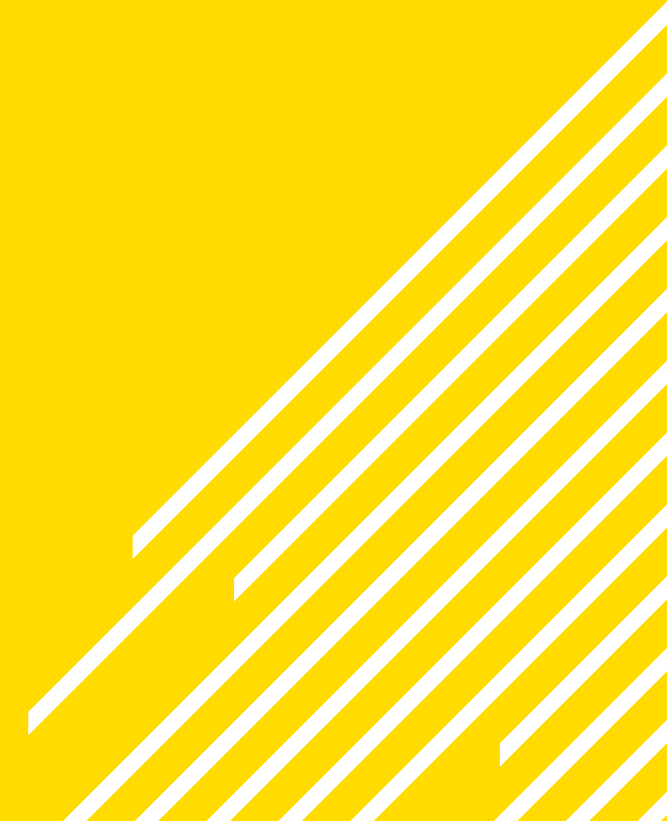




MINISTRY OF  
FINANCE OF  
UKRAINE

# MINISTRY OF FINANCE: 2019 RESULTS AND PLANS FOR 2020



# 6.1

**UKRAINIANS LIVE IN A COUNTRY  
THAT MANAGES ITS PUBLIC  
FINANCE IN A PREDICTABLE  
WAY**



# BUDGET



MINISTRY OF  
FINANCE OF  
UKRAINE

## Budget 2019

Met the Challenges



Financed all the expenditures

At the level of

**1,9%**

Kept the budget deficit

**213,3 billion UAH**

On the national security and defense (+11,3% from 2018)

to **32,1%**

Reduced GDP redistribution level through the combined budget (**33,3%** in 2018, **31,4%** in 2020)

\* Hereafter, comparing to 2019

## Budget 2020

Adopted on time

**Billion UAH**

**1 095,6**

Revenues (+8,8%\*)

**73,7**

Infrastructure (+37%)

**1 182,0**

Expenditures (+8,14%)

**113,4**

Healthcare (+15,5%)

**94,3**

Deficit (2,09% від ВВП)

**338,9**

Local budgets revenues (+18%)

**7,9**

Budgeting Loans

**145,2**

Education (+12,7%)

**2 363,5**

Public and guaranteed debt (52,4% of GDP)

**245,8**

Defense and security (+16%)

