



Reforms in Ukraine 2016-2019: Irreversibility of Changes

Ukraine NOW

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Table of contents

Reforms in Ukraine
2016-2019:
Irreversibility of Changes

04	Medium-term Government priority action plan to 2020 is a roadmap for reforms and changes
----	---

08	Strategic goals and progress. Key achievements
----	---

14	Economic growth
----	-----------------

30	Effective governance
----	----------------------

42	Human capital development
----	---------------------------

56	Rule of law and fight against corruption
----	--

62	Security and defense
----	----------------------

70	Progress in european and euro atlantic integration
----	---

80	Donors support coordination
----	------------------------------------

84	Ukraine Now brand
----	--------------------------

86	Ukraine Reform Conferences
----	-----------------------------------

90	Reforms architecture
----	-----------------------------

94	Abbreviations
----	----------------------



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

04

MEDIUM-TERM GOVERNMENT PRIORITY
ACTION PLAN TO 2020 IS A ROADMAP
FOR REFORMS AND CHANGES

Medium-Term Government Priority Action Plan to 2020 is a Roadmap for Reforms and Changes

ABOUT THE PLAN

Ukraine continues a steady pace of implementation of deep structural reforms and by mid-2019, this activity has produced positive economic and social results. Early 2017 saw the Medium-Term Government Priority Action Plan to 2020, a document discussed among a wide range of experts, with public and

international partners. The Plan has become the first medium-term strategic plan of the Government in Ukraine. The Medium-Term Government Priority Action Plan defined the main objectives for the Government's activity for 2017-2020 and formed the basis for budget planning, the Government's annual operational planning, strategic planning at the ministerial level, donor assistance targeting and various other activities.

The introduction of the medium-term Budget Declaration as a strategic document of the Government aims to combine the strategic priorities of the state with the capabilities of the state budget. This approach will allow directing limited budget funds for priority reforms in the respective spheres of activity of central executive bodies.

Implementation of the Medium-Term Government Priority Action Plan to 2020 accelerates overall reform progress, enhances the capacity of responsible executive bodies, synchronizes and coordinates Government reform activities. In its annual priority action plans, the Government sets out specific actions, those responsible, deadlines and performance indicators in more details.

The principal framework used in drafting the Medium-Term Government Priority Action Plan to 2020 and Annual Priority Action Plans for 2017–2019 includes:

- Systemic approach (i.e. choosing priorities with greatest impact on the country's socio-economic development, drivers for change across other spheres of activity).
- Feasibility (i.e. setting viable objectives).
- Achievability (i.e. clearly framed implementation phases and resources).
- Simple and transparent evaluation of achievements (against clearly defined measurement criteria).
- Coordinated development (through inter-related reforms in progress and strategic policy documents).

The Government is focusing on improving citizen's lives and achieving the following five strategic objectives:

1. Economic growth.
2. Effective governance.
3. Human capital development.
4. Rule of law and fight against corruption.
5. Security and defense.

PURPOSES OF THE MEDIUM-TERM ACTION PLAN:

Identification and adoption of key objectives and priorities for the Government for 2017–2020

- Policy coherence.
- Strategic view.
- Long-term planning.

Foundation for medium-term budgeting and planning of ministries' activities

- Medium-term Budget Declaration.
- Annual budgets.
- Evaluation of the effectiveness of budget programs.
- Cost review results.

Coordination of resources and donor support

- Priorities.
- Assistance.
- Commitments.

STRATEGIC GOALS AND KEY ACTIONS



Economic Growth

Maintaining macroeconomic stability, agriculture sector reform, privatization, deregulation, energy reform, tax and customs reform, increasing exports and attracting investment.



Human Capital Development

Development of people through better education, healthcare, social security and culture.



Anti-corruption and Rule of Law

Effective anti-corruption policies and institutions, protection of property rights, equal access to justice.



Effective Governance

Public administration reform, public finance management reform, decentralization, e-governance.



Defense and Security

Protection of sovereignty and territorial integrity, securing a safe environment for citizens.

IMPLEMENTATION

- Execution through annual Action Plans of the Government.
- Action Plan for 2019 includes 558 detailed actions (583 in 2018).
- Daily monitoring of the Plan is performed online by the Secretariat of the Cabinet of Ministers of Ukraine and the Reforms Delivery Office.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

06

MEDIUM-TERM GOVERNMENT PRIORITY
ACTION PLAN TO 2020 IS A ROADMAP
FOR REFORMS AND CHANGES

MEDIUM-TERM BUDGET PLANNING

In December 2018, the Parliament adopted comprehensive amendments to the Budget Code of Ukraine and some other legislative acts on the implementation of medium-term budget planning, which will allow to implement systemic reforms and increase the level of responsibility of budget spending units for their efficiency.

Instead of one-year Budget Policy Guidelines, a three-year Budget Declaration was introduced as a medium-term budgetary planning document. A new medium-term budget planning tool at the local level is a three-year local budget forecast.

The starting point for the development of the Budget Declaration are the forecasting and program documents of economic and social development, including sectoral strategies and medium-term plans for the activity of the main spending units.

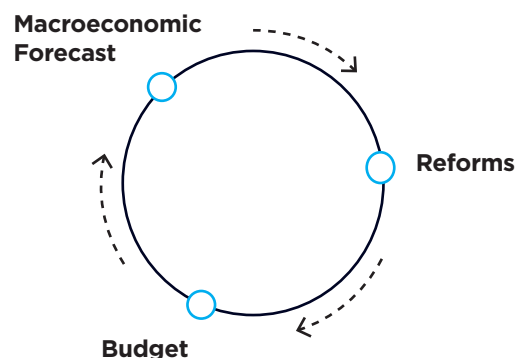
Budgetary policy frameworks and state budget indicators for the medium term, defined by the Budget Declaration, are the basis for drafting the State Budget of Ukraine and medium-term forecasts of local budgets.

Expected results of this approach

- Ensuring the allocation of resources in accordance with the identified state priorities.
- Strengthening budgetary discipline through the introduction of expenditure ceilings and lending.
- Strengthening of control over fiscal risks and implementation of measures for their minimization.
- Increasing the role and responsibility of the main spending units in determining the priorities of their activities and the effective use of such funds to achieve them.
- Conducting cost-effectiveness analysis and changing approaches to their implementation by moving from maintenance of institutions to quality public service delivery.
- Budget policy consistency.
- Increase of trust from the society and potential investors.

The new legislation also implements new budget rules. For instance, the public debt and the Government-backed debt can't exceed 60% of GDP, the state budget deficit shall not exceed 3% of the GDP. Government financial guarantees shall not exceed 3% of the revenues of the general fund of the state budget. The maximum state budget deficit in the law on the state budget for the respective year shall not exceed the deficit stipulated in the budget declaration.

ALIGNMENT OF BUDGET PLANNING AND THE MEDIUM-TERM PRIORITY ACTION PLAN

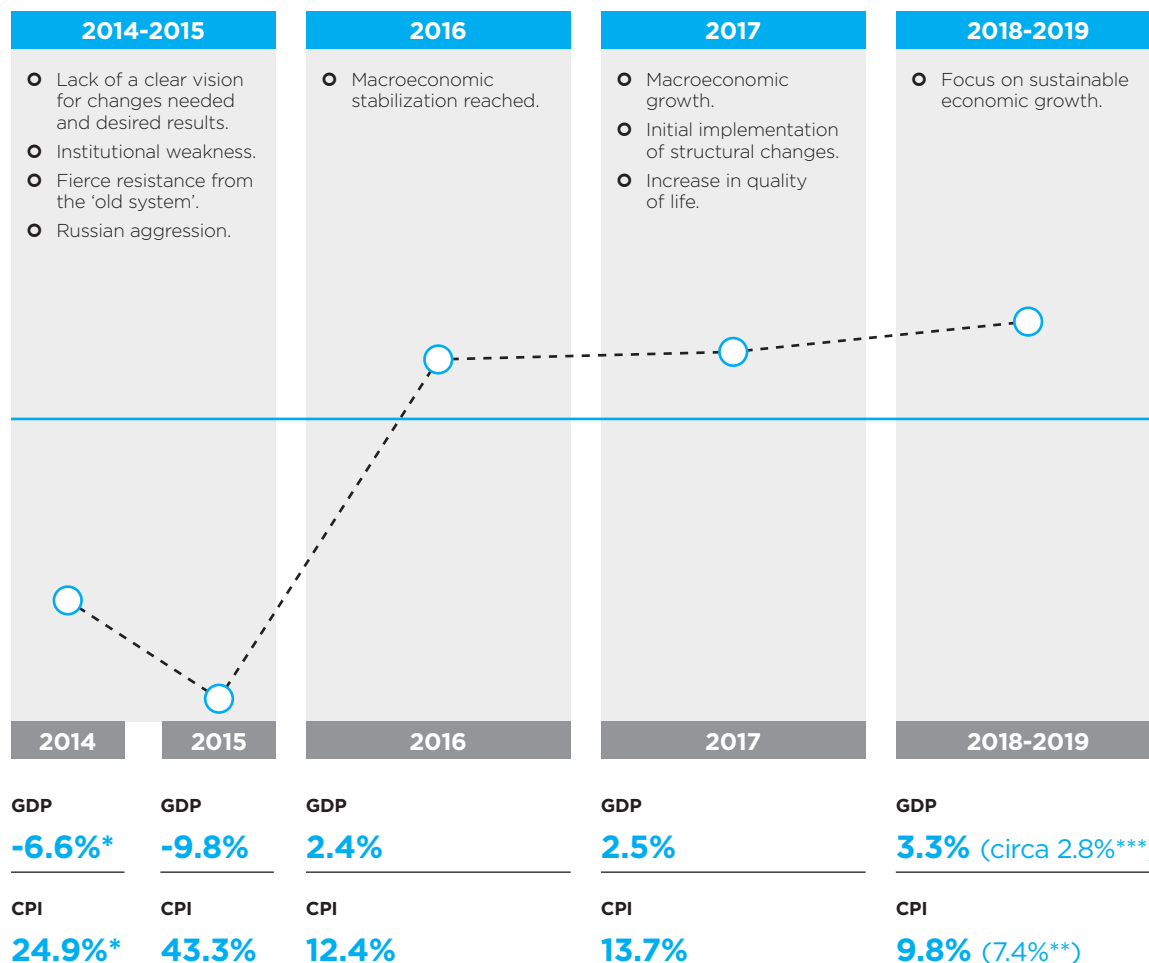


FOCUS ON ECONOMIC GROWTH

From 2014–2016, Ukraine navigated the challenging road of macroeconomic stabilization and transformation. During these years, the country also developed a clear vision for change and deliverables, and grew in institutional strength to execute on its vision.

From 2016 to 2018, real GDP of Ukraine gained an aggregate increase of 8.4%, showing that Ukraine has entered a phase of economic growth. According to the Cabinet of Ministers, the estimated forecast of economic growth for 2020 is up to +3.6% and Ukraine has a good chance of achieving +3% GDP growth in 2019 as expected by the Government; this growth is the key goal of the Government and the major economic target for the coming years. The main drivers of economic growth will be the revival of Ukraine's industrial sector and development of innovative industries.

DESPITE TREMENDOUS CHALLENGES, STABILIZATION WAS REACHED AND ECONOMIC GROWTH BEGAN



* Change for a year

** As of year-end

*** Expected for 2019



Strategic goals. Key achievements

Reforms in Ukraine
2016-2019:
Irreversibility of Changes

Economic growth

Dynamic, sustainable and inclusive growth based on structural modernization of the economy, improvement of business conditions and public sector efficiency is of paramount importance for the future of Ukraine. For the last three years Ukraine demonstrated visible progress in creation of better conditions for investing and doing business in the country, as well as in the efficient utilization of limited resources.



Business Climate Improvement

- Targeted Government efforts resulted in +12 positions increase for Ukraine in Doing Business Ranking.
- The electronic procurement system in Ukraine “ProZorro” was recognized as the best practice in the whole world.
- In 2018, Ukraine ranked 83rd out of 140 countries in the Global Competitiveness Report.
- In 2019, Ukraine ranks 47th among 129 economies in The Global Innovation Index (GII).



Infrastructure Reform

- Ukrainian air transport market has been growing +25–30% annually for the past three years. Passenger flow of Ukrainian airports exceeded 20 mln people in 2018.
- From 2016 to 2018, 5,444.6 km of public and local public roads were repaired. In 2018, UAH 23.8 billion has been earmarked for repair of 2,339.4 km of public and local highways.



Energy Sector Reform

- Four years as Ukraine doesn't purchase natural gas from the Russian Federation, while importing fuel from the EU countries in reverse.
- Gas market was introduced. Electricity market is starting on July 1, 2019.



Privatization and State-Owned Enterprises Reform

- “Small” privatization was successfully launched, the state was able to successfully sell assets at transparent electronic auctions for more than UAH 1 bn.



Tax and Customs Reform

- SFS reform initiated by dividing into The State Tax Service and the State Customs Service.
- Introduction of automatic and transparent VAT refunds.
- Introduction of a “single window” approach at the customs.
- Introduction of a Single Treasury Account for prepayment of customs payments.



Agriculture Sector Reform

- State support of agricultural producers amounts at least 1% of the total annual agricultural output in Ukraine.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

10

STRATEGIC GOALS
AND PROGRESS.
KEY ACHIEVEMENTS

Effective governance

Effective governance is a crucial prerequisite for the successful competitive State, working in the interests of citizens and securing their welfare and safety. With strong intention and commitment to reset and revamp the obsolete post-soviet administration and strengthen capacity of public institutions, the Government is implementing a comprehensive public administration, e-governance, decentralization and public finance management reforms in accordance with the European principles of good governance.



