	Ministry of Finance Ministry of Regional Development other central executive authorities all-Ukrainian association of local self-government bodies (by agreement)	draft law on amendments to the Budget Code of Ukraine has been approved by the Cabinet of Ministers of Ukraine and submitted to the Verkhovna Rada of Ukraine	Q4 2022	In progress. Implementation of the activity depends on adoption of the draft laws on the powers of the local self-government bodies (point 100 of this Action Plan).
104. Development of approaches to assessment of the local communities' financial capacity	Ministry of Finance Ministry of Regional Development local state administrations all-Ukrainian association of local self-government	indicators of the local communities' financial capacity have been developed	Q1 2022	In progress. The Guideline on Forming Capable Territorial Communities was approved by Resolution of the Government No. 214 of 08.04.2015 (as amended by Resolution of the Government No. 34 of 24.01.2020). The Ministry for Communities and Territories Development of Ukraine in partnership with the OSCE Project Coordinator in Ukraine developed and presented in 2021 the Information and Analytical Portal of Capacity of Territorial Communities, which enables to assess each community based on fifteen

t bodies (by agreement)

indicators and specific demographic, infrastructural, financial and other data. The Information and Analytical Portal helps the public monitor, analyse and assess the condition and results of work in each community by means of the targets set.

Also, in pursuance of Article 24(4) of the Law of Ukraine “On the Principles of the State Regional Policy”, the Cabinet of Ministers of Ukraine issued Resolution No. 305 of 15.03.2024 “Certain Matters of Monitoring and Assessment of the State Regional Policy” and approved the Procedure for Monitoring the State Regional Policy and the Procedure for Assessing Implementation of the State Regional Policy.

The state regional policy is monitored in order to trace and analyse the regional tendencies, dynamics and structural changes in accordance with the goals, directions and tasks of the state regional policy set out in the strategic planning documents of the state regional policy, on the basis of the information and communication system being the only geoinformation system to monitor and assess development of regions and territorial communities.

Within the framework of the above, since April 2024, the Ministry of Finance will submit quarterly data to the Ministry for Communities and Territories Development of Ukraine in the area

“Financial Self-Sufficiency” on the following:

- fiscal capacity index;
- rate of the increase (decrease) in revenues of the general fund of local budgets (without transfers);
- revenues of the general fund of local budgets (without transfers) per person;
- expenditures of local budgets (general and special funds) per person;
- shares of local taxes and levies in revenues of the general fund of the local budget (without transfers);
- shares of expenditures of the development budget in expenditures of the local budget (general and special funds).

The Ministry of Infrastructure will carry out quarterly monitoring based on the information received from the authorities responsible for submission of data and draw up the analytical report to be posted on its official website.

Timely and efficient monitoring by the Ministry of Infrastructure will facilitate development and efficient organisation of performance of their tasks by the communities.

Improving the mechanism of financial support of expenditure powers delegated by the state to local self-government bodies and local executive authorities

105. Improvement (review) of the mechanism of fiscal equalisation with an account taken of updated powers of local self-government bodies	Ministry of Finance other central executive	draft law on amendments to the Budget Code of Ukraine has been approved by the	Q4 2022	In progress. The hostilities and temporary occupation of certain territories materially affect indicators of social and economic development of the territorial
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authorities Cabinet of Ministers of
all- Ukraine and submitted
Ukrainian to the Verkhovna Rada
associations of Ukraine
of local self-
governmen
t bodies
(by
agreement)

communities whereas absence of
sustainable statistical information and
uncertainty about duration of hostilities
and their effects have added complexity
to forecasting revenues and expenditures
of the local budgets.

In order to carry out realistic estimates of
horizontal alignment of local budgets,
Law of Ukraine No. 3460-IX of 09.11.2023
“On the State Budget of Ukraine for 2024”
changed the mechanism for calculation
of specific parameters for 2024; in
particular, horizontal alignment was
carried out for:

- oblast budgets separately for the
estimated corporate income tax received
in 2023, and for the individual income tax
expected in 2023;
- budgets of the territorial communities
for the individual income tax expected in
2023.

During the martial law and for a year after
it is over, horizontal alignment of the tax
capacity of the local budgets for the
planned year may be carried out for the
expected corporate income tax and the
individual income tax for the year prior to
the planned one.

In order to keep improving the
mechanism for horizontal alignment and
reduce disproportion in the financial
sustainability of communities, the
principal matter must be the need to
provide social services guaranteed by the
state all over the territory. For this

approach to be implemented, the following needs to be done:
to determine the clear list of own and delegated powers of the territorial communities, and to divide them between local self-government levels by amending Law of Ukraine “On Local Self-Government in Ukraine”. The draft laws submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine (registration No. 6281 and registration No. 6282 of 04.11.2021) on division of powers of local self-government bodies in connection with changes in the administrative territorial structure were revoked in February 2023;
to introduce the new model to determine the quantity of the actual population of the territorial communities that is used to calculate horizontal alignment of the tax capacity of the territories to the actual indicators (material differences between the statistical data and actual data of the actual population in the communities result in distortion of horizontal alignment data).

106. Review and approval of updated social standards and standards for the provision of state-guaranteed services in descriptive and value terms by each of delegated powers	Ministry of Education and Science Ministry of Social Policy all-Ukrainian associations of local self-	appropriate legal and normative act has been adopted	Q1 2022	In progress. Performance of the activity requires additional time in connection with the martial law. The act on review of social standards and standards for the provision of state-guaranteed services in descriptive and value terms for each delegated power is now being drafted.
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government
bodies

(by
agreement)

In order to ensure the clear understanding of the legislation on state social standards and guarantees and to avoid ambiguous interpretation of the essence of the state social guarantees in court decisions, the Ministry of Social Policy has drafted the Law of Ukraine “On Amending the Law of Ukraine ‘On the State Social Standards and State Social Guarantees’ to Improve the Mechanism for Applying State Social Guarantees”, which is aimed at reviewing the approaches to the exercise of constitutional guarantees of the living standards, in particular, by dividing state social guarantees and state support. The draft law will help improve the mechanism for applying state social guarantees in general. The draft law is being modified with account of the comments and proposals thereon.

107. Improving approaches to financing regional development projects from the State Regional Development Fund	Ministry of Regional Development Ministry of Finance	clear performance indicators of the relevant budget programme have been determined	Q2 2022	In progress. Amendments to the Budget Code of Ukraine introduced by Law of Ukraine No. 2042-IX of 15.02.2022 changed the approaches to division and direction of funds from the State Regional Development Fund for implementation of investment programmes and regional development projects. Law of Ukraine No. 2389-IX of 09.07.2022 “On Amending Certain Legislative Acts of Ukraine as to the Fundamentals of the State Regional Policy and the Policy for Recovery of Regions and Territories” elaborated the principles of state support of regional
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				development and determined the directions thereof.
108. Implementation of the system for benchmarking local budgets	Ministry of Finance local state administrations local councils' executive authorities (by agreement) all-Ukrainian associations of local self-government bodies (by agreement)	benchmarking methodology has been developed	Q4 2024	Not due yet.
Enhancement of financial transparency and accountability of local self-government bodies				
109. Analysis of the powers of the bodies authorised to monitor compliance with budget legislation as regards local budgets in the context of decentralisation reform	Ministry of Finance Ministry of Regional Development State Audit Service Accounting Chamber (by agreement) local state administrations	an analytical report and proposals on making the necessary amendments to legislation have been prepared	Q3 2022	In progress. Performance of the activity requires additional time in connection with the martial law. The activity has been suspended until the martial law is terminated, and the situation in the country gets stabilised.

	ons local councils' executive authorities (by agreement) all- Ukrainian associations of local self- governmen t bodies (by agreement)			
110. Preparation of the proposals as regards changes in the powers of the bodies authorised to monitor compliance with budget legislation as regards local budgets in the context of budget decentralisation, with an account taken of the parameters and structure of relevant local budgets	Ministry of Finance Ministry of Regional Development State Audit Service Accounting Chamber (by agreement) local state administrati ons local councils' executive authorities (by agreement)	draft laws have been drawn up and approved by the Cabinet of Ministers of Ukraine	Q2 2023	In progress. Performance of the activity requires additional time in connection with the martial law. The activity has been suspended until the martial law is terminated, and the situation in the country gets stabilised.

all-
Ukrainian
associations
of local self-
governmen
t bodies
(by
agreement)

III. ENSURING EFFECTIVE BUDGET EXECUTION

10. Public procurement system

Improving the procedure for monitoring public procurement and improving access to relevant sources of information

111. Improving the process of determining automatic risk indicators based on data from the electronic procurement system and other open sources of information	State Audit Service Ministry of Finance Ministry of Economy	the MoF order to that effect has been drawn up and issued	Q4 2022	<p>Implemented.</p> <p>The State Audit Service and the Ministry of Economy work to improve the process of determining automatic risk indicators within the International Technical Assistance Project “Support to Public Procurement Reform in Ukraine” and the World Bank’s Project, which provides for development of the kit to form risk indicators for the Ukrainian national electronic procurement system ProZorro and recovery procurement monitoring within the Construction Sector Transparency Initiative (CoST). The kit of risk indicators is going to be developed and integrated into ProZorro system and can be customised for specific procurement control / monitoring needs during the national reconstruction of the infrastructure destroyed by the war. The procurement procedures that will be recognised to be risky based on their indicators are going to be openly labelled as such.</p>
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In fact, following the numerous meetings with the Ministry of Economy and representatives of the public, the SE “ProZorro” developed 11 risk indicators, which are procurement selection filters by their nature.