# PUBLIC FINANCE TRANSPARENCY



MINISTRY OF  
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UKRAINE



**Introduced BOOST** –  
analytical tool for budget  
indicators

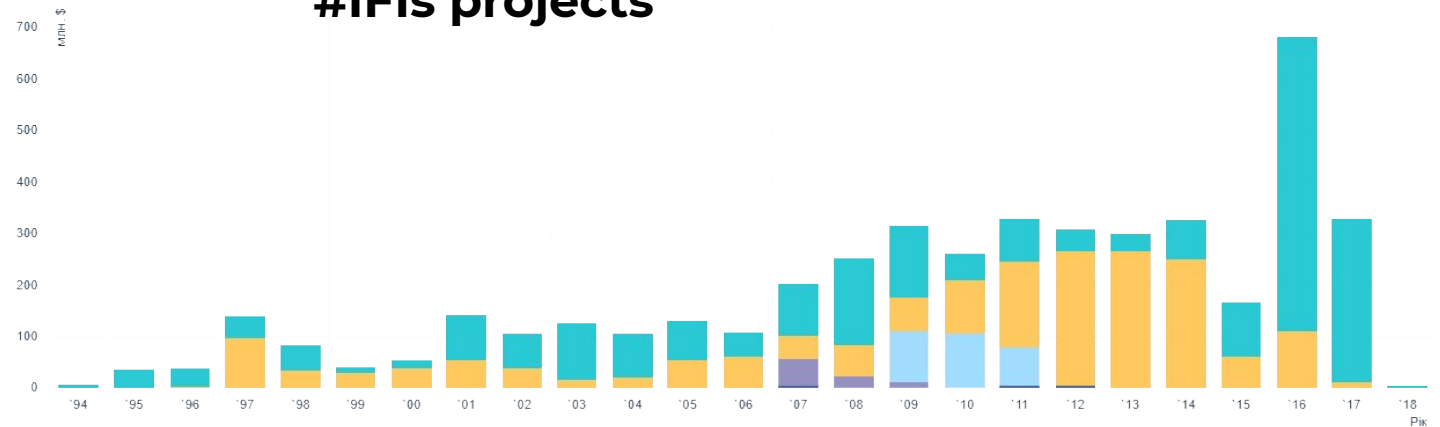


**Expanded** the functionality  
of the “Local Budgets”  
module of the public web  
portal on the budget  
indicators for citizens



**Made public** the register of the economic  
and social development projects that are  
supported by the International Financial  
Institutions.

## #IFIs projects



Динаміка використання коштів

Міжнародний банк реконструкції та розвитку  
Німецька Кредитна Установа для Відбудови (КФВ)  
Європейський банк реконструкції та розвитку  
Європейське співтовариство з атомної енергії  
Європейський Інвестиційний Банк

# BUDGET EXPENDITURES ANALYSIS AND OPTIMIZATION



MINISTRY OF  
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UKRAINE

## Spending Reviews of the State Budget

Defined organizational and methodological guidelines for spending reviews of the state budget Spending Reviews:

**3** – completed,  
**6** – on the final stage

**921** Assessment of draft laws performed  
(budget indicators impact)

## Verification and Monitoring of Social Benefits

**20,7**  
million UAH

Recommendations regarding revealed errors in various registers and databases provided

**12,9**  
million UAH

Recommendations for the government bodies that perform the social benefits payments prepared (2019)



The Law on Verification and Monitoring of Social Benefits is Adopted

# FINANCIAL CONTROL AND INTERNAL AUDIT



MINISTRY OF  
FINANCE OF  
UKRAINE

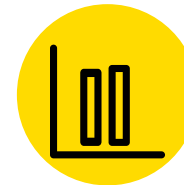
- ▶ The Financial Control Office is Created
- ▶ Guidelines for internal audit, and internal control system organization in the public sector is developed
- ▶ Introduced remote training for internal auditors
- ▶ Certification training program for internal auditors - **6 training events** for **130 Internal auditors**
- ▶ A Pilot project on the internal control in the Ministry of the Social Policy





## Approval of the Medium-Term Budget Declaration for 2021-23 and preparation of the State Budget 2021 on its basis

- ▶ **Budget indicators for the medium-term perspective** in accordance with the economic development forecasts
- ▶ **Align the goals of the public policies** of the key spending units of the state budget with the real capacity of the resource part of the budget with regard to the goal state budget deficit indicator



## Securing minimal deviation of the actual budget indicators

- ▶ **Monthly deviations analysis** of the actual budget implementation indicators comparing to the approved ones
- ▶ **Work with the Key Spending Units** of the state budget regarding speeding-up of the budget programs passports and public funds usage guidelines



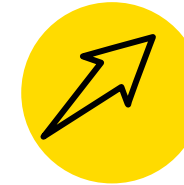
## Public Internal Financial Control System Development in 2020

- ▶ Pilot projects on the internal financial control in government institutions
- ▶ External quality assessments of the internal audits in the government institutions
- ▶ Development of an interactive portal on the public internal financial control



## Increasing Budget Expenditures Efficiency

- ▶ Perform spending reviews of no less than **20% of total expenditures** for improved budget spending efficiency