Public Administration Reform

- Comprehensive Government strategic planning architecture established with 3-years budget planning, strategic directorates in ministries and online monitoring system.
- Openness of civil service increased with the modern online vacancies portal – career.gov.ua – with 30,000 candidates applied resulting in an average 25 candidates per vacancy. The Government has become a more competitive employer attracting best talents to work in ministries.



E-Governance

- The quality of public services increased with around 120 e-services for citizens and businesses introduced and 778 Centers for Administrative Services operating across all regions of Ukraine.
- Ukraine ranks the second by rate of opening public data, as per Open Data Barometer Report, with 11,000 open data sets available on data.gov.ua portal.



Decentralization

- 899 amalgamated territorial communities were established till May 2019 uniting 4,187 communities and 9.1 million people.
- Between 2016 and 2019 own revenues of local communities grew by almost 121 billion hryvnas.

Human capital development

The qualitative development of human capital is the basis of the growth of the national economy and strengthening of Ukraine's competitive position in the world. Human Capital development aims to improve the quality of life and education, and to increase the productivity of labour. The Government is set on a course of fundamental social and humanitarian reforms with a long-term implementation time frame. The first successfully reached goals provided a foundation for a sustainable implementation of the reforms.



Healthcare Reform

- Over 28 million Ukrainians signed service agreements with primary care physicians of their own choice.
- The salaries of doctors and nurses in autonomised healthcare facilities grew up to 2-3 times.
- Purchasing medicines through international organizations since 2015 resulted in up +39% savings of the allocated funds.



Education Reform

- 461.3 thousand first-grade pupils who started school on 1 September 2018 benefited from the adoption of the “New Ukrainian School” standard.
- The share of the state order in higher education grew up to +84.5%.



Pension and Social Support Reform

- On 1 March 2019 pension benefits underwent the first-ever annual indexing to consumer prices resulting in an increase to +8.9 million hryvnas.
- Beginning 1 January 2019 the Government started monetisation of subsidies offered to reduce the burden of utility bills for 3.5 million households.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

12

STRATEGIC GOALS
AND PROGRESS.
KEY ACHIEVEMENTS

Rule of law and fight against corruption

The rule of law is critical to sustainable economic and social development. The rule of law is a multifaceted concept covering many areas: from personal safety and property rights to the fight against corruption. Effective prevention and fighting corruption involve the enforcement of legislation and effective, coordinated and transparent operation of anti-corruption institutions.

The overall aim of anti-corruption reform is to stop practices that lead to or facilitate corruption, punish those who are found guilty of corruption, rebuild trust and confidence, and finally, reduce the impact of corruption on the state budget and the economic climate in the country.



Preventing and combating corruption

- New anti-corruption institutions were created in Ukraine, including the National Anticorruption bureau of Ukraine, the Specialized Anticorruption Prosecutor's office, State Investigation Bureau, the National Agency for Corruption Prevention, and the National Agency of Ukraine for finding, tracing and management of assets derived from corruption and other crimes. In June 2018 Ukraine's Parliament adopted the Law on High Anti-Corruption Court. The start of the Court's operations is expected in September 2019.
- The electronic asset declaration system was launched enabling citizens to inspect public officials' earnings and assets online and help the authorities to expose corruption.



Justice sector reforms

- An innovative approach to private enforcement officers was introduced into the system of enforcement of court decisions.
- A legal aid system and a network of 535 access points to legal aid have been set up in Ukraine and effective cooperation with other legal aid institutions has been established.

Security and defense

The Government continues to reinforce the country's potential of countering various forms of external aggression. In addition to that, the Government is tasked with adequate response to any and all challenges by minimising risks for citizens' life and property - in particular, by implementing measures aimed at infringement of their rights, preventing crime and adequate response to emergencies, maintaining the safety of public space and road traffic.



Defence Reform

- The Government has been introducing democratic public control over the armed forces. The civil command of the Ministry of Defence of Ukraine was appointed. The Joint Operational Headquarters, the Special Operations Forces, and the Air Assault Forces were formed within the Armed Forces of Ukraine.
- The Armed Forces of Ukraine receive modern weapons and military equipment. The Government launched production of missiles and ammunition at national manufacturing facilities.



Homeland Security Reform

- The reformed patrol police operates in 38 localities, as well as on roads of national and international importance with a total length exceeding 6,4 thousand km. 43 patrol police stations were created.



14

ECONOMIC GROWTH

Economic growth

Dynamic, sustainable and inclusive growth based on structural modernization of the economy, improvement of business conditions and public sector efficiency is of great importance for the future of Ukraine. The formation of a modern and robust economy is a prerequisite for creating new jobs and raising citizens' well-being and, accordingly, for improving the quality of life of every Ukrainian.

The key to economic growth is the creation of equal, transparent and predictable business rules, the inclusion of Ukraine in regional and global value-added chains, creating the conditions for the development of high-tech industries, attracting more investments into the country and developing the export potential of Ukrainian producers.

KEY PRIORITIES

- Provision of favorable conditions for business development and conduct to achieve a higher rate of economic growth and integration to the EU market.
- Creation of auspicious taxation conditions, optimal regulation, support of fair competition and small and medium entrepreneurship development, activation of privatization processes and amendment of state-owned entities governance system, reform of public procurement, and expanding of foreign economic relations.
- Increase of investment activity and improvement of the investment climate to create production capacity in the domestic economy.
- Inclusive economic growth, envisaging the benefits of enriching the country for each citizen and, accordingly, reducing social inequality and tension in the society.
- Creating the conditions for intensifying the involvement of businesses in the implementation of large-scale public-private partnership projects.

These priorities will strengthen the national budget, provide conditions for modernization of industry, enable Ukraine to become a part of regional and global added value chains, encourage investment into Ukrainian economy and ensure creation of new jobs. All these elements combined will introduce new opportunities for the Ukrainian people and will have a positive effect on the quality of life of each Ukrainian.

Business Climate Improvement

The level of entrepreneurial activity is robustly associated with an increase in economic growth, production efficiency, GDP structure and quality, employment rate, social policies, and national competitiveness on the global arena.

Clear and transparent rules of market play, fair and predictable behavior of regulatory bodies, absence of regulatory barriers is crucial to full-scale development of entrepreneurship in the country and attraction of investments. These are the conditions that should be created by the initiatives in the sphere of business climate.

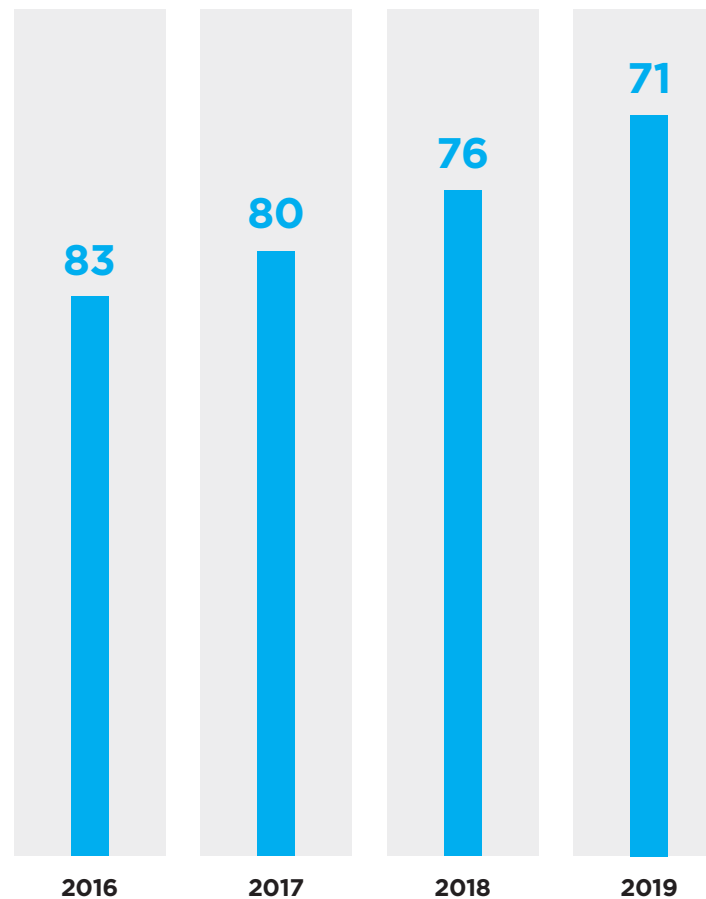
To encourage new enterprises to enter the Ukrainian market and to enable existing ones to focus on development rather than on continuous problem-solving, the Government of Ukraine has launched a number of reforms united by the single key goal of making Ukraine a more attractive place for doing business.

MAIN TASKS

- Removal or minimization of administrative barriers for doing business.
- Creation of effective regulation and provision of a systematic review of the acting regulation.
- Better access of SMEs to loans.
- Continuation of economic euro integration, fostering of internationalization of SMEs.

ACHIEVEMENTS →

Increase by 12 positions in Doing Business Ranking



Source: World Bank

Key factors behind improvement of business-climate (Doing Business):

- Deregulation of procedures of permitting in construction.
- Improvement of protection of minority shareholders.
- Better regulation of external trade.
- Improved enforcing contracts.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

16

ECONOMIC
GROWTH

→ **ACHIEVEMENTS**

Better regulation

- More than 800 regulatory acts were reviewed or canceled for the better doing business during three years of the reform.
- Concept of Reform of the Institute of Self-Regulation in Ukraine was adopted. It provides an opportunity for entities of economic and professional activities to execute self-regulation and creates the legal basis for delegation to self-regulatory organizations some of the functions that are currently performed by the state.
- The Cabinet of Ministers of Ukraine approved the decree “On Adoption of the Small and Medium Entities Development Strategy 2020” and adopted the Action Plan for the Strategy. The Strategy determines 6 key branches for further improvement: creation of favorable business-climate for SMEs’ development, ease of access to funding, simplification of taxes administration, popularization of entrepreneurship, promotion of export, increase of competitiveness and innovativeness of SMEs.
- The Complex Resolution of the Cabinet of Ministers of Ukraine on the improvement of Ukraine performance in the Doing Business ranking. The Resolution has simplified the process of bringing the statutes of existing LLCs in compliance with the Law “On Limited Liability Companies”, allowed the banking institutions to receive information from the state registers about persons applying for loans. As a result, the novels, provided by the Resolution, will increase the country’s performance in Doing Business 2020 ranking.

Greater cooperation between state authorities and business communities, leading public organizations.

As a result of the collaboration, the Government provided a new approach to systematic review of regulations, which were creating numerous barriers for businesses. Nowadays the Government conducts special meetings on deregulation quarterly.

The new risk-based approach to state supervision.

Starting from 2019, frequency and information on state inspections of legal entities in Ukraine is based on the level of risk, connected with a legal entity and its production processes. Information about scheduled inspections, their dates and duration, as well as results are available at the special web-resource <https://inspections.gov.ua/>

Technical regulation and standardization.

The process of harmonization of the national legislative base in the field of technical regulation with international and European ones in order to create conditions for expansion the presence of domestic producers in the world markets: Ukraine gained full membership in the Metric Convention; technical regulations in the three priority sectors of Ukrainian industry were amended. By the end of 2018 Ukraine adopted 5105 national standards, and the level of harmonization with European standards reached 64%.

Public Procurement.

For the purpose of electronic procurement, a unique electronic procurement system “ProZorro” was created, which includes the web-portal of the Authorized Procurement Body (database and module of the electronic auction) and authorized electronic platforms. Today, electronic procurement system ProZorro is one of the leading and most advanced electronic procurement systems in the world, which enables transparent procurement by disclosing all procurement information and significantly reducing corruption risks during procurement procedures. As of 3Q 2019 2.97 million purchases with a total value of 1.71 trillion UAH were successfully conducted, in which more than 234.8 thousand participants took part .

The Government has successfully implemented a pilot project on the organization of the activity of a centralized purchasing organization and, as a result, developed a legislative act regulating the peculiarities of the creation and activity of centralized purchasing organizations.

The average annual growth rate of exports of goods and services in 2016-2018 was 7.6%.

Development of state institutions on systemic support to the business.

- Export Promotion Office. The strategic goal of the institution is to help Ukrainian business to become successful in foreign markets.
- UkraineInvest. The institution was created to attract and support investments in Ukraine. The institution provides investors with objective, real-world information, and advice about doing business in the country.
- Small and Medium Enterprise Development Office. Advisory body to the Ministry of Economic Development and Trade of Ukraine. The mission of the Office is to develop an SME support system by improving access to information, financing, infrastructure development and promoting the culture of entrepreneurship in Ukraine.

Ukraine took part in Europe's programme for small and medium-sized enterprises (COSME) (2014-2020).

The Ukrainian small and medium-sized business has been granted access to the Enterprise Europe Network, which enables the presentation of goods and services at international markets in 65 countries. With the help of the European Enterprise Network, over 45 international contracts have been concluded between Ukrainian and foreign enterprises since 2017. Participation

in EU grant competitions with an average annual budget of EUR 100 million has become available for Ukrainian business associations, NGOs, public authorities and businesses.

For the business and other organizations specialized web sites of the European Commission on business development has become available:

- EU Trade Helpdesk: for exporters – information regarding customs duties, taxes, and certification in specific EU countries.
- European Business Portal: for businesses - information regarding EU support programmes.
- European Cluster Collaboration Platform: for clusters - access to the EU database which provides opportunities for collaboration with clusters in the EU and worldwide.
- Erasmus for Young Entrepreneurship: for young entrepreneurs – access to information regarding work practice jobs at EU enterprises.
- Gateway for women's entrepreneurship: for women entrepreneurs opportunities for finding mentors and collaborating with women entrepreneurs from the EU.