The joint Order of the Ministry of Finance and the Ministry of Economy “On Updating the Automatic Risk Indicators in the Field of Public Procurement” in Ministry of Finance has been developed¹⁹.

112. Improving the electronic procurement system by ensuring the transition to electronic tender documents in the format of separate fields in the electronic procurement system	Ministry of Economy State Audit Service, State Enterprise ProZorro (by agreement)	amount of data in machine-readable format in the electronic procurement system has increased	Q4 2024	<p>Not due yet.</p> <p>The part of the information that is to be included into bidding documentation can be entered as separate fields in the electronic procurement system; in particular, it is information on the procuring entity (its location, contact details etc.); procurement procedure; item being procured; bid security; bid language; time frames for submission and opening of the bid; guarantee of performance of the contract; assessment criteria; contractual payment conditions and sources of financing.</p> <p>Moreover, information on grounds for refusing from participation in the procurement procedure (Article 17 of the Law of Ukraine “On Public Procurement”) can be entered as separate fields in the electronic procurement system.</p>
Improving methodological approaches to control in the field of public procurement				

¹⁹ Order of the Ministry of Finance of Ukraine and the Ministry of Economic of Ukraine No. 66/3757 of 12.02.2024 “On Updating the Automatic Risk Indicators in the Field of Public Procurement”.

113. Development of the methodological recommendations on control in the field of public procurement, in particular, as regards standardised check-lists, in the light of the best international practices	State Audit Service	methodological recommendations on public financial control in the field of public procurement have been developed and approved	Q2 2022	Implemented. Order of the State Audit Service No. 126 of 30.06.2022 (as amended on 12.07.2022 under No. 137) on approving the guidelines on public financial control in the field of public procurement, in particular, check lists for procurement procedure monitoring, was developed and approved.
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11. Public investment management

Strategic planning of public investment in the medium-term perspective

114. Drawing up, and approval of, a medium-term plan of priority public investments in compliance with the following principles: allocation of funds for the implementation of new projects only after the allocation of sufficient resources for the effective completion of the portfolio of public investment projects earlier launched and selected; selection of projects for financing or other forms of state support, based on economic analysis and complete information on future benefits and costs of their implementation	Ministry of Economy Ministry of Finance other ministries	medium-term planning of public investment under medium-term budget planning has been launched	on an annual basis in Q3	In progress. According to Resolution of the Cabinet of Ministers of Ukraine No. 571 of 22.07.2015 "Certain matters of Public Investment Management", the main spending units submitted state investment projects to the Ministry of Economy for consideration in 2023. Following the consideration, 46 projects were admitted to selection by the Interdepartmental Commission on State Investment Projects, with the overall financing need for completion of the projects in the amount of UAH 38,956.660 million (including UAH 7,195.145 million in 2024, UAH 10,316.430 in 2025, and UAH 9,645.333 million in 2026). With due consideration of the above, the information on the forecast total volumes of financing for the state investment projects for 2024–2026 was provided to the Ministry of Finance in Letter of 04.05.2023 No. 3911-08/20324-03. Also, Letter No. 3911-08/29999-03 of 21.06.2023 was sent to
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clarify the need for the total volume of financing of implementation of 46 state investment projects admitted to selection.

The allocation of the volume of state capital contributions to development and implementation of the state investment projects in the medium term among the main spending units is to be carried out in accordance with the established procedure by the Interdepartmental Commission on State Investment Projects following the selection of the state investment projects, based on the volume of state capital contributions set out in the Budget Declaration.

The Laws of Ukraine “On the State Budget of Ukraine for 2023” and “On the State Budget of Ukraine for 2024” did not include state capital contributions to development and implementation of state investment projects in connection with suspension of the rules of the Budget Code on development of the Budget Declaration due to Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine” (in connection with Decree of the President of Ukraine No. 64/2022 of 24.02.2022 “On the Imposition of Martial Law in Ukraine” approved with Law of Ukraine No. 2102-IX of 24.02.2022) and no decision of the Interdepartmental Commission on State

Investment Projects on selection of state investment projects.

Harmonisation of approaches to assessment and selection of proposals as regards funding investment projects				
115. Generalisation and analysis of basic data on investment and operating costs based on recent representative projects	Ministry of Economy Ministry of Finance other ministries	the organisational mechanism of the analysis of the data of the investment projects financed from the state budget has been determined, and the respective analytical report has been drawn up and published	Q1 2023	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>As a part of the international technical assistance, the activity is implemented with the World Bank's Support within the Project "EU Public Finance Management Support Programme for Ukraine".</p> <p>Since the Project timeframe has been extended based on Letter of Amendment No. 1 to Letter Agreement on the Grant in Project No. TF0B6630 until 11 June 2025, the deadline for the activity should be adjourned until quarter II 2025 with account of the extended Project timeframe.</p>
Building line ministries' capacity in public investment management				
116. Capacity building in public investment management, in particular, as regards cost benefit analysis	main spending units	proposals on training programmes have been developed and submitted to NACS	Q4 2022	<p>Implemented.</p> <p>In 2023, the NACS consolidated the proposals made by the main spending units on the themes for advance training programmes for building capacity in the field of public investment management, in particular, as to cost benefit analysis, made the corresponding list of the themes of advance training programmes for civil servants and sent it to be considered in formation of content of the corresponding advance training programmes for civil servants and subsequent training in regional advance training centres (Letter of the NACS No.</p>

25/08.01/22-23 of 13.03.2023), the State Tax University (Letter of the NACS No. 1084/08.01-23 of 13.03.2023), and the Academy of Financial Management (Letter of the NACS No. 1088/08.01-23 of 14.03.2023).

In 2023, the NACS ensured developed and approval of ten general short-term advance training programmes that covered the matters of public investment management.

During the reporting period, the regional advance training centres and educational establishments selected to fulfil the state order of the NACS for advance training following the bidding procedure conducted training on public investment management for 3,126 persons, including: 1,705 civil servants, 1,421 local self-government officials.

National Agency of Ukraine for Civil Service Ministry of Economy main spending units	training on public investment management has been conducted (based on the results, the number of employees trained is indicated)	on a continuous basis	<p>In progress (Completed in terms of training in 2023).</p> <p>In Q1 2023, eight regional advanced training centres conducted training on public investment management for 1,750 persons, including: 1,179 civil servants, 571 local self-government officials.</p> <p>In quarter II of 2023, 391 persons were trained in the Khmelnytskyi Regional Advance Training Centre and the Kyiv Oblast Regional Advance Training Centre on public investment management, including: 282 civil servants and 109 local self-government officials.</p> <p>In quarter III of 2023, Volyn, Sumy and Poltava regional advanced training</p>
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centres conducted training on public investment management for 296 persons, including: 74 civil servants and 222 local self-government officials.

In Q4 2023, regional advanced training centres conducted training on public investment management for 608 persons, including: 89 civil servants and 519 local self-government officials.

Improvement of the procedure for monitoring of project implementation and improvement of their transparency				
117. Putting in place a centralised monitoring system for large-scale public investment projects, based on financial and other quantitative indicators for timely identification of projects posing high risk of problems emerging during their implementation, taking measures and enhanced monitoring, in particular, through development of online interfaces for reporting	Ministry of Economy	a centralised monitoring system has been put in place; integrated information and analytical system has been set up.	Q1 2023	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p> <p>The activity is performed within the Project "EU Public Finance Management Support Programme for Ukraine". The amendments made with Letter of Amendments No. 1 to the Letter Agreement on the Grant in Project No.TF0B6630 between Ukraine and the International Bank for Reconstruction and Development provide for:</p> <ul style="list-style-type: none"> - extended term of the Project until 11 June 2025; - restructured component as to improvement of the public investment management system by engaging new beneficiaries, the Ministry of Finance and the Ministry of Infrastructure, within the coordination of implementation and monitoring of public investment and support of the change management process.
118. Introduction of mandatory publications by the main spending units of the conclusions of the	main spending units	information has been posted on the main spending units' official websites	Q1 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law. The activity is planned to be</p>

governmental expert
assessment of state
investment projects

conclusions of the
governmental expert
assessment of state
investment projects

implemented in 2024–2025 with the World Bank's Support within the Project "EU Public Finance Management Support Programme for Ukraine".

After the World Bank gives its recommendations within the Project on how to improve the public investment management system, respective amendments are going to be made to the effective legislation as regards introduction of mandatory publications by the main spending units of the conclusions of the governmental expert assessment of state investment projects.

119. Ensuring mandatory
publications of the results of
monitoring of the progress in
development
(implementation) of state
investment projects

Ministry of
Economy
main
spending
units

results of the
monitoring of the
progress in
development
(implementation) of
state investment
projects have been
posted on the official
websites of Ministry of
Economy and main
spending units

on a
quarterly
basis

In progress.

Performance of the activity requires additional time in connection with the martial law.

Since the imposition of martial law in Ukraine, no budget assignments were made for state investment projects, so meetings of the Interdepartmental Commission on State Investment Projects were not held to monitor progress of development (implementation) of state investment projects.

For reference: before the full-scale invasion, the reports were published on the official website of the Ministry of Economy in the section on Activities / Investment policy and international investment cooperation / Management of state investment projects / Monitoring of progress of implementation of state investment projects.