## Improvement of the Open Budget Index Rating of Ukraine to 25<sup>th</sup> position in 2024 assessment

- ▶ Analysis and improvement of the national budgetary documentations



# 6.2

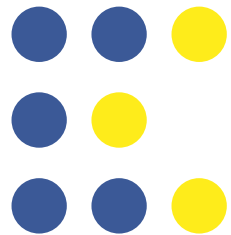
**TAXPAYERS HAVE A LOWER TAX  
BURDEN AND SIGNIFICANTLY  
DECREASE TIME REQUIRED FOR  
TAX ADMINISTRATION**



# EFFECTIVE INTERACTION OF THE TAX AUTHORITIES WITH TAXPAYERS



МІНІСТЕРСТВО  
ФІНАНСІВ  
УКРАЇНИ



**New Tax authority –  
Service provider –  
Single legal entity**



**Reducing taxpayer costs and time  
required for tax administration**

- ▶ single account for tax payments
- ▶ updated E-cabinet
- ▶ unification of reporting (SSC and PIT)
- ▶ developed cash register software – in test mode up to 1.04.2020

## The new STS started

**25**

main departments in the regions and the city of Kyiv, the Office of Large Taxpayers, the Information and Reference Department

**>1,8  
mln**

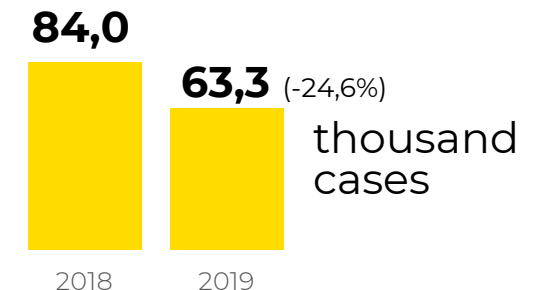
identified persons in the E-cabinet

**2 455**

individual tax clarifications provided to taxpayers

- ▶ Increasing number of pre-trial settlements of tax disputes

number of tax court cases



# TACKLING TAX AVOIDANCE



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ФІНАНСІВ  
УКРАЇНИ



The BEPS  
package has  
been adopted



Introduction of  
FATCA and CRS

## Deshadowing of the excisable goods market

2,7  
ths

licenses for the  
production and wholesale  
of spirits, alcoholic  
beverages, tobacco  
product and fuel

11,2  
ths

licenses for operations  
with fuel



Updated electronic  
administration system for  
the sale of fuel and ethanol

## Control over the production and circulation of spirits, alcoholic beverages, tobacco products, fuel



unified state register of  
flowmeters

50

are sealed at 25 spirit  
manufacturing plants

7314

actual inspections of business  
entities operating on the excisable  
goods market

161,9  
mln USD

amount of  
financial sanctions  
applied



## Tax reform

- ▶ diagnostics of the tax system and development of a proposal for its reform
- ▶ environmental tax revision
- ▶ implementation of the BEPS action plan
- ▶ improvement of taxation procedures for real estate (land)
- ▶ taxation of retained earnings of foreign companies (structures) at the level of their controlling persons (CFC rules)



## Effective use of transfer pricing control mechanisms

development and approval of modus operandi of the STS bodies to improve control over transfer pricing

# 6.3

**FAIR EXPORTERS, IMPORTS AND UKRAINIAN INDIVIDUALS BENEFITTING FROM TRANSPARENT, SIMPLE AND PREDICTABLE CUSTOMS CONTROL AND CLEARANCE PROCEDURES WHILE THEIR ECONOMIC INTERESTS AND EQUAL COMPETITIVE CONDITIONS ARE PROTECTED**

# EFFECTIVE INTERACTION BETWEEN CUSTOMS AUTHORITIES AND ENTITIES ENGAGED IN FOREIGN ECONOMIC ACTIVITY



МІНІСТЕРСТВО  
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УКРАЇНИ



State  
Customs Service  
of Ukraine

**New Customs authorities are  
customer-oriented services  
and Single Legal Entity**

from **26** to **16** Optimized  
number of  
Customs offices

**7** Scanners were  
launched

**15-48**  
Short number for  
applications

**1200** Applications  
were processed

## Online services

**Personal user account** at  
the Single public data portal  
«Single Window for  
International Trade»

**Customs Payments Calculator**  
for customs clearance of  
vehicles

# EFFECTIVE FIGHTING THE ABUSE OF CUSTOMS PROCEDURES BY THE STATE



МІНІСТЕРСТВО  
ФІНАНСІВ  
УКРАЇНИ



The adopted Laws of Ukraine on Intellectual property rights protection during movement of goods across the customs border of Ukraine