Further plans

- MEDT will continue deregulation in a number of sectors. Those of top priority include freight transportation, subsoil use, construction, agriculture and food, fiscal policy, foreign economic activities, energy, information technology, and telecommunications.
- The continued effort to improve Ukraine's Doing Business ranking. For example, MEDT will coordinate central Government agencies to ensure fulfillment of the tasks defined in the Action Plan on Implementing Best Practices of Effective Regulation.
- Adopt 3,000 more national standards by the end of 2019.
- In 2019, the practice of using uniform acts should be introduced - a list of specific requirements for each type of business required for inspection.
- A fully-fledged Integrated Automated State Control System (IAS) should be launched.
- Continue systematic work within the framework of public procurement reform.
- Adoption of the Law of Ukraine “On Concessions” and improvement of by-laws.



18

ECONOMIC
GROWTH

Privatization and State-Owned Enterprises Reform

The state is the largest asset holder in Ukraine, and the reform in privatization and SOEs has been long awaited.

Almost 3,500 state-owned enterprises have been registered. 40% of these enterprises are inactive and operate only on paper, every third enterprise makes a loss and is a potential source of fiscal risks. SOE operations are a source of corruption risks and losses for the state because of poor control mechanisms and inadequate transparency.

The reform's primary objective is to ensure that assets are effectively managed for the benefit of Ukrainians as their main stakeholder. The Government must act as a professional and responsible owner of enterprises and concentrate on adding value to the assets.

The ultimate goal of the reform is to sell state-owned enterprises to private investors, with the exception

of those enterprises deemed as having strategic importance to the country. Strategic assets will be restructured to implement corporate governance rules that are OECD compliant for companies operating in the public sector.

MAIN TASKS

- Strengthening transparency and oversight in public sector.
- Ensuring the quality of reporting by SOEs.
- Improving efficiency of SOEs through implementing of corporate governance.
- Minimizing the amount of SOEs and liquidation of non-operated SOEs.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

ACHIEVEMENTS

- At the beginning of 2018 the Verkhovna Rada of Ukraine passed the draft law on privatisation which helped to re-launch the process of selling state assets. The new law distinguishes two levels of privatisation differing in regulations and approaches: the “small-sized” privatisation and the “large-sized” privatisation.
- The new regulations for the “small-sized” privatisation helped the Government to sell of 1 billion hryvnas worth of assets at transparent electronic auctions.
- At the beginning of 2016 the Verkhovna Rada passed amendments to the Law of Ukraine “On the Management of State-Owned Property” providing the legal foundations for establishing independent and professional supervisory boards at state-owned enterprises. The first supervisory boards were established at “Naftogaz of Ukraine” and “Main Gas Pipelines of Ukraine”.
- The reform of the nominations committee with the supervisory board for state-owned enterprises was welcomed by the IMF, the EBRD and the IFC. The decision-making process with regards to nominating candidates was escalated to the Government level, and leading managerial recruitment companies were involved in the assessment process.
- The reformed Nominations Committee set up four supervisory boards for four state-owned companies: Ukrzaliznytsia, Ukrenergo, Ukrposhta, Ukrainian Sea Ports Authority, and Boryspil international airport. The Committee is preparing to commence the formation of the Ukrhydroenergo supervisory board.
- The supervisory boards began to exercise their statutory powers to appoint CEOs of state-owned enterprises. The appointment of the CEO of Ukrzaliznytsia was the first case of the boards applying the newly bestowed powers.

To improve the performance of state-owned enterprises the Government approved the ownership policy framework for state-owned enterprises based on OECD Guidelines on Corporate Governance of SOEs. Ownership policies were approved for 15 state-owned enterprises.



20

ECONOMIC
GROWTH

Infrastructure Reform

It is important to reform Ukraine's transport infrastructure given its economic and geographic position on a strategic junction of transport routes between Europe and Asia and between the Baltic/Nordic countries and the Black Sea. Infrastructure is also critical for Ukraine's domestic development because it needs an effective, efficient, and extensive transport network among all of its regions. Infrastructure plays a vital role for successful development of the country's economy.

The Ukrainian transport sector needs significant modernization, better effectiveness and competitiveness, and adaptation to European standards.

The reform is ultimately aiming to create an effective transport system in Ukraine, meet people's need for safe and affordable transportation, improve conditions for doing business in the sector, provide for the full integration of the Ukrainian transport network into the Trans-European Transport Network.

MAIN TASKS

- Improvement of management, modernization of infrastructure, increase its safety and harmonization with EU standards.
- Deregulation and liberalization of transport markets.
- Accelerate passenger and freight delivery by using high-speed transport and improving logistics
- Engage strategic investors and partners in the development of public-private partnerships.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

ACHIEVEMENTS

- The Government has approved the National Transport Strategy of Ukraine (Drive Ukraine 2030). Its implementation should help Ukraine to turn into a developed, high-technology, and innovative country by developing its transport and infrastructure and using advanced technologies.
- The air transport market has been liberalized and leading global airlines have been attracted, including Ryanair, Europe's largest low-cost airline. The Ukrainian air transport market has been growing 25–30% annually for the past three years in a row.
- A number of large national projects have been carried out on the rail infrastructure. Beskydy Tunnel has been completed and commissioned, substantially increasing the throughput of Pan-European International Transport Corridor No. 5 and shortening rail travel time between Ukraine and the EU. Kyiv Boryspil Express, a rail link between Kyiv and Boryspil International Airport, has also been completed and commissioned.
- In 2018, for the first time in 25 years, 3.4 thousand freight cars were purchased and manufactured by UZ, 118 passenger cars upgraded, and 115 locomotives fitted out. In addition, 15 modern locomotives were delivered and 15 more arrived in early 2019 under a contract with General Electric (USA). It is for the first time in 10 years that the Ukrainian Railways got new locomotives.
- A number of large-scale national projects were carried out in the field of road management. The State Road Fund started operating. UAH 23.8 billion in 2018 were allocated to repairing of the State and local highways, and 2 539.4 km of roads have been repaired. As of 2016, 5,444.6 km of public and local public roads have been repaired. The length of repaired and constructed public and local highways is the highest in the last 14 years due to increased public investment.
- The GO Highway project, a major international infrastructure project designed to connect the ports of the Black and Baltic Seas and become part of the Trans-European Transport Network, has commenced. The key stage is scheduled for 2019 and the project at the Lviv-Uman section is expected to be completed in 2020.
- Port charges were reduced by 20% with effect from January 1, 2018, offering a positive multiplier effect of making logistics cheaper, increasing freight transshipment at Ukrainian ports, and improving their competitiveness.
- The State Service of Maritime and River Transport of Ukraine (the Maritime Administration) has been created and started functioning. MarAd's main objective is to implement public policy in the area of maritime and river transport safety.
- 39 Ukrainian infrastructure projects covered by Drive Ukraine 2030 were included in the Indicative Investment Action Plan for the Trans-European Transport Network (TEN-T). The Plan was drafted by the European Commission and World Bank to develop the transport link in the Eastern Partnership countries.
- 40% of rural post offices of JSC UkrPoshta are computerized.

FURTHER PLANS

- Funding 55 billion UAH towards road renovation in 2019.
- Continuing action to improve traffic safety, including implementation of the 500-500-1000 Program (the Government program for construction of 500 road rings, 500 refuge islands, and 1,000 pedestrian crossings) as part of development of the road system.
- Carrying out a pilot project of construction of weigh-in-motion sites.
- Continuing the implementation of pilot projects for concession of state stevedoring companies, conducting tenders and awarding the first concession contracts for Olvia and Kherson ports, drafting a concept memo and a feasibility study for the concession of Yuzhnyi port.
- Corporatization of SOE Ukrainian Sea Ports Authority — the strategic and largest enterprise in the maritime sector.
- Drafting the Methodology for calculation of port fees rates and the Procedure for Compensation of Investment in Strategic Facilities of Port Infrastructure.
- Increasing the percentage of regional airports in overall air transport figures by expanding the presence of low-cost airlines in Ukraine.
- Developing an international multimodal transport hub on the basis of Bila Tserkva Airport by opening an international checkpoint at the Airport and starting international air freight transportation.
- Launching Terminal F at Boryspil Airport and commencing construction of a bus station.
- Computerizing rural offices of PJSC Ukrposhta (40% offices to be computerized by end of the year).



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

22

ECONOMIC
GROWTH

Agriculture sector reform

Agriculture is crucial for the country's economy and food security. Today it contributes 12% to GDP and about 40% foreign currencies from exports. With this in mind, the Government needs to support an effective operation of this sector. It is small and medium-sized businesses in the rural areas that have the largest potential for development.

Today there are about 33,000 farms in Ukraine, which accounts for more than 70% of all economically active agricultural enterprises.

The key task of the reform - to unleash the potential of Ukrainian agriculture market players.

MAIN TASKS

- Improve performance and competitiveness of farms.
- Expand export geography for agriculture products.
- Promotion of farming to create the rural middle class, develop rural areas, and improvement of the welfare of country dwellers.

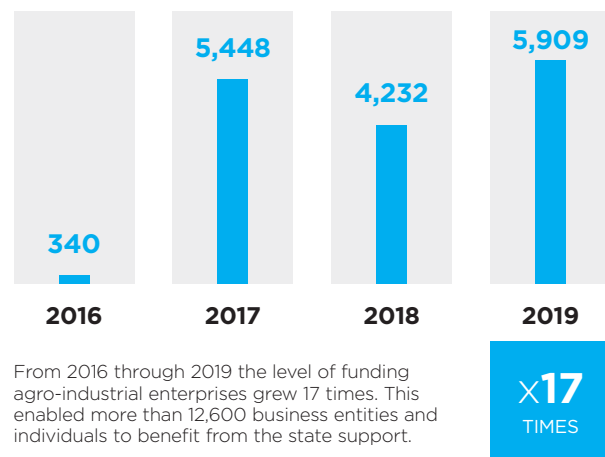
ACHIEVEMENTS

- The Government has approved the Concept of Development of Farms and Agricultural Co-operation in 2018-2020. It is designed exclusively to support farms with an area of up to 100

hectares. This document was drafted by the Ministry of Agrarian Policy and Food in close cooperation with the Association of Farmers and Private Landowners — Ukraine's largest professional union of farmers.

- The Government offered extended opportunities and access to financial support tools – in particular, partial compensation of the purchased agricultural machinery and equipment made in Ukraine; seeds of agricultural plants grown in Ukraine; expenses specific to advisory services in agriculture; reducing loan costs; budgetary subsidies per unit of cultivated agricultural land (1 hectare).
- Each year the Government support of agricultural producers accounts for at least 1% of the agricultural production.
- Access to the information contained in the State Land Cadastre was de-monopolised. The NABU, the NACP, the National Police, the SFS, notaries public and land surveyors were granted access to the database.
- 2018 marked the launch of the pilot project to implement an electronic land auctions which resulted in holding the first auction for the leasehold rights to state-owned agricultural land plots.
- In 2018, the Parliament of Ukraine adopted Law # 2496-VIII "About Basic Principles and Requirements for Organic Production, Circulation and Labeling of Organic Products", which came into force in August 2019.

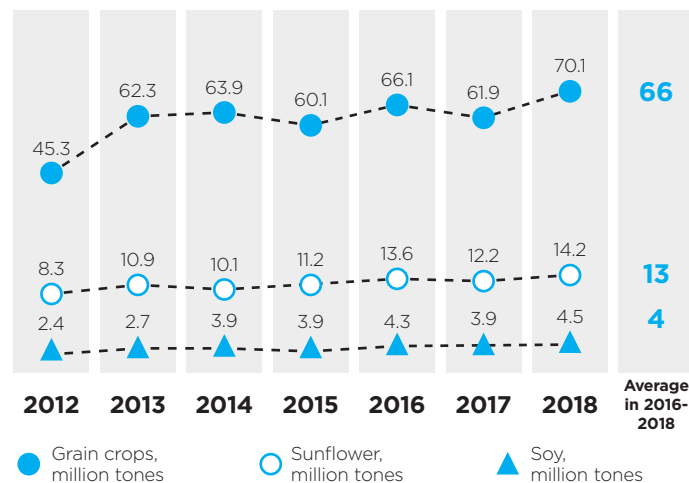
Direct government support of agro-industrial enterprises (million UAH)



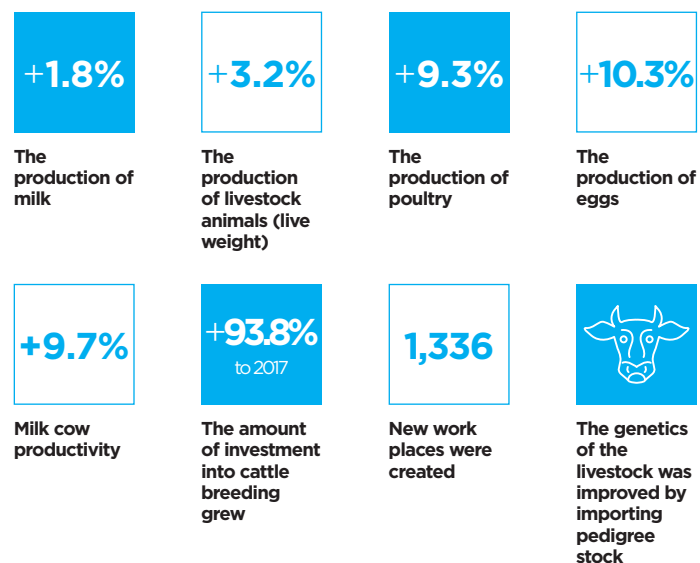
Exports of Ukraine's agricultural sector (USD million)



Record crops of grains, sunflower and soy



Compared to 2016 agricultural businesses increased:



FURTHER PLANS

- Continued pilot project for the implementation of electronic land auctions, and elaboration of the Law of Ukraine "On Amendments to Land Code of Ukraine for Introduction of Electronic Land Auctions" which provides for the introduction of sales of land plots and the associated rights exclusively in the form of electronic land auctions.
- Continued financial support of farming and extension of funding streams to provide additional support to farming enterprises which have the status of family farms. 800 million hryvnas was allocated for 2019.
- Continued state programme of animal husbandry support. The total budget of the programme is 3.5 billion hryvnas.
- Continued State Programme for Supporting Agricultural Producers in Procuring Ukrainian-Made Agricultural Machinery and Agro-Industrial Complex Equipment, and the implementation of the additional incentive "Partial Compensation of Cost of Special Grain Carriages and Equipment for Production of Bioethanol and Electricity from Biomass". The scope of support is 882 million hryvnas.