Improvement of the approaches to management of investment projects funded from the local budgets				
120. Drawing up methodological recommendations on management of investment projects funded from the local budget fiscal risk management	Ministry of Regional Development Ministry of Economy Ministry of Finance all-Ukrainian association of local self-government bodies (by agreement)	methodological recommendations have been drawn up and notified to local self-government bodies	Q3 2022	In progress. The activity will be conducted after the martial law is terminated or cancelled.
12. Public sector accounting				
Improvement of national rules (standards) of public sector accounting				
121. Implementation of measures under the Strategy for modernization of the public sector accounting and financial reporting system for the period till 2025	Ministry of Finance	regular progress reports have been provided	Q4 2025	Not due yet. Reports on Implementation of the Strategy for Modernisation of the Public Sector Accounting and Financial Reporting System for the Period until 2025 will be sent to the Cabinet of Ministers of Ukraine.
122. Drawing up and issuance of normative and legal acts as regards national rules (standards) of public sector accounting	Ministry of Finance	relevant legal and normative acts have been adopted	Q4 2024	Not due yet. Amendments to NR(S)PSA 121 were developed based on IPSAS 17 "Property, Plant and Equipment", and Order of the Ministry of Finance No. 312 of 03.10.2022 "On Approving the Amendments to National Rules (Standard) of Public Sector Accounting 121 'Property, Plant and Equipment' Registered with the Ministry of Justice on 18.10.2022 under No. 1254/38590" was issued.

The following orders of the Ministry of Finance were adopted:

- No. 189 of 13.04.2023 "On Amending National Rules (Standard) of Public Sector Accounting 102 'Consolidated Financial Statements'" Registered with the Ministry of Justice on 28.04.2023 under No. 698/39754;

- No. 230 of 04.05.2023 "On Amending Order of the Ministry of Finance of Ukraine No. 189 of 13 April 2023" registered with the Ministry of Justice on 08.05.2023 under No. 767/39823;

- No. 310 of 09.06.2023 "On Approving the Amendments to Certain Recommendations on Public Sector Accounting";

- No. 162 of 30.03.2023 "On Approving the Amendments to Certain Legal and Normative Acts on Public Sector Accounting" registered with the Ministry of Justice on 17.04.2023 under No. 629/39685;

- No. 650 of 20.11.2023 "On Approving the Amendments to Certain Legal and Normative Acts on Public Sector Accounting" registered with the Ministry of Justice on 04.12.2023 under No. 2106/41162.

123. Ensuring cooperation with the International Federation of Accountants on translation of International Public Sector Accounting Standards (IPSAS) and respective update of national rules (standards) of public sector accounting	Ministry of Finance	translation of International Public Sector Accounting Standards (IPSAS) has been ensured; relevance of approved national rules (standards) of public sector accounting and	on a continuous basis	<p>In progress (Completed in terms of arranging the translation in 2023).</p> <p>Supplemental Agreements on the permission to translate and publish the materials protected by copyright No. UA-MOF-T-OA9-2022 and No. UA-MOF-T-OA10-2022 between the Ministry of Finance and the International Federation of Accountants were made to obtain</p>
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their compliance with IPSAS international standards have been ensured.

permission to translate Supplemental Agreements on the permission to translate and publish the materials protected by copyright 41 “Financial Instruments”, IPSAS 42 “Social Benefits”, IPSAS 43 “Leases” and Improvements to IPSAS 2019, 2021. The electronic version of the original text of IPSAS and improvements thereto was furnished to the Public Finance Management Support Programme for Ukraine (EU4PFM) Project for translation.

The Improvements to IPSAS 2019, IPSAS 2021 and IPSAS 42 “Social Benefits” were translated within the Public Finance Management Support Programme for Ukraine (EU4PFM) Project.

The Agreement on the permission to translate and publish the materials protected by copyright No. UA-MOF-TOA12-2023 of 04.03.2023 between the Ministry of Finance of Ukraine and the International Federation of Accountants was additionally made on the permission to translate IPSAS 43 “Leases”, and IPSAS 44 “Non-current Assets Held for Sale and Discontinued Operations”.

In pursuance of the Public Finance Management Support Programme for Ukraine (EU4PFM) Project, the Ukrainian translation of IPSAS 41 “Financial Instruments”, IPSAS 43 “Leases”, and IPSAS 44 “Non-current Assets Held for Sale and Discontinued Operations” was received.

124. Development of a training programme for public sector professionals as regards application of national rules (standards) of public sector accounting	Ministry of Finance	training programme has been developed	Q2 2022	<p>Implemented.</p> <p>The special (certificate) advanced training programme “Accounting in public institutions and organisations based on the national standards” was developed for the civil servants of categories B and C and local self-government officials (Order of the Ministry of Finance No. 368 of 09.11.2022). That programme was published at the web-portal of professional training knowledge management “Knowledge Management Portal”. The training materials were prepared with the participation of the experts of the Public Finance Management Support Programme for Ukraine (EU4PFM) Project.</p>
125. Implementation of measures for training and advanced training of employees of state-owned institutions and compulsory state social and pension insurance funds as regards application of national rules (standards) of public sector accounting	Ministry of Finance Treasury compulsory state social and pension insurance funds	workshops, trainings and online trainings on accounting and financial reporting have been conducted (based on the results, the number of employees trained is indicated)	on a continuous basis	<p>In progress (Completed in terms of holding events in 2023).</p> <p>The training activities were to be organised and conducted by the State Tax University in accordance with Order of the Ministry of Finance No. 368 of 09.11.2022 “On Approving the Advanced Training Programme”.</p> <p>The experts were involved into online training on accounting and financial reporting as trainers with the support of the Public Finance Management Support Programme for Ukraine (EU4PFM) Project.</p> <p>From 27.03.2023 until 08.05.2023, the first online training course was conducted at the State Tax University for accounting staff of budget institutions under the special professional (certificate) advanced training programme</p>

				<p>“Accounting in public institutions and organisations based on the national standards”. 192 persons completed the advance training course. From 18.10.2023 until 07.11.2023, the second advance training course was conducted online for accounting staff of budget institutions under the Programme. 257 persons completed the training course.</p>
126. Formation of conceptual approaches to improvement of the organisational structure of accounting departments and the system of performance evaluation of a chief accountant of the public sector entity	Ministry of Finance Treasury compulsory state social and pension insurance funds	a new organisational structure of accounting departments of public sector entities and guidelines for performance evaluation of a chief accountant of the public sector entity have been developed	Q4 2024	<p>Not due yet.</p> <p>The Public Finance Management Support Programme for Ukraine (EU4PFM) Project analyses the international and national best accounting practices and the organisational framework for accounting in the public sector, list of powers and qualification requirements to staff of accounting services.</p> <p>Proposals are being prepared to amend the Standard Regulation on the Accounting Service of the Budget Institution approved by Resolution of the Cabinet of Ministers of Ukraine No. 59 of 26.01.2011.</p> <p>Order of the Ministry of Finance No. 174 of 06.04.2023 “On Amending the Procedure for Assessment Performance of Powers by the Chief Accountant of the Budget Institution” registered with the Ministry of Justice on 20.04.2023 under No. 651/39707 was developed.</p>
Improving the quality of information on the overall property status and performance of public sector entities and budgets				
127. Improvement of the methodology for consolidation of financial reporting	Ministry of Finance Treasury main spending	relevant legal and normative acts have been adopted	Q4 2023	<p>Implemented.</p> <p>In 2023, Order of the Ministry of Finance No. 189 of 13.04.2022 “On Amending National Rules (Standard) of Public Sector Accounting 102 ‘Consolidated Financial</p>

units
compulsory
state social
and pension
insurance
funds

Statements” registered with the Ministry of Justice on 28.04.2023 under No. 698/39754 was issued.

The Treasury in consultation with the Ministry of Finance developed and approved the amendments to Order of the Treasury No. 28 of 25.01.2019 “On Approving the Guidelines on Formation of Financial Reporting Forms by the Bodies of the State Treasury Service of Ukraine”:
- No. 98 of 17.04.2023 “On Amending Annex 1 to the Guidelines on Formation of Financial Reporting Forms by the Bodies of the State Treasury Service of Ukraine”;
- No. 109 of 01.05.2023 “On Approving the Amendments to Annexes 3 and 4 to the Guidelines on Formation of Financial Reporting Forms by the Bodies of the State Treasury Service of Ukraine”;
- No. 186 of 18.07.2023 “On Amending the Guidelines on Formation of Financial Reporting Forms by the Bodies of the State Treasury Service of Ukraine”.

128. Ensuring publishing of information on the overall property status and performance of public sector entities and budgets

Treasury
main
spending
units
compulsory
state social
and pension
insurance
funds

consolidation of
reporting on operations
on budget execution,
spending units and
compulsory state social
and pension insurance
funds and publication
thereof has been
ensured

on an
annual
basis
in Q2

In progress.

In 2023, the Treasury formed the general consolidated financial statements for 2022 based on the following data: financial reporting on budget implementation; consolidated indicators of consolidated financial reporting on local budget implementation; consolidated indicators of consolidated financial reporting of main spending units of the state budget; consolidated indicators of consolidated financial reporting of main spending units of local budgets; consolidated indicators

of consolidated financial reporting of budgets of the mandatory state social and pension insurance funds in the form of Annexes 1 to 4 to the National Rules (Standard) of Public Sector Accounting 102 “Consolidated Financial Statements”. Performance of the activity will require additional time in connection with the martial law.