The adopted Law of Ukraine amending the Customs Code for implementation of Authorized economic operator programme (**AEO**)



Received and started adaptation of IT component required for launching NCTS in Ukraine



# PLANS



МІНІСТЕРСТВО  
ФІНАНСІВ  
УКРАЇНИ



Implementation of Single legal entity concept for the State Customs Service of Ukraine, Transparent Customs authority reboot



Launching AEO programme



Launching NCTS



Border crossing points infrastructure development



New electronic services introduction



# 6.4

**BUSINESS AND CITIZENS ARE  
GETTING ACCESS TO CHEAPER  
FINANCIAL RESOURCES**



# SMALL AND MEDIUM ENTERPRISES SUPPORT TOOLS



МІНІСТЕРСТВО  
ФІНАНСІВ  
УКРАЇНИ



**FinancEast program** (German-Ukrainian Fund) - SME financing in the controlled areas of Donetsk and Luhansk regions

6

investment projects were funded



5 projects in the  
Lugansk region

1 project in Donetsk  
region

14,8  
UAH  
million

total amount of  
funding

5.7.9

**Affordable  
Loans**

Affordable Loans Program  
**5-7-9%** (Entrepreneurship  
Development Fund) –  
interest rate compensation  
for SMEs



Start  
**February 3, 2020**

# UKRAINIAN STARTUP FUND



MINISTRY OF  
FINANCE OF  
UKRAINE

**390**  
million  
UAH

**Budget**

More than **1097 first time registrations**. Total number of grant applications received - **351**, number of evaluated applications by Experts – **158**, number of applications to be evaluated – **193**

**25 and 50** Grant amount  
thousands USD equivalent in UAH



**Goal**

Stimulate the development of new innovative ideas and companies



**Target recipients**

Micro, small enterprises, individual entrepreneurs

**12**

**First Pitch Day**

companies presented projects



According to the Competition Commission, the rating is led by **AeroDrone** startup – multifunctional aerial vehicle with high payload and long flight for various industry tasks

**Use of funds**

Initial prototype (incl. materials and components), business development, etc.



# EFFECTIVE MANAGEMENT OF STATE-OWNED BANKS

The Government of Ukraine approved Strategic directions for Joint-stock company "The State Export-Import Bank of Ukraine"'s activity in 2019-2023

**>30**  
**billion**  
**UAH**

state-owned banks' profit  
for the three quarters

The agreement between JSB "Ukrgasbank" and the International Finance Corporation (IFC) has been prepared for signing

**2**

times more than  
last year

The Supervisory Boards of JSC "Ukreximbank", JSC CB "Privatbank" and JSC "Oschadbank" were established and provided their functionality

**10,7**  
**billion**  
**UAH**

state-owned  
banks' profit  
in III quarter

**-1,6**  
**billion**  
**UAH**

loss for the  
same period  
in 2018

The criteria to select an external auditor for the state-owned banks have been determined

# COOPERATION WITH IFIS (1/2)



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**Attracted to the State Budget  
General Fund for the reforms  
implementation**

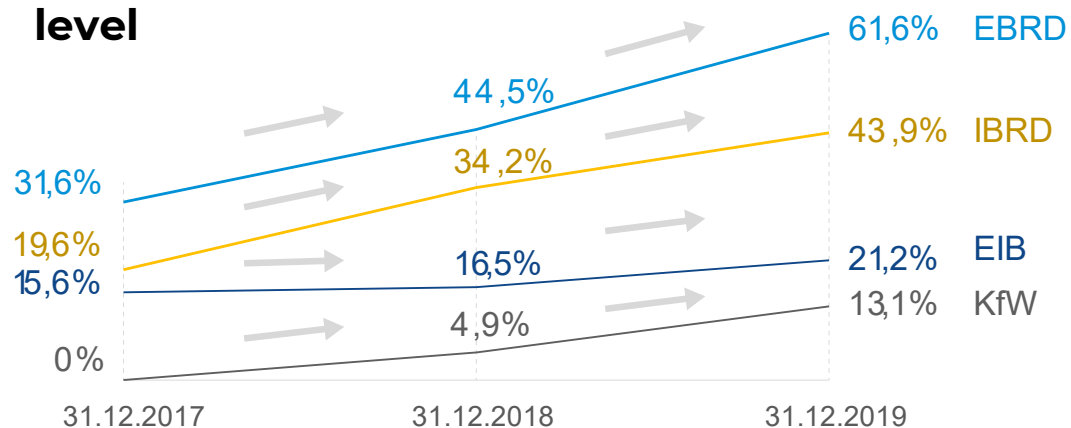
**\$20 million**

Minsoc's Project  
"Ukraine Social Safety  
Nets Modernization"