24

ECONOMIC
GROWTH

Energy Sector Reform

The energy sector is one of the most strategically important industries of Ukraine's economy. This is not only due to the objective importance of the industry within Ukraine, but also due to Ukraine's important role in providing energy security of the entire European continent.

Ukraine is crossed by one of the largest gas transmission systems in the world which ensures reliable transit of natural gas to EU countries. Ukraine also has an extensive system of underground gas reservoirs allowing to store substantial amounts of gas. Zaporizhia nuclear power plant in the east of Ukraine is the largest nuclear power plant in Europe while the country's land is abundant in large oil and gas deposits including non-conventional reserves.

The Government's principal efforts in reforming the energy sector are aimed at its harmonisation with EU regulations and standards, liberalisation of the industry, establishing fully functional natural gas and electricity markets with transparent and competitive price formation mechanisms as well as their integration with European energy markets.

The final goal of these efforts is modernisation of the sector, boosting its investment potential, creating the conditions for sustainable energy sector development, and overall qualitative improvement of Ukraine's economic, energy and environmental safety.

MAIN TASKS

- Increasing energy independence: diversifying energy sources and ways of supplying energy resources to Ukraine, and increasing domestic production of energy resources.
- Implementing the principles of the EU's Third Energy Package: establishing fully functional natural gas and electricity markets in Ukraine, and integration of Ukrainian and EU energy markets.
- Boosting energy efficiency and energy saving.
- Promoting renewable energy.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

ACHIEVEMENTS

- Long-term energy policy document of Ukraine approved - Energy Strategy of Ukraine until 2035.
 - Projects are being implemented to replace deficit anthracite coal.
 - Implementation of the project for construction of the Centralized Storage of Used Nuclear Fuel.
 - Increased supply of nuclear fuel from alternative supplier.
 - Ongoing integration of Ukraine's energy system with the European energy system.
 - Diversifying supplies of fuel resources and increasing energy independence: For the last four years Ukraine has managed to deal without purchasing Russian gas, importing fuel from the EU countries instead. The dependence on Russian nuclear fuel has also been substantially reduced.
 - Domestic extraction of natural gas and oil is gradually growing - and so is the generation of electricity from renewable sources. The Government plans to increase the share of "green" energy in the overall consumption up to 11% in 2020.
- On July 1, 2019, a new electricity market was introduced in Ukraine in accordance with the Law of Ukraine "On the Electricity Market". The procedure for conducting electronic auctions for the electricity sale under bilateral agreements and the procedure for selecting the organizers of electronic auctions for the sale of electricity under bilateral contracts have been approved.
 - Since 1 March 2019 Ukraine has implemented daily balancing on the natural gas market, which allows for precise balancing of gas demand with the actual supply within 24 hours.
 - Liberalization of subsoil use: In 2018, the practice of open auctions for the sale of special permits for subsoil use was introduced. 4 rounds of electronic auctions took place, where 37 plots were proposed, including hydrocarbons – 24, ores and non-ores – 11.
 - The Energy Efficiency Fund was established to ensure efficient use of state funding in implementing activities aimed at increasing energy saving and energy efficiency.

FURTHER PLANS

- Ensuring the continuation of electronic auctions. Improvement of the procedure for the preparation of subsoil. Implementation of an electronic system of permitting procedures in the field of subsoil use.
- Introducing a fully functional gas and electricity markets.
- Unbundling the state-owned gas monopolist and monopolists in the electricity market as required by the EU's Third Energy Package.
- Further diversifying nuclear fuel supplies.
- Adoption of conceptual bases of development of the market of oil products and gas fuels of Ukraine.
- Integration of the grid of Ukraine with the European grid. Implementation of the Ukraine-European Union Energy Bridge project.
- Implementation of the National Emission Reduction Plan for Large Combustion Plants.
- Introducing a procedure for tenders for construction of generating capacity
- Reconstruction of hydroelectric power station of the Dnieper cascade, construction of additional hydropower facilities.



26

ECONOMIC
GROWTH

Ecology and natural resources

The problem of waste in Ukraine is of particular magnitude due to dominance of resource-intensive multi-waste technologies in the national economy. The large scale of resource use and the energy and raw materials specialization of the economy together with the outdated technological base determine the high rates of waste generation and accumulation.

This situation leads to worsening of ecological crisis and socio-economic situation in society and makes it necessary to reform taking into consideration global experience of the entire legal and economic system of waste management.

The other main problems are:

- Lack of regulation of the basic principles of the state policy implementation in the area of climate change and protection of the ozone layer.
- Lack of civil society and public authorities awareness of all aspects of climate change, protection of ozone layer and low-carbon development of the country, use of ozone-safe technologies.
- Imperfection and out-of-dated nature of the system of state supervision (control) of environmental legislation compliance.
- Duplication of supervisory (control) functions of the state executive authorities.
- Inconsistency of the system of organization of state supervision (control) of environmental legislation compliance with international standards.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

MAIN TASKS

- Creating and ensuring the proper functioning of a nationwide waste prevention system, collection, recycling and disposal, neutralization and environmentally sound disposal.
- Improvement of the state policy in the sphere of climate change for achievement of sustainable development of the state, creation of legal and institutional preconditions for ensuring gradual transition to low-carbon development under the conditions of economic, energy and ecological security and increase of well-being of citizens.
- Transition from inefficient and outdated total environmental control to a system of preventing violations and monitoring of the state of environment.
- Creation of a single integrated body of environmental oversight and elimination of duplication of state oversight functions in the specified field, competitive selection of all employees, creation of conditions for preventing corruption in the field of state environmental protection.

ACHIEVEMENTS

- The National Waste Management Strategy for Ukraine until 2030 was approved, which addresses the problematic situation of waste generation, storage, processing, recycling and disposal. The National Waste Management Plan for 2030 was approved as well.
- The Paris Agreement has been ratified. Ukraine has become one of the first European countries to ratify this global climate agreement.

- The Concept of the implementation of the state policy in the field of climate change for the period till 2030 is approved, which is the first comprehensive regulatory document of Ukraine in the field of climate change, the Actions Implementation Plan of the Concept is approved.
- The Low Carbon Development Strategy of Ukraine until 2050 has been developed. Ukraine has become the 9th party of the Paris Agreement, which fulfilled this requirement of the Paris Agreement.
- The Concept and Strategy for reforming of the State Supervision (Control) System in the field of environmental protection were approved, and the Actions Implementation Plan was approved.
- The decision to terminate the State Environmental Inspectorate and to establish the State Environmental Protection Service was approved. Liquidation of separate territorial bodies of the State Inspectorate and creation of interregional territorial bodies has started.
- The criteria for assessing the risk of economic activity are approved and frequency of implementation of planned measures of state supervision (control) in the field of environmental protection, rational use, reproduction and protection of natural resources are determined.

FURTHER PLANS

- Adoption of legislation:
 - “About Waste Management”.
 - “About ozone-depleting substances and fluorinated greenhouse gases”.
 - “About the basics of organization and implementation of monitoring, reporting and verification of greenhouse gas emissions”.
- Preventing climate change by reducing anthropogenic emissions and increasing absorption of greenhouse gases and ensuring a gradual transition to low-carbon state development.
- Implementation of mechanisms aimed at reducing consumption of ozone-depleting substances and stimulating transition to use of alternative substances and technologies.
- Development of the State Environmental Protection Service of Ukraine, creation of 10 inter-regional territorial bodies and ensuring complete liquidation of 23 territorial units of the State Environmental Inspectorate.



28

ECONOMIC
GROWTH

Tax and Customs Reform

Efficient operation of the customs and tax services are essential for creating a favourable business environment in the country. At the moment Ukraine is actively implementing the State Fiscal Service reform which provides for its division into two separate branches: the State Tax Services and the State Customs Service to benefit from organisational structures building according to the functional principle, optimisation of costs, and modernisation and automation of business processes.

The reform is ultimately aiming to build a fair modern tax and customs system to ensure equality of all taxpayers before the law and improve the transparency and efficiency of newly created authorities.

MAIN TASKS

- Improving stability and predictability of the tax system.
- Improving the quality and effectiveness of tax administration.
- Extension of taxable base.
- Improvement of taxpayer compliance with tax legislation.
- Promotion of security and international trade including simplification and harmonisation of customs procedures.
- Raising the efficiency of making customs payments.
- Development of infrastructure, electronic technology and services for international trade.
- Improving the efficiency of international customs cooperation.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

ACHIEVEMENTS

Taxation

- **Implementation of steps aimed at countering Base Erosion and Profit Shifting (BEPS).** In 2017 Ukraine joined BEPS - an OECD project aimed at combating tax planning strategies with the intention of artificially shifting profits to offshore tax jurisdictions.
- **VAT refunds.** Transparent automatic VAT refunds were implemented with providing public access to the electronic VAT refund registry enabling entrepreneurs to verify the status of their payments online. Steps were taken to ensure transparency of the VAT recovery process. VAT recovery administration terms were significantly decreased while the refunds are made automatically.

Customs

- **'Single-window' system was implemented at the customs.** A unique computer-controlled information complex was developed to organise 'single window' operations. Access to the complex is provided to enterprises, supervisory authorities and Government agencies. As at 2019 99% of customs declarations are processed using the 'single window' method.
- **Introduction of a single treasury account for customs payments.** The purpose of the initiative is to simplify the administration of prepaid customs payments for businesses. Instead of administering 26 accounts for prepayment of customs payments used for customs clearance in different customs, a single account is used at any customs office.

FURTHER PLANS

- Finalisation of the State Fiscal Service re-organisation by separating it into the State Tax Service and the State Customs Service.
- Holding expert discussions regarding adoption of distributed profit tax instead of the current taxation model as a viable alternative for transforming the tax system.
- Accession to the Convention on Joint Transit Procedure and NCTS (New Computerized Transit System).
- Deployment of Authorized Economic Operator Program.
- Creation of an online business service and customs service for obtaining preliminary decisions on the classification of goods and reviewing the relevant register of previous decisions.
- Elaboration and adoption of by-laws aimed at the implementation of the provisions EU Customs Code (Regulation (EU) 952/2013), the provisions of Regulation (EU) 608/2013 concerning customs enforcement of intellectual property rights, and Council Regulation (EC) 1186/2009 setting up a Community system of reliefs from customs duty, and the institution of authorised economic operator.
- Creating a convenient online service enabling businesses to view prior decisions on customs classification of goods. Implementation of international data models (World customs organization's datamodel and EU datamodel) in the electronic documents of Government authorities and in customs information systems.

IMPACT

- Business Expectations Index in the 1st quarter of 2019 reached 119.7, which is the highest level over the last three years. Positive business expectations and gradual improvement of the business-climate (reflected in the World Bank's Doing Business Index) support investment growth.
- Cooperation with the IMF and the stable macroeconomic situation supported inflow of FDI in 2018 and the 1st quarter of 2019 (by cumulative USD 3.5 bn).
- According to the NBU, in 2018 FDI totaled USD 2.5 bn, 60% of which were directed to the real sector. Large share of investments was allocated to agricultural companies and wholesale and retail trade.
- Fiscal consolidation, tight monetary policy and lower energy prices are the main factors behind deceleration of consumer price increase and FX stability.
- The largest volumes of direct investments are directed to industrial enterprises -33,2% and establishments and organizations engaged in wholesale and retail trade - 16,7%.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

30

EFFECTIVE
GOVERNANCE

Effective governance

The Government of Ukraine has identified Effective Governance, with Public Administration Reform (PAR), E-governance, Public Finance Management (PFM) and Decentralization, as key pillars in its Medium-Term Government Priority Action Plan to 2020

Effective governance is essential for the efficient running of the state and a precondition to achieve the broader government objectives of economic growth and human development. Good and efficient Governance at central level, combined with empowered local Government institutions, will also contribute to better service delivery for citizens and sustainable public finances.

Restructuring line ministries, strengthening the role of the Cabinet of Ministers to provide strategic leadership and developing a professional and ethical civil service with the right skills to deliver reforms are central to the effective governance agenda to enhance transparency and accountability.

Modern public administration is also a key element in building trust between citizens and the state.

Building effective governance system is an important step for Ukraine on its European integration path.

Public Administration Reform

The PAR focuses on the development of strong public institutions, professional civil service and delivering quality public services to the citizens.

The reform began in 2016 with implementation of the new Law on the Civil Service and comprehensive PAR Strategy 2020, which were assessed positively by European experts from OECD/SIGMA. The years of 2017 and 2018 were marked by active phase of the reform involving reorganization of ministries, launch of new policy development and strategic planning directorates, civil service recruitment via transparent competitions on career.gov.ua platform, and roll-out of e-services for citizens and businesses.

On the reform path, the EU is providing significant expert, technical and financial support for the PAR. The PAR progress in Ukraine in 2017-2018 was positively evaluated by EU experts of more than 75% progress that allowed additional EU financial assistance for a total amount of about EUR 23.5 million to be raised during the period.