According to Law of Ukraine No. 2134-IX of 15.03.2022 “On Amending Section VI ‘Final and Transitional Provisions’ of the Budget Code of Ukraine and Other Legislative Acts of Ukraine”, the rules of Article 28(5) of the Budget Code of Ukraine are not to be applied during the martial law.

129. Development of a format for disclosing key differences between national and international public sector accounting standards	Ministry of Finance	disclosure of key differences between national and international public sector accounting standards has been ensured	Q4 2025	Not due yet.
Improving the procedure for disclosing information on the execution of state and local budgets in accounting				
130. Improving the modalities for the application of the Chart of public sector accounts with a view to disclosing information on the execution of state and local budgets	Ministry of Finance Treasury	relevant legal and normative acts have been adopted	Q4 2023	Implemented. Orders of the Ministry of Finance No. 162 of 30.03.2023 “On Approving the Amendments to Certain Legal and Normative Acts on Public Accounting” registered with the Ministry of Justice on 17.04.2023 under No. 629/39685 and No. 650 of 20.11.2023 ““On Approving the Amendments to Certain Legal and Normative Acts on Public Accounting” registered with the Ministry of Justice on

04.12.2023 under No. 2106/41162 amended the Chart of public sector accounts approved with Order of the Ministry of Finance No. 1203 of 31.12.2013 and registered with the Ministry of Justice on 25.01.2014 under No. 161/24938, and the Procedure for application of the Chart of public sector accounts approved with Order of the Ministry of Finance No. 1219 of 29.12.2015 and registered with the Ministry of Justice on 16.01.2016 under No. 85/28215 as regards improvement accounting of specific transactions involving state and local budget funds, other long-term liabilities of spending units (state special-purpose funds) as prescribed by the legislation.

13. Treasury servicing of budget funds

Enhancement of the Treasury's institutional capacity

131. Development of an action plan for the Treasury's transition to operations in the format of a single legal entity, including through analysis, improvement of work processes and procedures, introduction of an effective organisational structure, defining a mechanism for delegating certain powers to heads of territorial bodies	Treasury Ministry of Finance	relevant legal and normative acts have been adopted	Q4 2022	<p>In progress.</p> <p>As martial law was imposed in Ukraine, the Treasury discharges its powers in accordance with the Budget Code of Ukraine and the Regulation on the State Treasury Service of Ukraine approved with Resolution of the Cabinet of Ministers of Ukraine No. 215 of 15.04.2015, with due consideration of the peculiarities set by the Procedure for Discharge of Its Powers by the State Treasury Service in the Special Regime of Martial Law" approved with Resolution of the Cabinet of Ministers of Ukraine No. 590 of 09.06.2021.</p> <p>Given the above, implementation of the activity requires additional time.</p>
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132. Ensuring the Treasury's functioning as a single legal entity	Treasury Ministry of Finance	a single legal entity has been established	Q4 2023	In progress. Implementation of the activity depends on implementation of point 131 of this Action Plan.
Improving the procedures for treasury servicing of budget funds and relevant reporting forms				
133. Improving forms of reporting on the execution of local budgets to ensure comparison of actual expenditures with approved ones	Ministry of Finance Treasury	Treasury reports on the implementation of local budgets by expenditures have been brought in line with the form in accordance with the annex as approved by the decision on the local budgets	Q1 2022	Implemented. Treasury reports on the implementation of local budgets by expenditures have been brought in line with the form in accordance with the annex. Order of the Ministry of Finance No. 685 of 11.12.2023 approved the budget reporting form "Report on achievement of targets of allocation of local budget expenditures".
134. Ensuring further automation of settlement and teller services for spending units and recipients of budget funds	Treasury	full connection of spending units and recipients of budget funds to the remote service system "Treasury Client – Treasury" and the digitalisation of settlement and teller services; improved (expanded) functionality of the remote service system "Treasury Client – Treasury" have been ensured	Q4 2025	Not due yet. As of 01.01.2024, 33,034 spending units and recipients of funds from the state and local budgets, which made 94.2% of their total number (35,085 institutions), were actually connected to the remote service system "Treasury Client – Treasury" (hereinafter the "RSS"). Moreover, as of 01.01.2024, 2,484 other clients of the Treasury were connected to the RSS. In 2023, 60.4 million electronic documents were submitted to the Treasury via the RSS, which was 22.5% more than in 2022 (49.3 million electronic documents). The specific weight of the documents submitted via the RSS in 2023 makes 93% in the total number of treasury

transactions. That indicator made 85% in 2022.

From January to September 2023, the following changes were made in the RSS software:

- it was adapted to the new format of the Ukrainian payment infrastructure (the new-generation electronic payment system of the National Bank of Ukraine (SEP-4.0) based on the international standard ISO 20022).

- it was made possible to submit electronic documents for transactions with one's own balance as of the beginning of the year (balance transferred, balance received).

14. System of public internal financial control

Implementation of internal financial control aiming at raising the responsibility of the leaders of budget institutions for management and development of the institution as a whole

135. Integration of the aspects of internal control into practical activities of spending units	Ministry of Finance other central executive authorities	two practical measures have been taken to integrate aspects of internal control	Q4 2022	<p>Implemented.</p> <p>1. In particular, the responsible persons have carried out the following in order to implement the activity:</p> <ul style="list-style-type: none"> - the Ministry of Finance in bilateral cooperation with the Ministry of Finance of the Kingdom of the Netherlands and European experts carried out the activity in the State Emergency Service to integrate the aspects of internal control, namely as to risk management matters, and the letter with corresponding proposals was sent to the State Emergency Service (letter No. 33010-07-5/31343 of 27.12.2022);
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- the Ministry of Finance together with the European experts carried out the activity in the State Emergency Service to deepen the understanding and perception of aspects of internal control for the purpose of their integration into practical activity with account of the EU practices;
- the State Emergency Service conducted a number of training and awareness-raising activities in its system with participation of managers of the institution, in particular, with account of the information received as a part of improvement of the aspects of internal control by the Ministry of Finance (letter of the State Emergency Service No. 04-410/06 of 06.01.2023);
- the Ministry of Energy informed the Ministry of Finance of the activities conducted to improve the internal control system in its letter No.26/1.6-18.5-3150 of 23.02.2022, and progress of implementation of point 135 of the Action Plan.

136. Implementation of the training program on internal control for the main spending units, central executive bodies, oblast, and Kyiv city state administrations	Ministry of Finance other central executive authorities oblast state administrations and Kyiv City State	training has been conducted (based on the results, the number of persons trained is indicated)	on a continuous basis	<p>In progress (Completed in terms of training in 2023).</p> <p>Six educational events on internal control were conducted:</p> <p>1. As a part of cooperation with the Ministry of Finance of the Kingdom of the Netherlands, the online seminar on risk management was held on 01-02.03.2023 for the representatives of 20 ministries and other central executive authorities. The following matters were considered at</p>
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Administration
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the event:
- management responsibility and accountability;
- models and tools of risk management activities;
- role of communication in risk management; examples of risk management as well as standard challenges associated with implementation of such activities and ways to overcome them.
2. On 19.04.2023, 30-31.05.2023, 15-16.06.2023, 26-27.07.2023 and 12-13.12.2023, five online seminars were held for 49 public authorities (ministries, other central executive authorities and main spending units) on the theoretical (fundamental) principles of organisation and process of internal control. During the events, the matters of planning and control, models of three lines, risk management activities, management responsibility and accountability, role of internal control in inter-institutional relations with subordinated authorities, and monitoring were considered.

137. Preparation of a guidance manual (guide) on the practical implementation of certain aspects of the system of internal control by spending units, including risk management

Ministry of Finance

the relevant manual (guide) has been prepared and disseminated

Q1 2022

Implemented.

In order to render guidance regarding practical implementation of certain aspects of the internal control system, the Guidance Manual on Aspects of Risk Management as an Element of the Internal Control System of the Main Spending Unit, which was posted on the official website of the Ministry of Finance

to raise awareness in this field on 27.03.2022.

The guidance manual covers the fundamentals of organisation and process of the risk management activity by the main spending units (risk identification and assessment, risk appetite determination approaches, ways of response to risks, monitoring, revision and recording of risk management etc.).