**\$24 million**

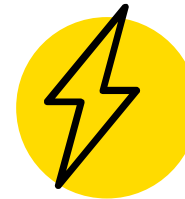
MOH's Project «Serving  
People, Improving  
Health»

**Current Projects implementation and  
increasing of Disbursement  
level**



**\$750 million**

IBRD Guaranteed for Government  
Policy Support of Economic Growth  
and Fiscal Service Sustainability



Implementation of NPC "Ukrenergo" Projects  
(New Model of Electricity Market of Ukraine)  
unblocked



Selection of participating banks procedure  
started within the framework of the EIB  
Project "Ukraine Agri-Food Apex Loan"



Ratification of international contracts with IFIs  
unlocked (Kharkiv Metro, Joint-Stock Company  
Ukrzaliznytsya, Mykolayivvodokanal, Roads  
Safety)

# COOPERATION WITH IFIs (2/2)



МІНІСТЕРСТВО  
ФІНАНСІВ  
УКРАЇНИ

- ▶ The legal framework for cooperation with IFIs improved
- ▶ The IFIs projects register launched
- ▶ Constructive dialogue between all stakeholders established (a working group chaired by the Minister of Finance and semi-annual reviews of the IFIs project portfolios)

≈ **1 115**  
million euro

EBRD annual  
investment  
amount

**Three EIB private investments  
agreed**

- ▶ Kernel Group
- ▶ JSC “KredoBank”
- ▶ “Epicentr K” LLC

## Contracts signed



**149**  
million  
euro

Guarantee agreement (“Transmission Network Modernization Project”) between Ukraine and EBRD (beneficiary - Ukrenergo NPC)



**450**  
million  
euro

Financial agreement (“European roads Ukraine III”) between Ukraine and EIB (beneficiary – “Ukravtodor”)



**\$200**  
million

“Accelerating Private investments in Agriculture Ukraine Program” between MoF and IBRD



## Ensuring the effective corporate governance in state-owned banks

- ▶ Drafting and signing memorandums of cooperation with state-owned banks' supervisory boards
- ▶ Identification of key performance indicators for state-owned banks
- ▶ implementation of the monitoring system of key performance indicators



## Implementation of the provisions of the Strategic Reform Principles of the State Banking Sector

- ▶ improvement of management models (renewal management teams)
- ▶ decreasing the volume of non-performing loans (NPLs)
- ▶ implementation of exit plans of the State from ownership of the banks



## SME lending support

- ▶ Implementation of state and international programs for development of micro, small and medium-sized businesses through partner banks
- ▶ Creation a single portal with information on all SME support programs

# PLANS (2/2)



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FINANCE OF  
UKRAINE

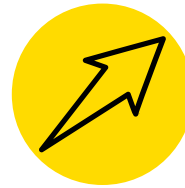
**New projects Initiation and preparation for the total amount**

**3 044,4**  
million  
euro  
and

**\$562,5**  
million

**\$500**  
million

Support of the Priority and Institutional Reform Program (DPL)



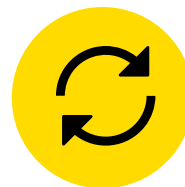
Disbursement level increasing for the current IFIs Projects



Monitoring strengthening of the implementation of IFIs projects by analyzing the achievement of performance indicators involving IFIs



Study of the possibility of using new financial instruments aimed at risks mitigation in the framework of IFIs projects



Improvement of the IFIs project cycle implementation



# 6.5

**DEBT SERVICING COSTS FOR  
TAXPAYERS ARE DECREASING**



# DEBT BURDEN REDUCTION



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FINANCE OF  
UKRAINE

**19**  
billion  
UAH

Efficient public debt management allowed to save state budget funds spent on public debt servicing