In 2018, OECD/SIGMA experts performed a comprehensive baseline assessment of public administration and produced recommendations that were taken as a base for the revised PAR Strategy.

Effective, accountable and transparent public administration is a foundation of successful implementation of all other reforms, an important prerequisite of Ukraine's European integration, crucial for building a strong European democracy.

MAIN TASKS

Building an effective and accountable public administration that recognizes the rights and needs of citizens, ensures sustainable development of the country and improvement of the living standards for citizens providing high quality public services. The PAR Strategy has 4 reform areas with identified specific objectives:

- Efficient Government decisions are evidence based and coordinated; provide for implementation of strategic goals and priorities; are achievable, have the public interest in mind; and the necessary financial resources. The Government's decision-making process is transparent, inclusive and effective.
- Professional civil service is virtuous, result-oriented and enjoys trust amongst citizens. The state is a competitive employer with proper working conditions; introduces modern and automated HR tools; recruits the best professionals through open and merit-based competitions; has transparent performance evaluation procedures and responsibilities.
- The accountable system of state bodies is rational, economically feasible and transparent, with a clear division of powers and responsibilities both between state bodies and inside each body. Citizens should have free access to information about state bodies and their activities in a convenient and understandable form.
- Quality administrative services and procedures are clearly defined in the legislation, provide basic guarantees for citizens, and are available both at the local level (through modern Centers for Administrative Services - CASs) and electronically.



ACHIEVEMENTS

Effective Government decisions:

- Comprehensive Government strategic planning was aligned with mid-term budget planning.
- The methodology and architecture of the Government strategic planning developed, Government's Strategic Plan up to 2020, were elaborated. An e-Government Portal with Government Action Plan Monitoring systems (based on MS Sharepoint) was created.
- The implementation of electronic systems for the approval of draft regulatory legal acts (RLAs) and electronic documents management system in the CEBs has begun. The format of a new electronic document according to European standard ETSI EN 319 162 ASIC (Associated Signature Containers) Baseline Profile was approved. 636 public institutions have been connected to the System of Electronic Interaction.

Professional civil service:

- Competitive selection procedures into the civil service were updated in accordance with the best EU practices. A modern vacancies portal, career.gov.ua, was launched, through which more than 31 thousand applications to civil service were submitted.
- Procedures for annual performance evaluation were introduced and all civil servants were assessed in 2018. The category A evaluation was made public.
- A tender was conducted under the World Bank procedures, and a contract was signed by the supplier for the implementation of the Civil Service Human Resources Management Information System (HRMIS), in order to increase its efficiency and transparency.

The accountable system of state bodies:

- The requirements for the structure of pilot ministries were approved with public policy-making function separated from non-core functions of ministries.
- The reorganization of 8 pilot ministries was completed, where 58 Policy making Directorates were formed and 562 specialists were appointed.
- The optimization of non-core functions and support functions of ministries has begun.

High-quality administrative services and procedures:

- The accessibility of administrative services has been increased through the operation of 778 Centers of Administrative Services (CAS).
- The system of electronic interaction of state electronic information resources (TREMBITA) was put into experimental operation.
- Unified State Open Data Web Portal (data.gov.ua) was updated and 11,000 open data sets were published.



>31,000

applications to new civil service positions submitted through career.gov.ua



58

policy making directorates formed



778

Centers of Administrative Services (CAS) are operating



8

ministries reorganized



562

specialists appointed on reform staff positions



11,000

data sets available on the open data portal data.gov.ua

FURTHER PLANS

Effective Government decisions:

- Further simplify the Regulations of the Cabinet of Ministers of Ukraine to improve the planning, coordination and Government decision approval process.
- Strengthen the Centre of Government capacity to coordinate public policy and clearly define its roles and functions in accordance with the principles of “Good Governance”.
- Expand the implementation of electronic systems for draft RLAs approval and e-document management to all ministries.

Professional civil service:

- Continue optimization of competitive selection procedures and develop the Ukrainian School of Governance, which also includes the Centre for the Evaluation of Candidates for the Civil Service.
- To ensure a fair and transparent remuneration system for civil servants based on the job classification and updated competency framework.
- Implement HRMIS key modules in the ministries.

The accountable system of state bodies:

- Complete the reorganization of all ministries, in line with the unified target ministry model, to increase responsibility and capacity for policy areas and continue the withdrawal of non-core functions from ministries.
- Optimize the functions of ensuring CEBs operation on the basis of “outsourcing” and “shared service centers” principles.
- Introduce proactive and client-oriented approaches to disseminating public information about Government agencies.

High-quality administrative services and procedures:

- Ensure the adoption of the Law on administrative procedures, its further implementation, and promote wide public awareness.
- Reduce the administrative burden on citizens and business, including through simplification (re-engineering) of basic services and their subsequent “digitalization”.
- Introduce periodic tools for monitoring the quality of administrative services and the level of customer satisfaction of these services.
- To connect up to 25 basic state registries to the system of electronic of the state bodies interaction (TREMBITA).

IMPACT

- Effective governance is essential for the efficient running of a state and is a precondition to achieving the broader Government objectives of economic growth and human development.
- Reforms are helping the Government deliver better services for citizens, and are increasing the transparency and accountability of public administration as a whole. Modern technology, tools and processes are decreasing operational costs and increase the quality and speed of many administrative processes.
- According to Global Competitiveness Index 2016-2018, at Public-sector performance ranking Ukraine has gained + 30 points (89th position in 2018 out of 140).



Development of e-governance

Implementation of e-governance tools is one of the top priorities in building an efficient governance system and reforming the Government control system. This includes adoption of electronic governance tools for ensuring efficient and transparent Government control, increasing the Government operation efficiency, implementing high-quality electronic services and building a closer collaboration (integration) between the state and the citizens.

- Implementing priority electronic services in all areas of civil life.
- Publication of high-quality sets of open data based on the level of public interest, the best international practices and in accordance with the established requirements with regards to openness and transparency of operations.
- Implementation of electronic integration of state electronic information resources.
- Development of an electronic document management system.
- The ASC network was significantly extended and optimised while the scope of administrative services was greatly extended. In 2018 over 15 million services were obtained via ASCs by citizens averaging over 57 thousand services daily. Throughout the year 54 administrative services centres were opened, 84 remote centre administrator workstations were created and 3

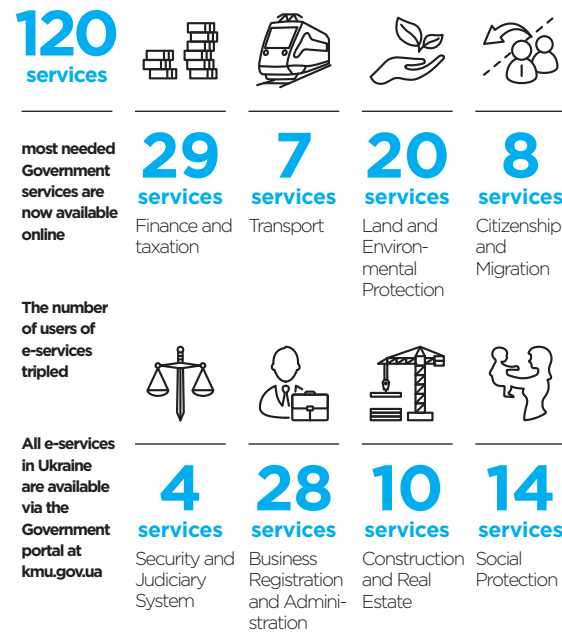
mobile administrative services centres were established in united territorial communities.

- The single state open data web portal was upgraded based on a common design of the code, and the portal migrated to the CKAN platform. More than 11,000 data sets were published on the portal. The information on vehicles inTexty.org.ua and the capabilities of Opendatabot were integrated into services used by citizens for over 1 million times. Supervisory Government authorities [also enabled public access to data](#) on more than 143,400 business audits scheduled for 2019.
- The “Digital by Default” principle was implemented providing for the digital form of implementing all processes and carrying out digital expert assessment of all laws and regulations on informatization, e-government, formation and use of national electronic information resources, development of information society, e-democracy, provision of administrative services or digital development.
- The implementation of an electronic identification system began by launching the integrated electronic identification system id.gov.ua. This system is intended to integrate e-identification systems enabling the use and development of all the applicable tools such as Bank ID, Mobile ID, electronic digital signature/ electronic passport to pave way for ‘single window’ operation.
- “Trembita” system for secure data exchange between public registers was introduced in testing mode enabling Government agencies to quickly exchange the information required for the provision of e-services to individuals and businesses.

- At the Government web portal kmu.gov.ua over 120 electronic services are available to individuals and businesses which are ranked the highest in terms of priority and social importance - in particular:

- Social protection - **14** services.
- Construction and real estate - **10** services.
- Land management and environmental protection - **20** services.
- Business registration and administration - **28** services.
- Citizenship and migration - **8** services.
- Finance and taxation - **29** services.
- Transport - **7** services.
- Security and judiciary system - **4** services.

Electronic services



- 193 Government authorities, agencies and organisations were connected to the electronic document exchange system. This resulted in implementing intergovernmental collaboration of 673 organisations. All city councils of regional centres, 336 regional state administrations, 8 cities with regional status and 12 territorial communities were connected to the electronic document exchange system. Electronic document format in accordance with ETSI EN319 162 ASiC (Associated Signature Containers) Baseline Profile was implemented and approved.

Electronic document management



673 Government authorities, agencies and organisations

are connected to the electronic document exchange system

193 Government authorities, agencies and organisations were connected to the electronic document exchange system in 2018.

They exchange about **5,400** electronic documents daily.

FURTHER PLANS

- Full-scale deployment of the “Trembita” system and its connection to electronic registers.
- Further optimisation and re-engineering of administrative services to cater for life events and business situations.
- Extension of data sets and improving the quality of open data being published.
- Additional local Government authorities and united territorial communities to be connected to the electronic document exchange system. Implementation of electronic system for approving draft pieces of legislation, an electronic archive system and e-contracting.
- Further legal and technical regulation of the unified e-identification system enabling the use and development of all applicable tools such as Bank ID, Mobile ID, electronic digital signature/electronic passports.

IMPACT

- According to a recent United Nations E-Government Survey 2018, Ukraine was ranked 82nd among 193 countries in terms of E-Government Development Index, which clearly attests to the need of further improvements to the quality and level of services, extending the scope of telecommunications infrastructure and developing tools for involving the public into Government processes.
- In 2018 Ukraine took the second place among the countries most successful in the publication and use of open data for increasing Government accountability, developing innovation and social influence and the seventeenth place among 30 countries which adopted the International Open Data Charter. The Charter was ratified by Ukraine in 2016 (Open Data Barometer report). Since September 2018 Ukrainian Government data is automatically published alongside data of EU Governments on the [European Data Portal](https://european-data-portal.eu/). The portal integrates over 860 thousand data sets from 35 countries and 78 local and national portals.



36

EFFECTIVE
GOVERNANCE

Public Finance Management Reform

For a long time the Ukrainian system of public finances suffered from a lack of end-to-end strategic planning which prevented proper control over budgetary planning and weakened the coordination of budget programmes with the priorities in state development.

The reform is primarily aimed at providing proper funding of Government functions by means of ensuring effective allocation and use of financial resources.

MAIN TASKS

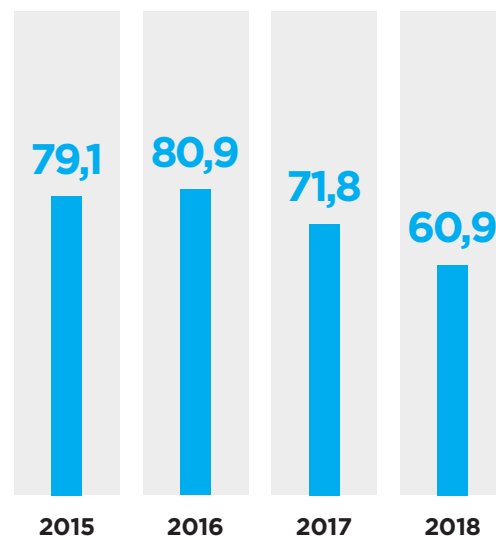
- Building an efficient modern system of public finance management as the basis for sustainable economic growth.
- Ensuring effective accumulation of state resources and their allocation based on state development priorities in the mid-term.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

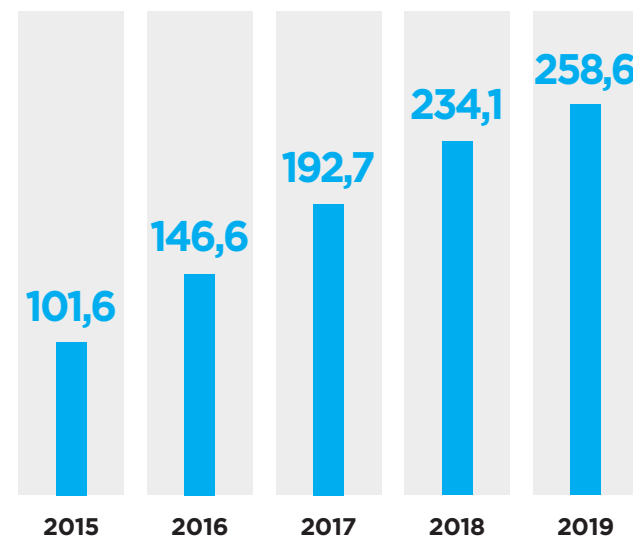
ACHIEVEMENTS

- **Introduction of medium-term budgetary planning.** The Verkhovna Rada of Ukraine developed, approved and adopted comprehensive changes to the Budget Code of Ukraine and amendments to a number of other legislative instruments on implementation of medium-term budgetary planning.
- **Medium-Term Public Debt Management Strategy 2018-2020 was adopted.** The strategy defines the goal of reducing the debt-to-GDP ratio from 52.3% at the end of 2018 to 43% by the end of 2022. It also sets quality goals to not only reduce the level of debt relative to the GDP, but also to improve its structure and its current-day risks.
- **The Procedure for verification and monitoring of pensions, aid, subsidies and other publicly funded welfare payments was defined.** The verification process is to ensure that the Government transfer payments are actually received by those in need of Government support. The verification of 2016-2018 resulted in the revocation of improperly allocated welfare payments for the total amount of 172 million hryvnas.
- **Providing extended access to the information on public funds to the citizens of Ukraine.** The Government launched the unified register of public spending (spending.gov.ua) and the open budget web portal (openbudget.gov.ua).