Enhancement of effectiveness and independence of internal audit

138. Redirection of activities from internal audit to systemic analysis and performance evaluation of the internal control system, discharge of duties and functions, planning and implementation of budget programmes, quality of administrative services, progress and achievement of goals	central executive authorities oblast state administrations and Kyiv City State Administration other main spending units	a share of internal audits aiming at systemic analysis and performance evaluation of the internal control system, discharge of duties and functions, planning and implementation of budget programmes, quality of administrative services, progress and achievement of goals has increased by 10%	Q1 2022	<p>Implemented.</p> <p>Most public authorities kept taking actions to change priorities of internal audits and to gradually increase the number / share of internal audits of assessment of performance.</p> <p>In particular, the share of planning of internal audits to assess performance kept growing in the reporting year: in 2023, such audits made most of operations of the internal audit units, and the share of performance assessment audits in the total number of the audits planned made 51.3% (in comparison with 48%, 40%, 30% and 18% in 2022, 2021, 2020 and 2019).</p> <p>Therefore, in comparison with 2021, the public authorities ensured the increase in the share of such audits by more than 11% in total.</p> <p>However, the share of internal audits of assessment of performance of the discharge of the tasks and functions prescribed by the legislation, planning and implementation of budget</p>
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139. Stepping up control of response to recommendations provided based on the results of internal audits	central executive authorities oblast state administrations and Kyiv City State Administration other main spending units	rate of implementation of recommendations based on the results of internal audits by public authorities has increased by 5%	Q1 2022	programmes, quality of administrative services, progress and achievement of goals in some public authorities remained minor. Therefore, the activities to refocus internal audit operations will continue.
				<p>In progress.</p> <p>According to the reports submitted to the Ministry of Finance on operational results of internal audit units for 2023, the level of implementation of audit recommendations (either fully or partly, without taking into account the recommendations for which the deadline had not yet come) went up and made 88.9% in the system of public authorities in total (in comparison with 85.9% in 2022 and 87.9% in 2021).</p> <p>Thus, more than 12.4 thousand recommendations in total were given following the audits in the reporting period, and almost 8.2 thousand were fully or partially implemented. More than 1 thousand recommendations were not implemented (in particular, by their deadline). As for the other audit recommendations, the deadline had not yet come as of the reporting date (almost 3.2 thousand recommendations).</p> <p>In certain cases, failure to implement audit recommendations was caused by objective circumstances (in particular, location of enterprises/institutions in the area of active hostilities, loss of documents, reorganisation or changes in the structure of the authorities/institutions, lack of financing</p>

140. Holding training events, and training of internal auditors	Ministry of Finance other central executive authorities oblast state administrations and Kyiv City State Administration other main spending units	training of internal auditors has been conducted (based on the results, the number of employees trained is indicated)	on a continuous basis	<p>for certain activities, additional time necessary for implementation, namely development of regulatory acts etc.).</p> <p>In progress (Completed in terms of training in 2023).</p> <p>Five educational events on internal audit were conducted:</p> <ul style="list-style-type: none"> - training under the special short-term advanced training programme “Key aspects of internal audit, which provides for assessment and provision of opinions and recommendations on efficiency of the internal audit object” (23–26.05.2023) for 30 heads and employees of internal audit units; - round table on the theme “Introduction of national certification of internal auditors and organisation of their training” (28.08.2023) for 34 representatives of higher educational establishments; - webinar “Mechanism for national certification of internal auditors” (30.08.2023) for 136 heads and employees of internal audit units of the public authorities; - training under the special professional (certificate) advanced training programme “Basic course on internal control and internal audit” (17.08.2023–06.09.2023) for 30 heads and employees of internal audit units of the public authorities; - training under the Recommended Programme for Training of Internal Auditors for Certification (04.10.2023 to
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141. Initiation of the process of voluntary and free-of-charge domestic certification of internal auditors of public authorities	Ministry of Finance	relevant legal and normative acts have been adopted	Q4 2022	<p>23.11.2023) for 162 employees of internal audit units of the public authorities that submitted packages of documents on registration for certification.</p> <p>Implemented.</p> <p>In order to improve operations of the internal audit units and professional skills of internal auditors, and with account of the best European practices and recommendations given by the international experts in this area, the Cabinet of Ministers of Ukraine adopted Resolution No. 12 of 12.01.2022 “On Introducing Certification of Staff of Internal Audit Units and Amending Resolution of the Cabinet of Ministers of Ukraine No. 1001 of 28 September 2011”.</p> <p>In order to regulate the mechanism for certification of staff of internal audit units of the public authorities, Order of the Ministry of Finance of Ukraine No. 144 of 18.05.2022 “On Approving the Procedure for Certificate of Staff of Internal Audit Units” registered with the Ministry of Justice on 20.06.2022 under No. 676/38012 was issued.</p> <p>In 2023, organisational measures were taken to introduce certification of employees of internal audit units of the public authorities, including to develop test questions for the qualification test and to develop and conduct the training course under the Recommended Programme for Training of Internal Auditors for Certification; eight qualification tests were organised and</p>
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142. Carrying out assessments of the internal audit system's functioning (external assessments of the quality of internal audit) within the ministries, other central executive bodies, in the Council of Ministers of the Autonomous Republic of Crimea, in oblast state administrations, and in Kyiv and Sevastopol city state administrations, other main spending units, with a view to provision of recommendations on improvement of an internal audit system	Ministry of Finance other central executive authorities Council of Ministers of the Autonomous Republic of Crimea, oblast state administrations, Kyiv and Sevastopol city state administrations, other main spending units	at least 20 external assessments of internal audit's quality have been conducted	Q4 2025	<p>conducted for 143 candidates who had applied for the internal auditor's certificate, following which 19 internal auditors passed the test and would receive the internal auditor's certificate.</p> <p>Not due yet.</p> <p>In 2023, four assessments of functioning of the internal audit systems (external quality assessment of the internal audit) were carried out in the National Health Service of Ukraine, the Ministry of Culture and Information Policy, the State Customs Service, and the Ukrainian Institute of National Memory. A number of violations, defects and gaps in internal audit activities were detected during the external assessment of internal audit quality, and respective recommendations were sent to the public authorities in order to improve their internal audit systems.</p> <p>Moreover, the assessment of functioning of the internal audit system in the State Judicial Administration of Ukraine was commenced in the reporting period (the documents and information were examined, the officials were surveyed, the draft report on the external quality assessment was initiated). Also, the external quality assessment of the internal audit was organised in the Ministry of Reintegration (the quality assessment programme was developed, and the request for documents and information to be examined was sent).</p>
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143. Informing the Cabinet of Ministers of Ukraine on the state of functioning of public internal financial control and internal audit based on the results of the analysis of the information reported by public authorities	Ministry of Finance	proposals on improvement of the functioning of internal control and internal audit systems have been submitted to the Cabinet of Ministers of Ukraine	on an annual basis in Q2	<p>In progress (Completed in terms of notification during the 2023 reporting year).</p> <p>In 2024, the Ministry of Finance analysed functioning of internal control and internal audit in the public authorities (ministries, other central executive authorities, oblast and Kyiv city state administrations, other main spending units). In particular, it analysed the reports on organisation and implementation of internal control received from 125 public authorities by elements as well as reports (or information) on operational results of the internal audit units of 125 public authorities.</p> <p>As a result of the analysis, information on the principal tendencies of functioning of the public internal financial control for 2023 was prepared and sent to the Cabinet of Ministers of Ukraine, with proposals on organisation and process of internal control and internal audit during the martial law. In particular, it was proposed to instruct the heads of the public authorities to ensure adequate organisation of internal control and internal audit, to take measures to improve internal control and internal audit, including to instruct the public authorities to take exhaustive measures to fill vacancies in the internal audit units and to ensure compliance with Article 26 of the Budget Code in terms of internal</p>
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audit operations, to ensure support and enhancement of capacity of the internal audit

units, to take additional measures to enhance independence of the internal audit

units, and to intensify work to follow and implement the auditor's recommendations.

The corresponding information and proposals were sent to the Cabinet of Ministers of Ukraine by Letter No. 33030-07-3/10727 of 29.03.2024. Following the consideration of the Letter, the Government of Ukraine instructed the public authorities to ensure adequate organisation and implementation of internal control and internal audit with account of the proposals made by the Ministry of Finance, the recommendations of the European Commission given in Ukraine 2023 Report on Enlargement Package Policy, conclusions of SIGMA following the assessment of the state of affairs in the public administration system of Ukraine; to take actions to eliminate the defects detected, and to prevent them in the future (instruction No. 10305/1/1-24 of 12.04.2024).

144. Strengthening the organisational and functional independence of internal audit subdivisions and informing MoF on the measures taken	central executive authorities oblast state administrations and	organisationally and functionally independent internal audit subdivisions	on an annual basis in Q1	<p>In progress.</p> <p>Last year, the public authorities took measures to eliminate the existing inconsistencies and to bring the organisation of in line with the requirements, which enabled enhancing</p>
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organisational and functional independence of internal audit units.

According to the reports, organisational independence of internal audit units was ensured in the system of most public authorities (in particular, with the independent status of the unit and subordination thereof directly to the head of the authority/institution – 95% (402 out of 423) internal audit units have organisational independence). Moreover, the number of non-compliances with the requirements for organisational independence of internal audit units keep going down in comparison with the previous years.

The system of most public authorities (77 authorities or 61.6%) (without account of the public authorities that did not perform internal audit activities in 2023 or did not provide information (11 authorities)) ensured functional independence of internal audit activities. In particular, the corresponding units were not imposed non-inherent functions, and did not participate in the controls not associated with internal audit.

The number of the public authorities where the requirements for functional independence of internal audit operations were violated also went down in comparison with the previous year.

However, such cases (facts of imposing non-inherent functions upon internal audit units and/or their participation in

				controls not associated with internal audit) occurred in the system of 37 public authorities (or 29.6%). In certain cases, internal auditors were involved into tasks directly not associated with internal audit due to the need to promptly resolve certain operational issues of the authorities in the context of the legal regime of martial law.
145. Setting up audit committees within ministries	ministries	audit committees have been set up (composition has been determined and regulations have been approved), and they meet at least twice a year	Q1 2023	<p>In progress.</p> <p>In the reporting period, the work continued to introduce audit committees into the practice of the public authorities (namely ministries), including as a tool to facilitate independence of internal audit units and to improve internal audit activities.</p> <p>In particular, according to the reports, the audit committees were established in 13 public authorities: the Ministry of Infrastructure, the Ministry of Health, the Ministry of Education and Science, the Ministry of Economy, the Ministry of Veterans, the Ministry of Justice, the Ministry of Reintegration, the Ministry of Youth and Sports, the Ministry of Agrarian Policy, the State Emergency Service, the Restoration Agency, the Pension Fund, and Sumy OSA.</p> <p>Also, the work to establish audit committees was under way in certain public authorities, namely in the Ministry of Energy and the Ministry of Finance (the regulation on the committee was approved), the Ministry of Defence (candidates were selected), and the</p>

Ministry of Ecology and Natural Resources (independent experts were recruited). Also, the Ministry of Digital Transformation, the Ministry of Culture and Information Policy and the Ministry of Strategic Industries informed of the work to establish audit committees last year. Audit committees commenced their practical operations in a number of the public authorities.