**7**  
billion  
UAH

Additional saving was achieved thanks to strengthening the hryvna exchange rate

2018  
**60.9%**



2019  
**51.2%\***

**State and State-Guaranteed Debt to GDP ratio**

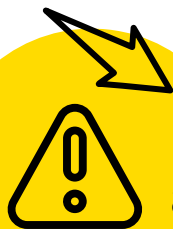
\* according to state budget estimates



# REDUCTION OF FX EXPOSURE OF STATE DEBT



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UKRAINE



Focus on the domestic market allows to reduce foreign currency exposure

from **33%**

to

**41%**

The share of state debt denominated in local currency increased

**≤51%**

**objective by 2025**



# DOMESTIC GOVERNMENT BONDS MARKET DEVELOPMENT



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UKRAINE

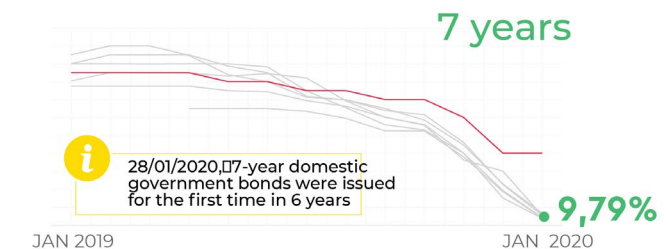
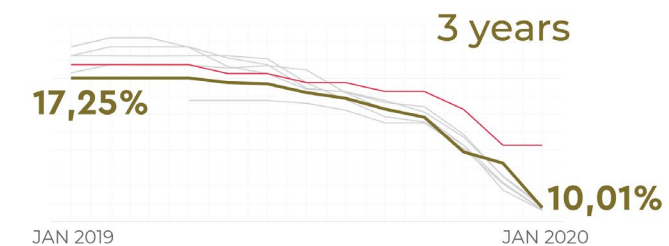
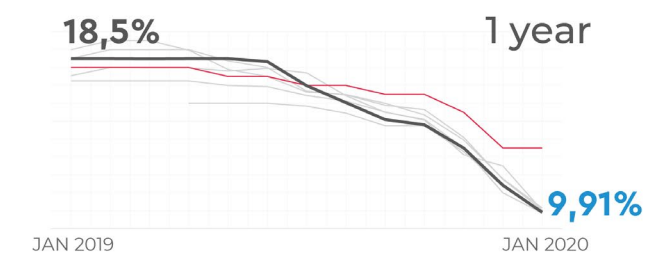
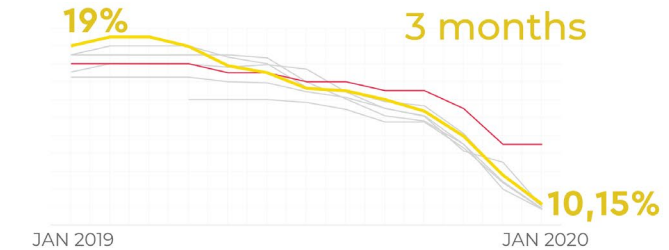
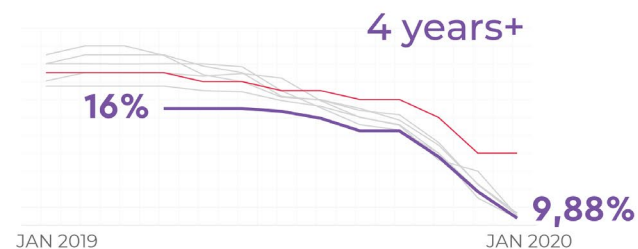
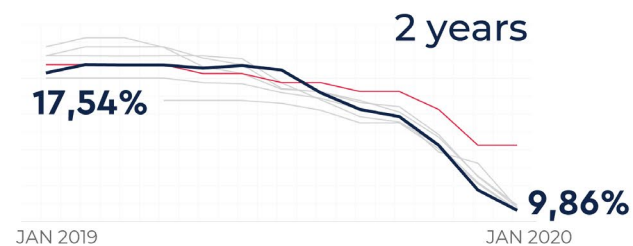
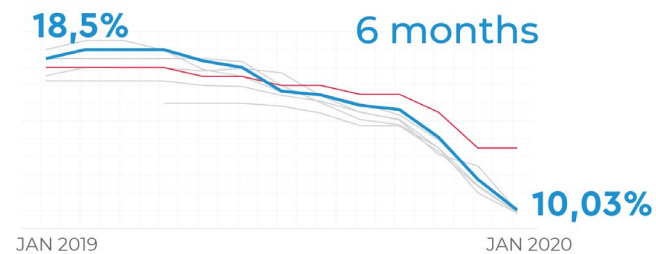
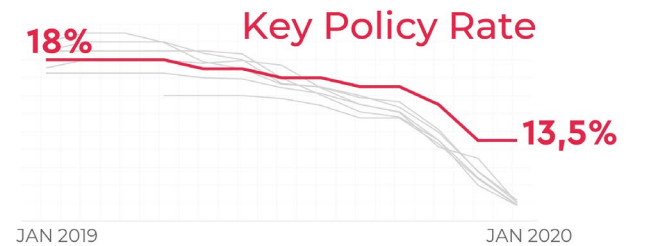
**2** times reduced government bonds interest rate and significantly increased maturity periods due to opening of the domestic market for non-residents