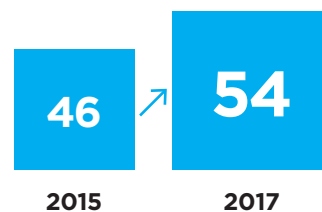
The ratio of total public debt and the debt guaranteed by the state to: GDP, %GDP



Revenues of the general fund of local budgets (without considering intergovernmental transactions) (billion hryvnas)



Open Budget index (calculated every 2 years, 100 points total)





Decentralisation

Being another key priority in building effective governance, decentralisation enables the creation of a modern local self-Government system and territorial organisation of power based on European values of developing local democracy (in particular, the European Charter of Local Self-Government) and reflecting Ukraine's local specifics.

The commencement of decentralisation process in Ukraine in 2014 was marked by the adoption of the Concept of the Reform of Local Self-Government and Territorial Organization of Power, the Law of Ukraine "On Voluntary Unification of Territorial Communities" and amendments to the Budget and Tax Codes (with regards to financial decentralisation).

This process enabled the creation of a viable and efficient mechanism of local self-Government at the basic level - the united territorial communities (UTC) in line with the European Charter of Local Self-Government.

MAIN TASKS

- Formation of capable territorial communities and support of their development to empower their provision of high-quality and accessible services to the local population.
- Achievement of an optimum balance of powers between the local Government authorities and the state executive authorities.
- Ensuring the accessibility and quality of public services to be provided in accordance with national standards in consideration of the need for ensuring territorial accessibility, creating the basic infrastructure, and maintaining the openness of information regarding the services, the procedures and terms of their provision, and providing them at a high professional level.

ACHIEVEMENTS →

- As a result of decentralisation, communities gained access to sizeable resources, funding and powers - a powerful set of tools and opportunities for ensuring fully realised local development. Pursuant to the amendments made to the Tax and Budget Codes of Ukraine the newly created communities received the powers and resources on par with cities of regional status - in particular, the ability to offset 60% of individual income tax revenues to the local budgets for the discharge of their authorities. In addition to that the entire revenues from single tax, income tax of community-owned enterprises and financial institutions, and real estate (real property, land), and transport tax go into the local budgets.
- Amalgamated territorial communities engage in direct inter-budget relations with the state budget (before the reform direct transactions were only allowed for regional and district budgets and those of cities of regional status). Furthermore, to enable their discharge of powers delegated by the state ATCs are provided targeted transfers (grants in aid, subventions for medicine and education, subventions for the development of community infrastructure etc.). The legislative changes also enabled local self-Government authorities to approve local budgets irrespective of the date of passing the law on the State Budget.

Amalgamated Territorial Communities



924

ATCs established

As at 10 May 2019



4,277

communities

28,3% of the total number of local councils as at 01 January 2015

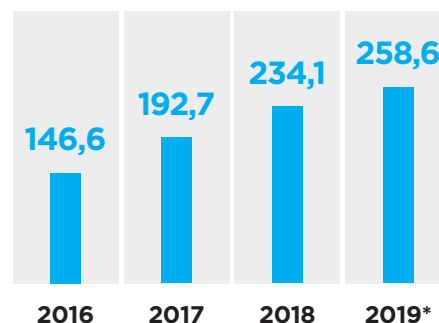


10

million people

26% of the entire population of Ukraine

These changes have already brought first results



own revenues of local budgets

in the period from 2016 to 2019 grew by almost 112 billion hryvnas



+30%

average annual growth

of local taxes and charges in ATC



x1.5

times

The expenditure of the development budget per person

*According to The State Treasury Service of Ukraine reporting data as of July 1, 2019

Ukraine
NOW 



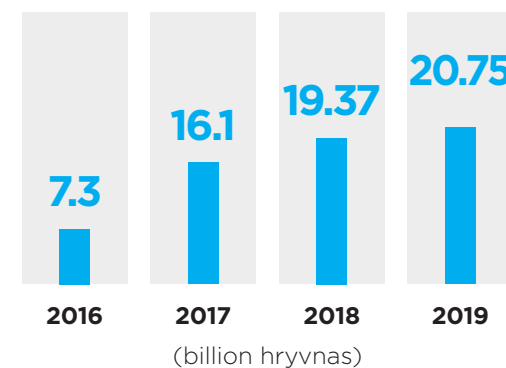
40

EFFECTIVE
GOVERNANCE

→ ACHIEVEMENTS

- Transfer of authorities specific to architecture and construction supervision - 100 communities received new authorities.
- A 2018 resolution of the Cabinet of Ministers of Ukraine marked the beginning for the transfer of farmland from state ownership to the communal ownership of ATCs. Last year alone ATCs took communal ownership of 1,450.8 thousand hectares of land.

- The amount of state funding aimed at the improvement of community infrastructure regional development grew by 13.4 billion hryvnas compared to the level at the commencement of reforms in 2016



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

- The Government also launched sectoral decentralisation



793/1,284

2019 (01.06.2019)

A network of **new modern schools** in 2016-2019 - 793 hub schools and 1,284 branches were built



1,388

school buses were purchased, which helped to provide access to high-quality education to 69 thousand schoolchildren residing in the country.

- The Government started reorganisation of network of healthcare institutions throughout the entire territory of Ukraine.



96

secondary hospital

districts and 76 hospital boards were created in 15 regions of Ukraine.



582

village outpatient clinics

The Government initiated the construction of a network of new modern primary healthcare institutions in countryside communities aiming to build 582 village outpatient clinics and purchase 1,020 service vehicles.



1,020

service vehicles

IMPACT

- Government decentralisation is a long-term reform which not only drives changes in the territorial structure of the country and transfer of resources and authority to local communities, but also marks a shift in the paradigm of control and responsibility at all levels of governance. The development of community territory infrastructure by the local self-Government authorities, the ability to make independent economic management and development decisions is bound to considerably improve the living standards in every locality and in the entire country.
- Many communities have already been able to see the value of the reforms:
 - Communities gained access to additional resources and authority providing an impetus for realised development. Many towns, villages and hamlets started to restore roads, healthcare and educational facilities which remained decrepit for decades.
 - Local Government is interested in boosting investment attractiveness of their territories for the benefit of local communities as the locally paid taxes are spent on improving the living standards of the local residents.
 - A number of various permits and business registration documents can now be obtained locally enabling the communities to better attract investments and promoting their social and economic development.



42

HUMAN CAPITAL
DEVELOPMENT

Human capital development

Creating the necessary basic conditions for a comfortable and secure life, opportunities for realizing the potential of citizens is one of the most important functions of the state. The qualitative development of human capital is the basis of the growth of the national economy and strengthening of Ukraine's competitive position in the world.

Human Capital development aims to improve the quality of life and education, and to increase the productivity of labour.

Although a number of fundamental social and humanitarian reforms have been actively implemented for some time, most of these reforms are designed for long-term implementation. However, the first achievements and successfully met goals provide a foundation for sustainable implementation of the reforms.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

Pension Reform

The introduction of fair retirement benefits aims to eliminate a significant gap between special and ordinary pensions and ensure that citizens who pay contributions during their work life without hiding incomes receive good compensation afterwards.

In October 2017, before the launch of the reform, eight million pensioners (68% of all pensioners) received the minimum pension amount, irrespective of their pensionable term of service or pensionable salary. A failure to introduce necessary changes to the pensions system could have led to the inability of the state to guarantee pensions within 5 - 10 years.

The new law “On Amendments to Some Legislative Acts of Ukraine on the Increase of Pensions” became fully operational on January 1, 2018. This first stage of the reform is designed to stabilize the pension system, eliminate pension levelling and ensure fair calculation of pensions in the future. The Law also seeks to lay the basis for subsequent stages of reform, including the introduction of compulsory pension insurance.

MAIN TASKS

- Recalculation of pension amounts to better correspond to standards of living.
- Cancelling decrease in pensions for working pensioners.
- Recalculation of military pensions.
- Increased duration of pensionable term of service required for future pensions.
- Compulsory annual indexation of pensions.
- Elimination of the Pension Fund's deficit.

ACHIEVEMENTS

- Starting October 1, 2017, pensions have been raised for 10.2 M pensioners. The average size of the increase was +561 UAH, or +31% vs. 01/01/2017.
- On March 1st, 2019, the first annual automatic pension indexation has been performed. Pensions increased for 8.9 M pensioners;
- Pensions were increased for 500 thousand military pensioners in 2018 and 455 thousand pensioners in 2019. The average size of the increase was 1,476 UAH and 764 UAH, respectively.

FURTHER STEPS

The second stage of the reform is the introduction of the 2nd level of the pension system (compulsory cumulative insurance) and the improvement of the 3rd level (voluntary cumulative insurance).

Key legislation that needs to be adopted:

- The draft law “On the compulsory cumulative pension insurance”.
- The draft law “On making amendments to certain laws of Ukraine on cumulative professional pension program”.

IMPACT

It is expected that the implementation of the reform will eliminate the Pension Fund's deficit in the mid-term. This will support the macroeconomic and financial stability of the country. During 2018-2021, the deficit of the Pension Fund should remain stable, with the gradual reduction starting from 2022.

The reform also aims to stimulate young and middle-aged people to legalize their income, which should result in better pension conditions for them in the future.

The introduction of the 2nd level and improvement of the 3rd level of the pension system will provide a sustainable basis for larger pensions for current and future generations, and act as a long-term national investment resource.



44

HUMAN CAPITAL
DEVELOPMENT

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

Social Support Reform

Improvement of the effectiveness of social support system aims to provide help to those who need it the most, protect the poor and support them in the process of social integration.

MAIN TASKS

- Modernization of social payments system, impacting 20 M citizens.
- Digitalization of social services.
- Monetization of subsidies and social benefits.
- Improving of social support of war veterans.
- Implementation of a unified system of providing social services on a territorial community level.
- Ensuring the upbringing of each child in the family or in the family-type conditions.
- Ensuring the safety and well-being of each child.

ACHIEVEMENTS

Effective state social support of the population:

- Monetization of subsidies started in January 2019, impacting 4.0 M households.
- 14 social services centres in the “Transparent Office” format opened since 2017, 15 more planned in 2019.
- The Ministry for Veterans Affairs has been established in December 2018.

Development of social and rehabilitation services in territorial communities:

- Local services for disabled persons transportation created, 49 special vehicles purchased during 2018-2019.
- The adopted new State Construction Standard “Inclusivity of buildings” ensures implementation of inclusivity features for any new construction.
- The system of providing technical and other rehabilitation measures for disabled persons has been reformed based on “money follows the person” principle.

Protection of children’s rights:

- 120+ houses bought for the establishment of family-type orphanages, 1,300+ flats bought for orphans.
- Monthly payments of UAH 1,700 for the third and each next child introduced, ~160 thousand families participating.
- 50+ thousand places created in kindergartens during 2017-2018.
- 183 child services were established in newly created communities.
- Reform of day-care facilities (deinstitutionalization) is being implemented to ensure the right of children for care in a family or family-friendly settings. Since the implementation of the reform in 2017, 59 boarding schools have been optimized (22 eliminated).

Gender equality:

- Adoption of the state program for ensuring equal rights and opportunities for women and men for 2018-2021.
- The role of Governmental Commissioner for Gender Policy established, competition winner appointed in February 2018.

FURTHER PLANS

- Adoption by the Parliament of the draft law “On verification and monitoring of state disbursements”. The document aims to comprehensively regulate verification of eligibility for subsidies and other state aid.
- E-Social” system modernization, in particular reaching the test operation phase by the end of 2019.
- Adoption of the state program for the prevention and counteraction of domestic violence;
- Adoption of the state standards of social services, that will be implemented on the local level.
- Adoption by the Parliament of the draft law “On the amendments to the legislation regarding the reform of the institutional system of children upbringing and childcare”. Adoption of the 2nd phase action plan of the respective National Strategy.
- Introducing cash benefits for housing and communal services,
- Further increase in the number of communities provided with specialized vehicles for the transportation of disabled persons,



46

HUMAN CAPITAL
DEVELOPMENT

Healthcare

Total expenditure on Ukrainian health care, of patients and the Government combined, matches the average of many European countries. For many years medical services in Ukraine were provided free of charge, but that only existed on paper.

The transformation of the health care system is aimed at enabling equal to high-quality medical services to all citizens of Ukraine and re-building the health care system around the patient.

The reform is based on the Law of Ukraine “On State Financial Guarantees of Public Health Care” passed by the Ukrainian Parliament on 19 October 2017.