In particular, meetings of the audit committees where internal audit operational matters were considered were held in the Pension Fund, the Ministry of Economy, the Restoration Agency and Sumy OSA in the reporting year.

The constituent meetings of the audit committees were held in the Ministry of Infrastructure, the Ministry of Education and Science the Ministry of Justice, the Ministry of Youth and Sports, and the Ministry of Agrarian Policy (in particular, the regulation on committees and/or their action plans were considered/approved).

Building institutional capacity of the central harmonisation department of MoF				
146. Conducting training events dedicated to public internal financial control for the central harmonisation department of the Ministry of Finance on, as well as working meetings with international experts	Ministry of Finance	training of the staff of the central harmonisation department of MoF has been conducted (based on the results, the number of employees trained is indicated)	on a continuous basis	In progress (Completed in terms of training in 2023). In the reporting period, the measures were taken to keep building institutional capacity of the central harmonisation department. In particular, a number of work meetings were held by the staff of the Department in the reporting period in connection with further development of public internal financial control in Ukraine

with the representatives of the National Academy for Finance and Economics of the Ministry of Finance of the Kingdom of the Netherlands, the EU4PFM experts, experts of Deloitte Consulting LLC within the international technical assistance project “State-Owned Enterprise Reform Activity in Ukraine”

Also, all the representatives of the Department keep advancing their qualifications by participating in the meetings of the PEMPAL Internal Audit Community of Practice (IACOP) and different trainings. In particular, they study public finance management and administrative reforms, introduction of the European principles of public administration of OECD/SIGMA, outcome-driven management, strategic planning, risk management, audit in the IT environment, cooperation of internal and external auditors, planned amendments to the Global Internal Audit Standards etc.

147. Launch of process automation in the area of internal control and internal audit by creating an interactive portal on public internal financial control	Ministry of Finance other central executive authorities oblast state administrations and Kyiv City State Administration	terms of reference with a view to establishment of an interactive portal dedicated to public internal financial control (including distance learning, testing, information and analytical support of activities) have been developed	Q1 2022	<p>In progress.</p> <p>The interactive portal dedicated to public internal financial control (hereinafter the “PIFC”) is being created within the Public Finance Management Programme in Ukraine (hereinafter the “EU4PFM”).</p> <p>As a part of launch of process automation in the sphere of internal control and internal audit by creating an interactive portal on PIFC, in 2021, the Harmonisation Department of the Ministry of Finance responsible for public internal financial control prepared the main approaches</p>
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	other main spending units			
148. Putting the interactive portal dedicated to public internal financial control into pilot operation, with the gradual inclusion of relevant modules	Ministry of Finance other central executive authorities oblast state administrations and Kyiv City State Administration other main spending units	interactive portal has been put into pilot operation	Q4 2023	<p>(characteristics and requirements) to development of the interactive portal on the PIFC, which contained the structure and detailed description of the portal components (modules and units) and requirements for functions thereof. At the end of 2021, they were transferred to the EU4PFM representatives in the regular course of business in order to designate the expert and carry out joint work in this area.</p> <p>As the martial law was imposed in Ukraine (in accordance with Decree of the President of Ukraine No. 64/2002 of 24.02.2022), EU4PFM work to create the PIFC portal was suspended temporarily. Then the project representatives were informed of the interest in and relevance of creation/development of the PIFC as a priority within the EU4PFM project in terms of public internal financial control in the regular course of business, and the activities associated with creation of the PIFC portal were included into the project 2023 action plan.</p> <p>In 2023, the work was performed to create the PIFC portal. In particular, the approaches to development of the portal (stages, time frames etc.) were discussed at the working meetings with the EU4PFM experts. With due consideration of the extensive functions of the portal, the experts suggested that individual modules should be developed, with the possibility of subsequent modification within the EU4PFM. However, the</p>

Department did not affirm the approach as the portal modules were closely connected and would not provide for operations of the portal with the necessary functions if they were separated.

Given the above, it was resolved that the EU4PFM would develop the detailed terms of reference/specification of the IT solution for the PIFC portal and resolve the matter of development or purchase of the IT solution in the future (for instance, to continue operations of the EU4PFM or within other technical assistance projects).

In 2023, the EU4PFM experts and the Department developed the Conceptual Note on the principal parameters and structure of the PIFC portal. The note is supposed to be a basis for development of functional and non-functional/technical requirements. The draft action plan of the EU4PFM for 2024 provides for development of specifications of the IT solution for the PIFC portal, with the deadlines set for quarters I to III.

With due consideration of the above, the work to create the interactive portal on public internal financial control requires additional time.

15. Public financial control

Stepping up public financial control in the areas exposed to major risks

149. Improving the methodological principles of risk-oriented selection of monitored entities with a view to taking measures of public financial control	State Audit Service	methodical recommendations have been drawn up	Q4 2022	Implemented. Order of the State Audit Service No. 355 of 12.12.2023 approved the Procedure for determining risk indicators for development of risk-oriented approaches to planning public financial control by the State Audit Service, its inter-regional territorial bodies, which established the procedure for determining risk indicators, assessment, testing, approval, revision and introduction thereof in the integrated automated system for supporting decision-making by the public financial control body "e-auditor" (hereinafter the "IASSDM "E-Auditor""), for the State Audit Service and its inter-regional territorial bodies to plan and carry out scheduled on-site revisions and state financial audits.
150. Improving the procedure for conducting inspections by the State Audit Office, taking into account successful international practices	Ministry of Finance, State Audit Service Ministry of Economy State Regulatory Service	appropriate legal and normative act has been adopted	Q2 2022	Implemented. Government Resolution No.1123 of 08.10.2022 "On Amending the Procedure for Inspections by the State Audit Service and Its Inter-Regional Territorial Bodies" was adopted.
Ensuring effective interagency cooperation in exercise of financial control				
151. Establishing effective cooperation with the Accounting Chamber in order to exchange information on risks (risky operations) in the activities of controlled institutions, coordination of communication during processes of planning,	State Audit Service Accounting Chamber (by agreement)	a coordination/interaction agreement has been concluded with the Accounting Chamber	Q4 2022	In progress. The State Audit Service sent its Letter No. 002200-11/4349-2022 of 17.06.2022 to the Accounting Chamber, with the draft Cooperation Agreement between the Accounting Chamber and the State Audit Service of Ukraine in order to agree upon and organise the conclusion procedure.

exchange of information on best practices when implementing measures of control

In 2023, the representatives of the State Audit Service took part in a number of round tables organised by the Accounting Chamber within the international technical assistance project of the European Union “Strengthening Capacities in External Audit in Line with International Standards in Ukraine”. One of its tasks is to support establishment of cooperation between internal and external audits and public financial control bodies. The need to establish cooperation between the public authorities was understood at those events in order to ensure efficiency and performance of public financial control at all the levels. The work to draft the Cooperation Agreement is under way.

Enhancement of the SAS bodies’ institutional capacity at the central, regional and local levels

152. Improving the organisational and methodological foundations of public financial control over the resources of local budgets	State Audit Service	methodical recommendations have been drawn up	Q1 2023	<p>Implemented.</p> <p>In order to improve the organisational and methodological framework for public financial control over local budget resources, Order of the State Audit Service No. 317 of 29.12.2022 approved the Guidelines on the State Audit Service and Its Inter-Regional Territorial Bodies Conducting Some Public Financial Audits, which without limitation regulate matters of public financial audit of local budgets.</p>
153. Development of high-quality methodological support of the process of public financial audit, by types, taking into account the best	State Audit Service	methodical recommendations have been approved	Q4 2022	<p>Implemented.</p> <p>Order of the State Audit Service No. 317 of 29.12.2022 approved the Guidelines on the State Audit Service and Its Inter-Regional Territorial Bodies Conducting Some</p>

international practices,
including relevant
standardised check lists

Public Financial Audits, which are applied during public financial audits of implementation of budget programmes, public financial audit of state (regional) targeted programmes, public financial audit of local budgets, public financial audit of activities of economic operators, and public financial audit of the Pension Fund of Ukraine, mandatory state social insurance funds.

Also, Order of the State Audit Service No. 233 of 30.09.2022 approved the Guidelines on the State Audit Service and Its Inter-Regional Territorial Bodies Conducting the Public Financial Audit of Use of Information Technologies, which without limitation approved sample check lists to comply with ISO/IEC 27001 "Information security, cybersecurity and privacy protection. Information security management systems. Requirements" and other documents on information security, the check list "Forms for enhanced examination of the IT environment and IT systems", the sample check list to check software purchase (development) conditions.