**3,7**  
billion  
UAH

at  
**9.79%**

for  
**7** years

Domestic government bonds  
auctions 28/01/2020



# IMPROVED COMMUNICATIONS WITH INVESTORS

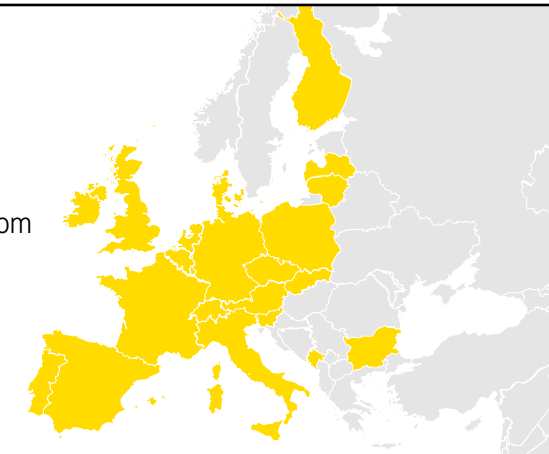


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UKRAINE



more trust from investors allows to get financing on the most favourable conditions in Ukrainian history

Andorra	France	Luxembourg	Slovenia
Austria	Germany	Monaco	Spain
Belgium	Ireland	Montenegro	Switzerland
Bulgaria	Italy	Netherlands	United Kingdom
Czech Republic	Latvia	Poland	
Denmark	Liechtenstein	Portugal	
Finland	Lithuania	Slovakia	



**200**

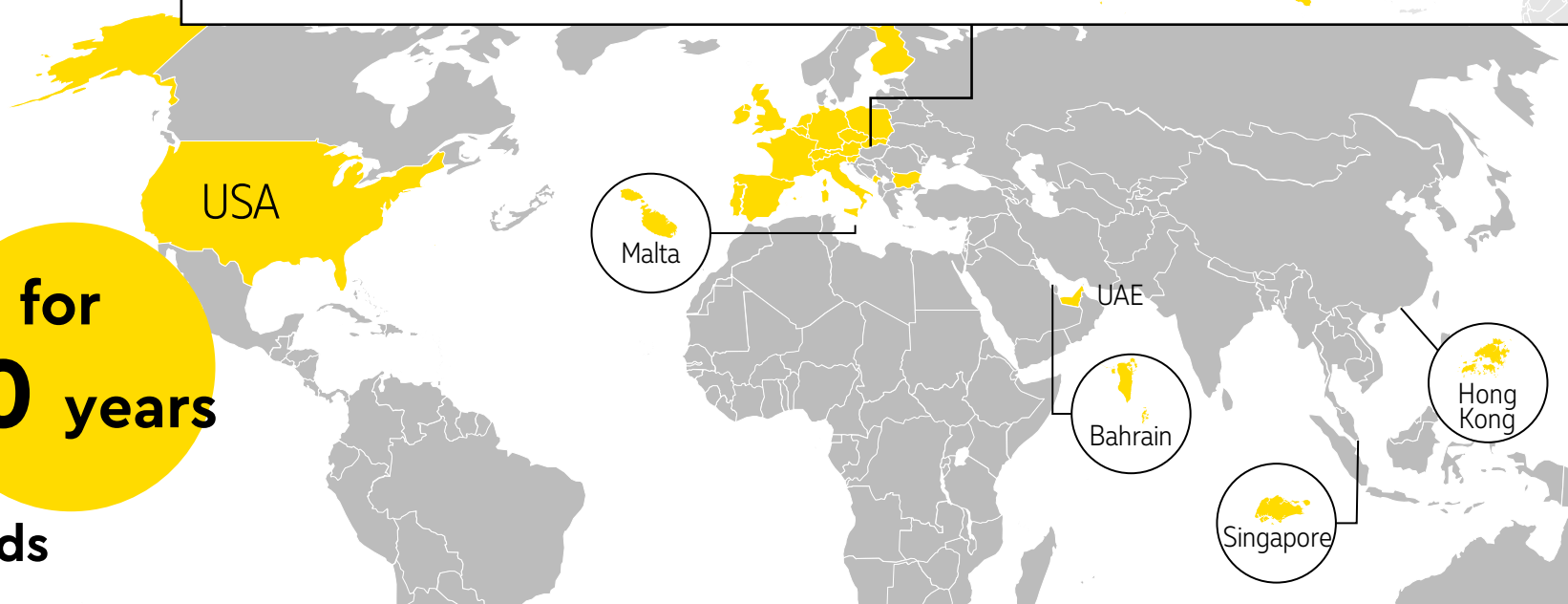
international investors from 31 countries