THE MAIN PRIORITIES OF THE REFORM ARE:

- **Creating a new health care system based on medical insurance.** This would require a comprehensive transformation of the system by means of creating and implementing a new model of funding, an effective and fair distribution of public funds and reduction of under-the-table payments, creating incentives for improving the quality of medical aid, and improving the efficiency of its administration.
- **Improving the accessibility of medicinal drugs and the efficiency of using public funds** by implementing reimbursement mechanisms and changes in the procurement system and price control.
- **Emergency and highly specialised medical care:** providing timely and quality emergency care to the population of Ukraine, ensuring treatment of medical emergencies which threaten the life of patients with blood circulation system diseases, and promoting the development of a transplantation service.
- **Developing a public health system** by focusing the health care system on maintaining and promoting health, increasing longevity and improving quality of life, preventing diseases, extending active and working age, and reducing the economic burden on the health budget.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

MAIN TASKS

Creating a new health care system based on medical insurance:

- Establishing a single national company for procurement of medical services.
- Implementing the 'money follows the patient' principle.
- Decoupling of health care providers.
- Establishment of an electronic medical records database.
- Implementation of a health care services package guaranteed by the state.
- Medical education reform.

Improving accessibility of medicinal drugs:

- Transparent and effective procurement of medications.
- Implementing a reimbursement mechanism for treatments for a number of common diseases.
- Implementation of reference price formation.

Emergency and highly specialised medical care:

- Creating operations control centres in the regions.
- Providing additional material and technical resources for the emergency medical care system.
- Creation and development of regional reperfusion networks.
- Development of the national transplantation system.

Development of public health system

- Development of regional public health systems.
- Promoting of immunoprophylaxis.
- Building a national blood system.

ACHIEVEMENTS →

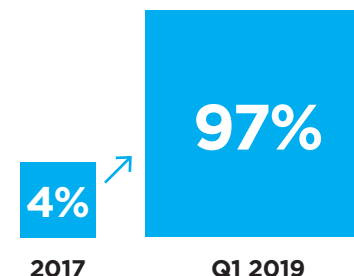
Creating a new health care system based on medical insurance:

- On 30 March 2018 the National Health Service of Ukraine was established. The newly established service compensates the cost of the actually provided medical service according to the 'money follows the patient' principle.
- 1,308 health care facilities entered into contracts with the NHSU which paid 13.1 billion hryvnas to the facilities for the medical services rendered in 2018-2019. During the national promotional campaign over 28 million Ukrainians chose their physicians by signing declarations. Thanks to the reform the salaries of doctors and nurses in certain health care institutions grew 2-3 times.
- Four-component Unified State Qualification Exam (USQE) for medical students has been introduced.

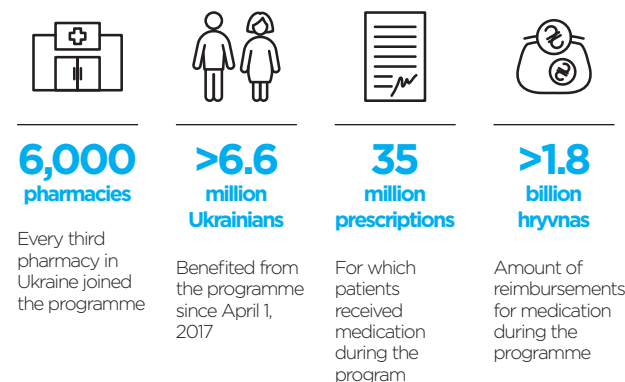
Improving the accessibility of medicinal drugs:

- Since 2015 state purchases of medicinal drugs has been done made through international organizations. This helped reduce the purchase prices of some medicines dozens of times while the number of medicine purchases enabled by savings under some programs reached +85% of the targets. On 25 October 2018 SOE 'Medical Procurements of Ukraine' was established. The company is intended to replace international organisations purchasing drugs on behalf of the Government.
- As of April 1, 2019, the administration of the "Affordable Medicine" programme has been transferred to the NHSU. As of August 2019, 6,179 pharmacies are participating in the programme, more than 4 million electronic prescriptions have been released.

The level of computerisation of health care institutions



"Affordable Medicine" Government programme





48

HUMAN CAPITAL
DEVELOPMENT

ACHIEVEMENTS

Emergency and highly specialised medical care:

- The number of 24/7/365 reperfusion centres grew from 23 as at May 2016 to 40 as at Q1 2019 while the Government plans to purchase 13 additional angiographs.
- The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Health Care and Transplantation of Human Organs and Other Anatomical Materials" was passed creating the legal framework for the development of the national transplantation system.
- 13 operations control centres were established in Ukraine's regions.

→ Public health system development:

- The Concept of Public Health System Development and National Action Plan adopted.
- Of the 25 planned, 12 regional public health centres have been established and are operating.
- National Action Plan on Non-communicable Diseases adopted to achieve the Global Sustainable Development Goals. The Ministry of Healthcare of Ukraine, together with other ministries, is launching a long-term national campaign to prevent non-communicable diseases.
- Following a shift to three-year vaccine acquisition planning Ukraine has all the vaccines required by the National Vaccination Calendar. Compared to 2016 the coverage of children under 1 year with certain preventative vaccinations grew 2-3 times.

"Saving Lives" Project



26
angiographs
purchased

2017-2018

13
angiographs

2019
(planned)

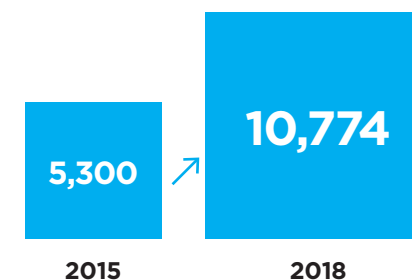


24,000

drug-eluting stents

were purchased using the state budget funds in 2018 (100% of the demand met)

Results: The number of stent angioplasties performed on patients with acute myocardial infarction doubled.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

FURTHER PLANS

Creating a new health care system based on medical insurance:

- Approval of the guaranteed package of medical services: transparently defined volume of primary, secondary (specialized), tertiary (highly specialized), emergency medical care and medicines, which all citizens of Ukraine have the right to receive in case of need.
- Electronic document exchange at the primary level introduced in 2019.

Transition to the system of professional licensing of doctors:

- Ensuring the functioning of the Licensing Council and its Secretariat.
- Conducting a full licensing exam for practitioners in the transitional period (5 years).
- Coordinating the development and approval of professional standards for doctors.

Improving the accessibility of medicinal drugs:

- Reducing the level of self-medication and increasing controlled therapy by a doctor.
- Improving the system of state regulation of prices for medicines.
- Establishing a medical technology assessment agency as an independent advisory body to the Ministry of Healthcare of Ukraine in line with international best practices.
- Development of the institutional capacities of SOE 'Medical Procurements of Ukraine'.

Emergency and highly specialised medical care:

- Emergency medical care: purchases of new service vehicles with the necessary equipment, training courses on modern methods of providing pre-hospital emergency care, and extension of transition programme for paramedics.
- Continued building of the reperfusion centre network.
- Implementation of the second phase of the pilot project on changing the mechanism of funding surgical treatment involving transplantation.

Public health system development:

- Continued development of regional public health centres.
- Further harmonization of public health legislation with EU legislation and best international practices.
- Ensuring the epidemiological well-being of the population by reaching the coverage of 95% of the population with preventive vaccinations.
- Launching a national blood system that ensures the circulation of safe donor blood components at the country-wide level.

IMPACT

The implementation of the healthcare system transformation will result in improving the quality of public medical services, upgrading health care institutions, improving the accessibility of medicinal drugs, raising salaries of medical staff, combating corruption and reducing hidden payments in the healthcare system.

The long-term ambition of health reform is to improve the living standards, extend the average life expectancy and reduce mortality rate.



50

HUMAN CAPITAL
DEVELOPMENT

Science and Education

For many years Ukrainian science failed to meet the modern needs of the individual, society, and economy. Students at Ukrainian schools and universities mostly gain a body of knowledge without being aware of how it can help them with self-realization. Furthermore, the learning process at vocational and higher education institutions hardly correlates with modern-day needs of the labour market.

This is why a systemic transformation of this area has started with the main goal of achieving a new quality of education on all levels. The reform is aimed at transforming Ukrainian education into an innovative environment where school and university students acquire key competences required for a successful life in the contemporary world, and where academics will have all the opportunities and resources they need for their work.

A large-scale reform of Ukrainian education became possible with the adoption of the framework Law of Ukraine “On Education”. The main priorities of the reform are:

- **Secondary education reform (“New Ukrainian School”):** school will be a place where children acquire not only knowledge, but also the ability to apply it as well as core values to guide them in the contemporary world. In addition to being an educational institution, it will also provide a safe development environment where children will learn to communicate with one another.
- **Modernisation of career and technical education:** the facilities and equipment of CTE institutions will be upgraded along with the curriculum to better reflect the labour market demands of today.
- **Higher education and adult education reform:** improvement and updating of the curriculum, a rethink of financial ties and economic relations, strengthening institutional capacity both at the level of specific higher education institutions and at the entire industry level.
- **Creation of a new system for research management and funding:** The reform aims to stop the stagnation in science, to formulate a demand for quality scientific training, to increase the efficiency of research and development in the field of basic and applied sciences, to narrow the gap between research and implementation of their results, to integrate higher education and science of Ukraine into the world science.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

MAIN TASKS

Secondary education reform:

- A new content of education aimed at building competences (economic competence, critical thinking, emotional intelligence etc.).
- Implementation of project work and learning through doing.
- Implementation of cooperative pedagogy in secondary education.
- Introduction of contests for school head teachers and extension of their capacities.
- Establishment of the State Service of Education Quality to provide institutional auditing of education institutions.

Modernisation of career and technical education:

- Diversification of funding sources of CTE institutions and upgrading their facilities and equipment.
- Modernizing vocational (technical) education and the introduction of dual education system elements.

Higher education and adult education reform:

- Creation of a system for internal education quality control at universities.
- Adoption of new standards of higher education based on a competence approach.
- Abandonment of manual distribution of state order in higher education.
- Availability of a functional service to control the quality of higher education.
- Ensuring academic integrity as the key principle of higher education.

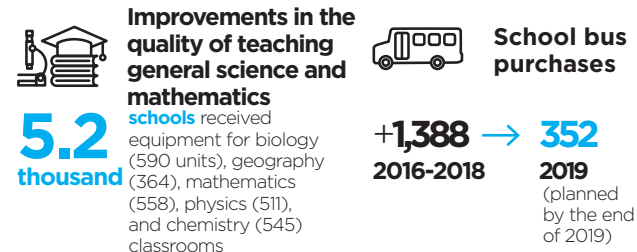
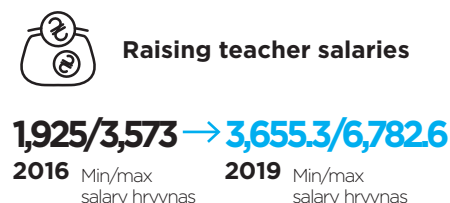
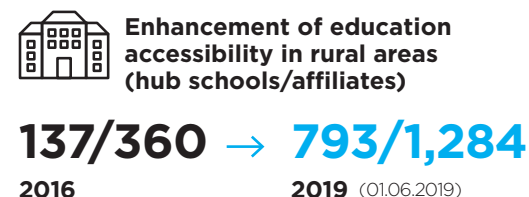
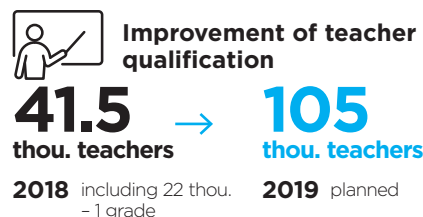
Creation of a new system for research management and funding:

- Gradual increase of general and grant financing of science.
- Establishment of a new system for evaluating the performance of scientific institutions and scientific activities of higher education institutions based on international best practices.
- Introducing financial support for the scientific activity of higher education institutions.
- State support for scientific activity of young scientists.
- Implementation of the strategy of Ukraine's accession to the European Research Area and systematic use of its capabilities.

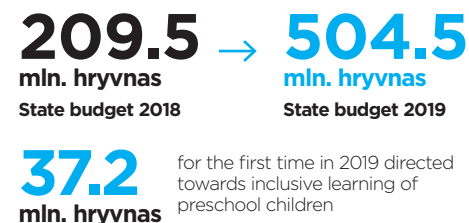
ACHIEVEMENTS →

Secondary education reform:

- 461.3 thousand first-grade pupils who started school on 1 September 2018 benefited from the adoption of the "New Ukrainian School" standard. The planned investments into improving the quality of secondary education for 2018-2019 amount 6.8 billion hryvnas, which helped to purchase modern furniture and over 50 thousand equipment units (projectors, tablet PCs etc.).
- The State Service for Education Quality and 10 of its territorial bodies were established, which will enable, among other matters, to carry out an institutional audit of schools.



Expenditure on Inclusive learning





52

HUMAN CAPITAL DEVELOPMENT

→ ACHIEVEMENTS

Modernisation of career and technical education:

- Starting in 2016 the funding of CTE institutions is partially shared with local communities. 100 training centres with industrial specialisation created at those institutions' facilities. 71 competence-based CTE standards were approved. Dual education elements were implemented in 198 education institutions with over 800 employers involved in the organisation of practical training.

Higher education and adult education reform:

- 73 new standards for bachelor training and 27 standards for master training approved. The share of state order distributed according to the targeted principle grew up to 84.5%.
- Test operation of the first phase of National Repository of Academic Texts started.
- The new staff of the National Agency for Higher Education Quality Assurance approved.
- Law of Ukraine "On Professional Pre-higher Education" adopted.

Creation of a new system for research management and funding:

- The National Council of Ukraine for Science and Technology Development, an advisory body to ensure coordination of all stakeholders in the formulation and implementation of public policy in the field of science was established. The Government also created the National Research Fund tasked with grant support of the specific scientific projects with the budget of 262 million hryvnas for 2019.
- 15 inter-university centres of collective use of laboratory equipment created at higher educational institutions. State certification of scientific institutions started. Funding of priority areas of scientific and technical activity of higher education institutions introduced. Ukraine received a separate funding window for Erasmus+ Program contests in 2019-2020.