16. Independent external financial control (audit)

Maximum approximation of audit methodology and practices to INTOSAI standards

154. Introduction of compliance audit as one of the types of external audit as defined by INTOSAI standards	Accounting Chamber (by agreement)	all three types of external audit as defined by INTOSAI standards have been carried out; training materials have been developed and training on compliance	Q4 2022	Implemented. In 2023, the Accounting Chamber conducted all three types of external audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) (27 performance audits, nine financial audits, and one compliance audit).
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audits has been conducted for officials of the Accounting Chamber.

This, pursuant to the Methodology for the Compliance Audit approved with Resolution of the Accounting Chamber No. 12-3 of 06.06.2023, the Accounting Chamber audited compliance of operation of the system for state architecture and construction control and oversight, performance of authorisation and registration functions in construction in 2023; the report thereon was approved by Resolution of the Accounting Chamber No. 27-3 of 21.11.2023.

The action plan of the Accounting Chamber for 2024 provides for 13 compliance audits. In order to facilitate implementation of ISSAIs in operations of the Accounting Chamber, and to give the officials of the administrative office of the Accounting Chamber knowledge on and practical skills of compliance audits, the experts of the international technical assistance project “Strengthening Capacities in External Audit in Line with International Standards in Ukraine” conducted 12 three-day trainings “Training auditors on the compliance audit” from October 2023 to January 2024. The training programme covered all the stages of a compliance audit: planning, auditing, reporting on audit findings, and controlling implementation of recommendations. In total, 205 employees of the Accounting Chamber took part in the training.

155. Strengthening the institutional capacity of the

Accounting Chamber

methodological recommendations on

Q4 2023

Implemented.

Accounting Chamber with a view to carrying out financial audit of consolidated financial statements

(by agreement)

carrying out financial audit of consolidated financial statements have been drawn up

The Guide on Financial Audit and the Procedure for Financial Audit by the Accounting Chamber were approved by Resolution of the Accounting Chamber No. 27-4 of 22.12.2022 in accordance with the requirements of the International Standards of Supreme Audit Institutions (ISSAIs). Financial audit of the project “Programme for Accelerating Private Investment into Agriculture” was completed in 2023 based on the new methodology, and the report on its findings will be considered during quarter II of 2023.

The working group established by Order of the Head of the Accounting Chamber No. 64B of 23.12.2022 and the experts of the international technical assistance project “Strengthening Capacities in External Audit in Line with International Standards in Ukraine” developed the Algorithm for the Accounting Chamber to Conduct Financial Audit of Consolidated Financial and Consolidated Budget Statements, which became the third part of the Methodology for the Financial Audit in accordance with Resolution of the Accounting Chamber No. 19-4 of 26.09.2023. The algorithm covers two types of the financial audit by the Accounting Chamber: the financial audit of general consolidated statements and budget statements on implementation of the State Budget of Ukraine, and the financial audit of consolidated financial and consolidated

				budget statements of the main spending unit.
Enhancement of the advisory (expert) role of the Accounting Chamber as the highest audit body in Ukraine				
156. Introduction of a mechanism for consideration by the committees of the Verkhovna Rada of Ukraine of all reports based on the results of audits by the Accounting Chamber and taking the necessary measures with a view to exercise of parliamentary control	Accounting Chamber (by agreement)	proposals on strengthening the control function of the Verkhovna Rada of Ukraine and its committees with a view to increasing the rate of implementation of the Accounting Chamber's recommendations have been drawn up and submitted to the Verkhovna Rada of Ukraine	Q4 2024	Not due yet.

IV. ENHANCING TRANSPARENCY AND ACCOUNTABILITY IN PUBLIC FINANCE MANAGEMENT

17. Budget transparency and public participation in budgeting

Ensuring compliance with international standards on budget transparency

157. Analysis of the results of the latest evaluation by the Open Budget Index and development of proposals with the view to upgrading Ukraine's rating	Ministry of Finance Accounting Chamber (by agreement)	ensuring that Ukraine has gained at least 65 points in Open Budget Index in 2023	Q4 2024	Not due yet. In 2023, Ukraine continued the cooperation with the International Budget Partnership (hereinafter the "IBP") in connection with another review of openness of Ukraine's budget based on the Open Budget Index (OBI) criteria. According to the OBI rating published in May 2024, Ukraine got 38 points out of 100 in 2023. With due consideration of the ongoing full-scale invasion by the Russian Federation, the legislative restriction of publication of some budget information in 2022 (a basic year for the assessment), both sides (the IBP experts and Ukraine)
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understand that the current result of budget transparency for Ukraine is of rather statistical nature and does not represent Ukraine's actual progress in the budget transparency rating under the OBI. The subsequent main purpose of the Ministry of Finance will be to restore public access to timely, complete and quality information on the budget provided that the circumstances are favourable.

158. Fiscal transparency evaluation by the International Monetary Fund	Ministry of Finance	evaluation has been completed and report provided	Q4 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law.</p>
159. Ensuring publications of main spending units' budget programme certificates and reports on implementation thereof in a machine-readable format	Ministry of Finance	publications of main spending units' budget programme certificates and reports on implementation thereof in a machine-readable format have been ensured	Q4 2022	<p>In progress.</p> <p>The Verkhovna Rada of Ukraine adopted Law of Ukraine No. 1081-IX of 15.12.2020 "On Amending the Budget Code of Ukraine", which amended Article 28 of the Budget Code of Ukraine regarding publication of the local budget forecast, a draft decision on the local budget, a decision on the local budget, information on execution of the local budget by the local state administrations, executive bodies of corresponding local councils on their official websites or in another manner in accordance with the Law of Ukraine "On Access to Public Information". The amendments also provide for time frames for publication of such information.</p> <p>The rules on publication of budget requests and budget programme</p>

passports by the main spendings units were prescribed by Article 28 of the Code in 2018.

For that purpose, the Ministry of Finance developed the function to publish the budget documents uploaded into the IAS “LOGICA” on the official State Open Budget Web Portal (<https://openbudget.gov.ua>), the purpose of which is to raise public awareness of principal goals, tasks and priorities of the budget policy of Ukraine.

This function has been available since 01.01.2022 to all the participants of the budget process that use the software interacting with the IAS “LOGICA” via the open API.

The work is performed to create the information system for planning and monitoring of state budget implementation, which will without limitation enable formation of budget documents in the machine-readable format to be made public by the main spending units.

160. Raising public awareness on the functioning of the State Open Budget Web Portal	Ministry of Finance	communications strategy has been developed	Q2 2022	<p>Implemented.</p> <p>The communication strategy for the projects of the State Institution “Open Public Finance” was developed with the support of the German Government via the project “Effective Public Finance Management III”, which is implemented by the German Agency for International Cooperation (GIZ).</p> <p>In pursuance of the international technical assistance project (programme)</p>
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of the German Agency for International Cooperation (GIZ) GmbH in Ukraine “Effective Public Finance Management III” and the State Institution “Open Public Finance”, which is a recipient in this international technical assistance programme and a technical administrator of the State Open Budget Web Portal, organised creation of five promotional videos on E-Data Platform, including on openbudget.gov.ua. The content and design of images to promote E-Data Platform and its portals on social and mass media were developed.

	Ministry of Finance	number of the users of the State Open Budget Web Portal has increased	Q4 2022	<p>In progress.</p> <p>In connection with the military aggression of the Russian Federation against Ukraine and imposition of the martial law all over Ukraine, the number of users of the State Open Budget Web Portal did not grow.</p>
161. Raising competence of the users of the State Open Budget Web Portal	Ministry of Finance	training materials have been developed and training has been conducted	Q4 2023	<p>Implemented.</p> <p>The State Institution “Open Public Finance” updated and supplemented the Portal User Manuals on openbudget.gov.ua, spending.gov.ua, proifi.gov.ua.</p> <p>Over ten public online events and online trainings were held to raise awareness of E-Data Platform. The online training course was developed and made public at Prometheus platform: “E-Data: opportunities and effective public finance control”. The links were posted, and regular reminders of the course are sent by posting information on the Facebook</p>

page of the State Institution “Open Public Finance”. Public online consultations on use of the portals of E-Data Platform were conducted. The online meeting with the public finance experts was held on the work and use of the resources of E-Data Platform. The experts’ proposals on how to improve operations of the web-resources were collected at the meeting. The user manual on the public API of the webportals openbudget.gov.ua, spending.gov.ua, proifi.gov.ua was translated into English upon request of the non-governmental institutions. The public was offered two chat bots at Telegram “E-data platform BOT” and “Ministry of Finance Public funds”. The detailed user manuals were developed, and online consultations were conducted on operations of the chat bots.

Ensuring openness and accessibility of information on the local budgets				
162. Providing access to information on budget indicators of local budgets through the State Open Budget Web Portal	Ministry of Finance	a section ‘Local Budgets’ has been added to the State Open Budget Web Portal (https://openbudget.gov.ua)	Q1 2022	Implemented. The software “Module to collect and display information on local budget indicators and main spending units of local budgets” of the integrated information and analytical system “Transparent Budget”, which covers information on how local budgets are planned and used and makes public indicators of local budgets and main spending units of local budgets, has been developed. The web-portal (https://openbudget.gov.ua) also displays the Treasury’s information on local budget execution based on monthly,

quarterly and annual results. The application program interface (API) of the web-portal ensures uploading of data on local budget indicators and main spending units of local budgets and supports the function of data downloading by third-party information systems.