**1.25**  
billion  
Euro

at  
**4.375%**

for  
**10** years

the last issuance of EUR Eurobonds



# 6.6

**UKRAINIANS AND GOOD FAITH  
BUSINESS ARE PROTECTED FROM  
FINANCIAL FRAUD**



# MAXIMUM BUSINESS DESHADOWING (1/2)



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- ▶ Deoffshorization and a risk-based approach to preventing abuse
- ▶ The Verkhovna Rada approved the Law of Ukraine on measures to combat money laundering and terrorism financing
- ▶ Reform of the State Audit Service has started
- ▶ New body created – the Office of Financial Control



# MAXIMUM BUSINESS DESHADOWING (2/2)



МІНІСТЕРСТВО  
ФІНАНСІВ  
УКРАЇНИ

- ▶ Fiscalization of business operations, including extension of cash registers application
- ▶ Introduction of an electronic excise stamp and an automated system for controlling the circulation of tobacco products and alcoholic beverages
- ▶ Implementation of legislation on cashbacks for buyers who inform the regulatory authorities that a seller has not issued a fiscal check







## Improving the activity of the state financial control body

- ▶ preparation of the draft Law of Ukraine "On Amending the Law of Ukraine "About the basic principles of implementation of the state financial control in Ukraine" in order to review the functions and tools of the state financial control body
- ▶ improving the procedures for assessing the risks of activities of controlled institutions
- ▶ ensuring risk-based selection in an automated mode using the Information and analytical base of state financial control
- ▶ approval of the Regulation on the Office of Financial Control



# 9.2

**UKRAINIAN CONSUMERS  
AND UKRAINIAN BUSINESS  
PAY FAIR PRICE FOR  
QUALITY ENERGY GOODS**



# IMPLEMENTATION OF TRANSPARENT PRINCIPLES OF CORPORATE GOVERNANCE IN FUEL AND ENERGY SPHERE ENTERPRISES (1/2)



MINISTRY OF  
FINANCE OF  
UKRAINE



Due to separation from Naftogaz NJSC and timely European standards certification of the GTS Operator of Ukraine ensured the continuity of natural gas transit through the territory of Ukraine

is

billions of USD go to the economy of Ukraine

reduction of tariff burden on industrial and private consumers of Ukraine

**additionally** to GDP  
**2%** per year

to **\$12** bln. Improvement of current balance account (with the case of «zero transit»)

# IMPLEMENTATION OF TRANSPARENT PRINCIPLES OF CORPORATE GOVERNANCE IN FUEL AND ENERGY SPHERE ENTERPRISES (2/2)



MINISTRY OF  
FINANCE OF  
UKRAINE



SE NPC Ukrenergo corporatization completed. Created a basis for final certification as a Transmission System Operator (TSO) of Ukraine



the first step for integration of the Ukrainian electricity market into the European markets and creation of an independent Transmission System Operator (TSO) of Ukraine

competent and impartial control over the actions of NPC Ukrenergo management by the State



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UKRAINE