163. Ensuring publishing information contained in budget requests of local budgets, local budget programme certificates, budgetary reports, decisions on local budgets, and in local budget forecasts, in the form of open data	local state administrations and local councils' executive authorities (by agreement)	information contained in budget requests of local budgets, local budget programme certificates and budgetary reports, decisions on local budgets and local budget forecasts in the form of open data has been posted on the official websites or otherwise made available	Q1 2022	<p>Implemented.</p> <p>The software "Module to collect and display information on local budget indicators and main spending units of local budgets" of the integrated information and analytical system "Transparent Budget", which covers information on how local budgets are planned and used and makes public indicators of local budgets and main spending units of local budgets, has been developed. The web-portal (https://openbudget.gov.ua) also displays the information of the State Treasury Service of Ukraine on local budget execution based on monthly, quarterly and annual results. The application program interface (API) of the web-portal ensures uploading of data on local budget indicators and main spending units of local budgets and supports the function of data downloading by third-party information systems.</p>
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V. DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT IN PUBLIC FINANCE

19. Development of human resource management in public finance

Implementation of the strategic approach and improvement of efficiency of human resource management in public finance

164. Development of strategic development plans of human resource management systems in place in central executive bodies, whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Finance	State Customs Service State Audit Service Treasury	strategic development plans of human resource management systems have been drawn up in accordance with the relevant goals, including implementation of the up-to-date competence-based human resource management techniques	Q1 2022	<p>Implemented.</p> <p>The Strategy for Developing Human Resource Management of the State Audit Service for the Period until 2024 was approved (with the approval visa) by the Head of the State Audit Service on 25.09.2021. Also, Order of the State Audit Service No. 22 of 27.01.2021 No. 22 approved the Strategy for Permanent Professional Development of the State Audit Service for 2021–2023.</p> <p>Order of the State Customs Service No. 648 of 26.08.2021 approved the Strategy for Human Resource Management of the State Customs Service for 2021–2024, and Order No. 723 of 20.09.2021 approved the Action Plan for the implementation of the Strategy.</p> <p>Order of the Treasury No. 282 of 22.10.2020 “On Approving the Strategy for Human Resource Management of the State Treasury Service of Ukraine” approved the Human Resource Management Strategy of the Treasury for 2020–2024.</p>
165. Development and implementation of a competence-based human resource management model by MoF and other central executive bodies whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Finance	Ministry of Finance State Tax Service State Customs Service State Audit Service Treasury	competence-based human resource management models have been approved	Q4 2023	<p>In progress.</p> <p>The Ministry of Finance supported by the EU4PFM Project developed its recommendations on formation of general and special competences (long and short list of competencies model). The short list of competencies with account of special aspects of the work was formed for eight structural subdivisions.</p> <p>The pilot project was launched in the HR services of the State Customs Service and</p>

its territorial bodies by Order of the State Customs Service No. 182 of 03.05.2023 “On the Pilot Project to Introduce the Competencies Model”, the action plan for preparing and implementing the pilot project was approved, and Dnipro, Kyiv, Lviv and Odesa Customs Offices were designated the basic ones to test the competencies model. Order of the State Customs Service No. 365 of 04.08.2023 “On Approving the Customs Competency Directory” that contained the approximate list of questions to assess the competence level of candidates for positions was issued. Following the selection of candidates based on the competency approach, 22 vacant positions in the territorial bodies of the State Customs Service involved into the pilot project were filled with the winners. The working group on development of the competency-based human resource management model was established, and its members were approved by Ordinance of the STS No. 57-p of 27.09.2023 “On Establishing the Working Group”.

166. Conducting annual surveys on the employees’ interest in the results of their work and achievement of strategic goals (involvement of staff) of the Ministry of Finance, other central executive bodies, whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine	Ministry of Finance State Tax Service State Customs Service State Audit Service Treasury	survey has been conducted	on an annual basis in Q3	In progress (Completed in terms of the surveys in 2023). Treasury. In 2023, the Treasury employees took part in the survey on the employees’ interest in the results of their work and achievement of strategic goals (involvement of the staff). According to the survey findings, the indicator “level of overall involvement of the staff” made 55%, which means that
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through the Minister of Finance

most employees feel their contribution into the success of the entire public authority. The indicator “level of forced and normative involvement” is 45%: it is a reverse indicator that demonstrates the percentage of the employees who keep working for the public authority only as they have no other career opportunities.

State Audit Service. In September 2023, the anonymous survey of the staff of the administrative office of the State Audit Service and its inter-regional territorial bodies was conducted in Google Forms. In total, 262 employees of the administrative office of the State Audit Service took part in the survey, which made 65.5% of the actual employees as of 01.09.2023, and 1,347 employees of the inter-regional territorial bodies of the State Audit Service, which made 76.5% of the actual employees as of 01.09.2023.

State Customs Service. In September 2023, the anonymous pulse survey was conducted in the State Customs Service on certain matters of staff involvement, with account of peculiarities of operation of the customs authorities in martial law, and with 4,748 respondents involved. The number of the responses given is 48.5% of the actual headcount. The pulse survey involved 527 (11.1%) employees transferred to the other territorial bodies from the customs offices located in the occupied territories or areas of hostilities. The survey was conducted in accordance

with the principles of anonymity, free will and data security.

State Tax Service. In order to determine the level of emotional involvement, satisfaction with working conditions and efficiency of the internal communication system (involvement of the staff) of the STS, the employees of the administrative office of the STS and its territorial were surveyed. The survey included 12,414 persons. The analytical report posted in the network resource of the STS was prepared based on the survey findings.

Ministry of Finance. The survey was conducted to determine the level of emotional involvement, satisfaction with civil service conditions and needs for professional development of the staff of the Ministry: 261 respondents, 34% of the headcount of the Ministry of Finance, demonstrated the involvement level of 70%.

167. Supporting gender equality and integration of women's leadership programmes in staff training programmes	Ministry of Finance	number of women holding leadership positions in MoF has increased	Q4 2022	<p>Implemented.</p> <p>Number of women holding leadership positions in MoF was increased by 1% in 2022.</p> <p>The number of women holding leadership positions in the Ministry of Finance was increased by 0.44% in 2023 in comparison with 2022.</p>
Improving professional competence of financial system staff				
168. Institutionalisation of professional and communicative capacity in public finance management	Ministry of Finance	proposals on the establishment of a professional communication centre in the public finance	Q4 2022	<p>In progress.</p> <p>Performance of the activity requires additional time in connection with the martial law and due to lack of funds on the state budget to finance these goals.</p>

		management system and its transfer under the management of the Ministry of Finance have been drawn up		The Ministry of Finance supported the initiative of the State Tax University to establish the Professional Communication Centre in the public finance management system in its structure (Letter No. 16040-07-7/15949 of 12.06.2023). The State Tax University is now engaging international partners to finance the establishment.
169. Capacity building in public finance management	Ministry of Finance other central executive authorities	training programme has been drawn up and implemented, training has been conducted, a team of internal trainers on actual issues of public finance management has been assembled	Q3 2022	In progress. Performance of the activity requires additional time in connection with the martial law and due to lack of funds on the state budget to finance these goals.
	Ministry of Finance other central executive authorities	a public finance management online learning platform has been developed and put into operation	Q4 2022	In progress. Performance of the activity requires additional time in connection with the martial law and due to lack of funds on the state budget to finance these goals.
170. Establishment of a modern scientific and educational institution for training cadre in the field of public finance	Ministry of Finance	State Tax University has started its functioning, and its development strategy has been approved	Q1 2022	Implemented. Ordinance of the Cabinet of Ministers of Ukraine No. 1202-p of 06.10.2021 "On Establishing the State Tax University" and Order of the Ministry of Finance No. 574 of 01.11.2021 "Certain Matters of Establishing the State Tax University" ensured establishment of the State Tax University subordinated to the Ministry of Finance. Order of the State Tax University No. 667 of 09.08.2022 put into effect the Strategy for Developing the State Tax University

for 2022-2027.

Moreover, the higher educational establishment was relocated from the city of Irpin affected by the hostilities by Order of the State Tax University No. 249 of 05.03.2022. The matters of further development of the university can only be considered after the martial law is terminated or cancelled and resources of the institution are assessed.

171. Increase in the number of dual education curricula to be used for training cadre in the field of public finance	Ministry of Finance State Tax Service State Customs Service Treasury State Audit Service State Financial Monitoring Service State Tax University (by agreement)	the number of dual education curricula and the number of students trained thereunder have increased; the number of central executive bodies, whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Finance, and which participate in implementation of dual education programmes has increased.	Q3 2022	<p>Implemented.</p> <p>In accordance with the Memorandum of Implementation of Dual Education Elements of 20.06.2019 between the German Agency for International Cooperation (GIZ), the University of the State Fiscal Service of Ukraine, the Charitable Foundation “Kyiv School of Economics” (KSE), the State Tax Service of Ukraine at the Main Directorate of the STS in Kyiv, there is a project “Dual education: new form of staff training for the STS bodies”. During the project, sixty students were hired by the Main Directorate of the STS in Kyiv on a competitive basis: forty-seven students from the State Tax University and thirteen students from the Kyiv National Economic University.</p> <p>At the same time, in 2022, the State Tax University started dual training at the educational programme “State audit; forensic economic expert examination in financial investigations” with the speciality “Accounting and taxation”. Forty persons were admitted to obtain</p>
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higher education by the governmental order in 2022.

The total number of the persons who started dual training to obtain higher education in 2019-2022 in the State Tax University made 103 persons as of 01.09.2022. 42 persons were enrolled to the first year in 2023.