Innovation and technology transfer:

- Preparation of the strategic document of the state policy in the area of innovations and technology transfer: The Strategy of development of the area of innovative activity for the period till 2030 is approved, the action plan for its implementation is being prepared.
- Improvement of the procedure for registration of technologies and their components: an electronic system of registration of technologies with remote access has been introduced and the list of necessary documents has been reduced.

SCIENCE



The National Council for Science and Technology Development was established



The National Research Fund established

262.4
mln hryvnas

The State Budget 2019 provides in grant support of fundamental and applied research based on the results of open competitions

by **1.63**
times

Increase in the amount of scholarships and funding for research for young scientists

58,221.7
thousand hryvnas
2017

Competition for the best research and development projects among young talent – **39,428.8** thousand hryvnas. Support of young talent (scholarships and grants) – **18,792.9** thousand hryvnas

→ **94,869.5**
thousand hryvnas
2018

Competition for the best research and development projects among young talent – **68,715.1** thousand hryvnas. Support of young talent (scholarships and grants) – **26,154.4** thousand hryvnas

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

FURTHER PLANS

Secondary education reform:

- Adoption of the State Standard of Basic Secondary Education based on a competence approach.
- A new teacher certification procedure aimed to introduce contemporary forms and methods of motivating teachers to undergo professional development was tested.
- The National Educational Platform was populated with electronic content.
- The Law of Ukraine “On Complete Secondary Education” was adopted.

Modernisation of career and technical education:

- Adoption of the law “On Vocational (Career and Technical) Education”.
- Further creation of contemporary training centres with industrial specialisation supported with employers’ investments.
- Creating conditions for further implementation of dual education.

Higher education and adult education reform:

- Updating higher education standards in consideration of the labour market demands.
- Upgrading the physical facilities of higher education institutions.
- Drafting of the law “On Adult Education” to provide a legal framework for life-long learning.
- Establishing a new mechanism of state budget funds allocation among higher education institutions.

Creation of a new system for research management and funding:

- Conducting state attestation of scientific institutions and institutions of higher education in terms of conducting their scientific activities.
- Increase in financial support for research projects and scholarships, as well as awards for young scientists.
- Updating the system of priorities of science development.
- Integration into priority European research infrastructures for Ukraine.

IMPACT

A comprehensive reform of the industry is intended to improve its technical, financial, and administrative support as well as enhance the efficiency of managing education and research institutions.

Secondary and tertiary school will be able to train active, resourceful and responsible citizens. The content of career and technical education and higher education will consider the needs of employers.

These factors will help to boost the country’s competitiveness, increase the share of high-tech industries in the economy, and enlarge the contribution of research and development into Ukraine’s GDP.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

54

HUMAN CAPITAL
DEVELOPMENT

Culture

MAIN TASKS

- Efficient management in the cultural sector.
- Development and popularisation of Ukrainian language.
- Creation of high-quality cultural and art products and development of creative industries.

ACHIEVEMENTS

- The Ukrainian Book Institute was established. The Institute is tasked with transforming the domestic publishing industry into a European-style cultural industry, promoting book reading in Ukraine, support book publishing, provide incentives for translation, and contribute to popularisation of Ukrainian literature abroad.
Participation in 10 international book fairs is scheduled for 2019 (in 2016 Ukraine took part in only 1 fair).
2 mln. 390 thousand copies were purchased to replenish library holdings.
- Establishment of the Ukrainian Cultural Fund solved an urgent problem in creating a transparent budget support tool for cultural initiatives on a competitive basis, facilitated the creation of a developed ecosystem of culture and creativity in Ukraine. 769 projects were already supported by the Fund.
- The Law of Ukraine “On State Support of Cinematography in Ukraine”, which incorporates best European practices, was adopted in 2017. State funding of the industry grew substantially. In 2018 35 Ukrainian films were released on the big screen (compared to 8 films in 2015) whereas the number of viewers of Ukrainian films in cinemas grew from 324 thousand in 2015 to 2,454 thousand in 2018.
- 2018 marked the commencement of full-scale operation of the Ukrainian Institute - a management structure within the Foreign Ministry of Ukraine tasked with representing Ukrainian culture and building a positive image of the country abroad.
- In April 2019 the Parliament passed the law “On Ensuring the Functioning of the Ukrainian Language as the State Language”. State programmes for the development and popularisation of the Ukrainian language will be elaborated by the Ministry of Culture.

Youth policy and sports

MAIN TASKS

- Provision of patriotic education.
- Formation of a healthy nation.
- Creating new opportunities for young people.
- Promoting a positive image of Ukraine in the world sports.

ACHIEVEMENTS

Provision of patriotic education:

- During 2015-2018, more than 150 international and all-Ukrainian events were held, with the coverage of more than 850 thousand people.
- A competition was launched to identify projects of patriotic education developed by civil society institutions.

Formation of a healthy nation:

- In 2016-2018, over UAH 1 bn. was allocated through the State Regional Development Fund for the construction and reconstruction of sports facilities in the regions, including:
 - In 2016 - 32 projects.
 - In 2017 - 100 projects.
 - In 2018 - 137 projects.
- Budget financing for the construction of multifunctional sports palaces and other investments in major sports facilities:
 - 2018 - UAH 150 mln.
 - 2019 - UAH 600 mln.

Creating new opportunities for young people:

- The implementation of the Youth-2020 Pact since 2016 has been joined by 137 employers-partners who have created 35,083 places for youth internships and employment. 614 partnerships have been established between employers and the education sector.
- In 2016, youth exchanges between Ukraine and Poland and Ukraine and Lithuania were initiated. 247 joint projects have been implemented involving about 8,000 young people.
- Monitoring of the situation of young people in Ukraine has started.
- National exchange of students between different regions of Ukraine "GOxChange" started.

Promoting a positive image of Ukraine in the world sports:

- An experiment has been introduced to involve sports federations in organizing and conducting sporting events, which lays the groundwork for the autonomous development of sports in accordance with world best practices.
- Criteria for transparent allocation of budget funds between Olympic sports have been approved.
- The amount of rewards, scholarships, allowances for athletes and their coaches has been increased, including a double increase for prize winners and champions of World and European Championships.
- In 2016-2018, 4 new state Olympic Training Centres were opened.
- The Anti-Doping Supervisory Board was established, the Anti-Doping Rules of the National Anti-Doping Centre approved. The Council of Europe Anti-Doping Convention and the UNESCO Convention, as well as the World Anti-Doping Code, ratified by Ukraine.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

56

RULE OF LAW
AND FIGHT AGAINST
CORRUPTION

Rule of law and fight against corruption

The rule of law is critical to sustainable economic and social development. The rule of law is a multifaceted concept covering many areas: from personal safety and property rights to conflict resolution and government checks and balances and the fight against corruption. Effective prevention and counteraction of corruption require proper legislative framework, effective activity and interaction of anti-corruption bodies.

The overall purpose of anti-corruption reform is to shape properly the state anti-corruption policy, to formulate virtuous behavior of government and local self-government officials, to ensure transparency of the state bodies activities, to identify and minimize current corruption and human rights risks in various spheres of corruption, the negative attitude of

society to corruption, ensuring the inevitability of responsibility for corruption and corruption-related offenses.

Ensuring that Ukraine's law enforcement agencies as a whole operate effectively, together with the efficient identification, investigation and management of assets derived from corruption and other crimes, are all essential components of the effective system to fight corruption and to assert the rule of law. By exposing corruption schemes, the Government can save significant budget funds and use them to foster national prosperity.

Preventing and Combating Corruption

MAIN TASKS

- Minimize corruption risks in the public sector that threaten functioning of the state, protection of human rights and freedoms.
- To create in the society an atmosphere of intolerance to corruption and a positive attitude towards anti-corruption measures undertaken by the Government.
- Strengthen the institutional capacity of anti-corruption bodies.
- To strengthen the system of Government control over political parties' financing.
- Increase the level of integrity of the governmental bodies and local self-government officials and increase public confidence in the service at the positions in public service and local self-government.

ACHIEVEMENTS→

Development of anti-corruption institutions

Over 2015–2019 new anti-corruption institutions were created in Ukraine, including the National Anticorruption bureau of Ukraine (NABU), the Specialized Anticorruption Prosecutor's office (SAPO), acting as an independent structural unit within the structure of Prosecutor General's Office (PGO), State Investigation Bureau (SIB), the National Agency for Corruption Prevention (NACP), and the National Agency of Ukraine for finding, tracing and management of assets derived from corruption and other crimes (Asset Recovery and Management

Agency or ARMA). In June 2018 Ukraine's Parliament adopted the Law on High Anti-Corruption Court. It was followed by amendments to the Law on the Judicial System and the Status of Judges to define the jurisdiction of appeals in existing corruption-related cases. By this amendment, appeals in corruption cases filed by the National Anti-Corruption Bureau cannot be considered by other courts except the HACC Appeals Chamber. All cases regarding top officials will be handled by the HACC. On August 2, 2018 The Higher Qualifications Commission announced and held a competition for 39 vacant positions of judges at the High Anti-Corruption Court, of which to: the Supreme Anticorruption Court - 27 judges; The Court of Appeal of the High Anti-Corruption Court - 12 judges. In April 2019, 27 judges of the High Anti-Corruption Court and 11 judges of The Court of Appeal of the High Anti-Corruption Court were sworn in. In May 2019, the Chairman of the High Anti-Corruption Court and the Chairman of The Court of Appeal of the High Anti-Corruption Court were elected. HACC is expected to begin operations in September 2019.

The above-mentioned institutions are called to ensure irreversible criminal and administrative responsibility as well as punishment for corrupt offences and corruption-related offences, compensation for losses and other damage, and to do what is appropriate for them to be doing in order to restore the rights and lawful interests of persons damaged by corruption.

NATIONAL ANTI-CORRUPTION BUREAU OF UKRAINE

Phase of Legal Proceedings



196

Submitted to court



112

Under review



28

Individuals sentenced

45

Proceedings not initiated

Reasons for review delays:

- 3: Appeal review of complaint regarding the return of the bill of indictment
- 4: New proceedings initiated in April
- 5: Trial participants failed to show
- 14: Review delayed for other reasons
- 3: Prolonged formation of the judicial panel
- 13: No judges available
- 3: Problems with establishing jurisdiction

39

Cases resolved

Details of judges' decisions:

- 30: defendant found guilty including plea deals
- 7: decisions on relief from criminal liability
- 1: decision on closing criminal proceedings
- 1: decision reversed by the appeal court

ARMA has detected assets in Ukraine and abroad to arrest and confiscation

Asset	2017	2018	1st half 2019
Corporate rights share in the authorized capital of companies, UAH million	0	21 160	5 546
Securities, UAH million	0	557	50
Real estate	782	7 093	3 595
Land plots, units	329	4 457	2 465
Vehicles, units	14	3 758	1 093
Other property (goods), units	0	2 522	46 034
Agricultural machinery, units	4	950	202
Ownership of rights to inventions, trademarks, units.	0	848	66
Cash:			
UAH, million	0	358	310
US \$ million	0	98	7
Euro, million	0	2	7



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

58

RULE OF LAW
AND FIGHT AGAINST
CORRUPTION

→ ACHIEVEMENTS

Social transparency and accountability increase

○ Electronic declaring and electronic state registers

The electronic asset declaration system was launched enabling citizens to inspect online public officials' earnings and assets and helping the authorities to expose corruption. First and foremost, the system guarantees public control over the wealth of public servants paid, among other sources, from the state budget. Secondly, the system contributes to forming an oppositional public response to and an overall negative perception of manifestations of corruption. The system provides a source of information for exposing corruption by both specially authorised anti-corruption agencies and public activists. The institutional capacity of the National Agency to carry out full scrutiny of the declarations of declarations entities continues to strengthen. In 2019, a logical and arithmetic control is implemented, which is carried out automatically: internal verification of the declaration of the subject of declaration and external (with information of the relevant registers and databases).

An automated exchange of information with 13 state registers and information bases out of 16 required is carried out, by means of which in the first half of 2019 1020 full checks of the declarations of the subjects of declaring were initiated and conducted.

As of 2018, the figure was 472 decisions. In the first half of 2019, 1.5 times more decisions were made as to the results of the full verification of the declarations of the subjects of the declaration than for the whole of 2018.

Thus, the rate of initiation and completion of full year checks by one authorized person is planned to bring up to 100 checks per year, as is done in the countries of the European Union.

According to the results of the full verification of the declarations of the subjects of declaring on the grounds of crime, 54 substantiated conclusions were approved.

State bodies and local authorities have established secure channels of communication (through the official website, telephone lines, e-mail box) for reporting corruption. In 2016, 368 messages were received through these communication channels, in 2017 - 748, in 2018 - 13 237, in Q1 and Q2 2019 - 2248.

In 2019, the NAPC has put into operation the information and telecommunication system "Unified State Register of Corrupt or Corrupt-related Offenses". Since February 04, 2019 NAPC has been creating and maintaining a Register, which allows any user to receive online information. The operation of the e-declaration control system involves automatic information exchange with 16 registries and databases of Government agencies of Ukraine.

The Government intends to initiate restoration of the legal norm on criminal liability for illicit enrichment.

○ Financing of political parties by the state

The Law of Ukraine “On Amendment of Certain Legislative Acts of Ukraine on Prevention and Countering Political Corruption” was put into effect with regards to its provisions on state financing of statutory activities of parliamentary political parties.

Over 3 years the number of reports submitted by political parties regarding their property, income, expenses and financial liabilities grew from 195 in 2016 to 276 in 2018. The number of administrative offence reports on violations of legislation on the prevention of political corruption has grown to 1,386 since 2016.

○ Ultimate beneficial owners disclosure

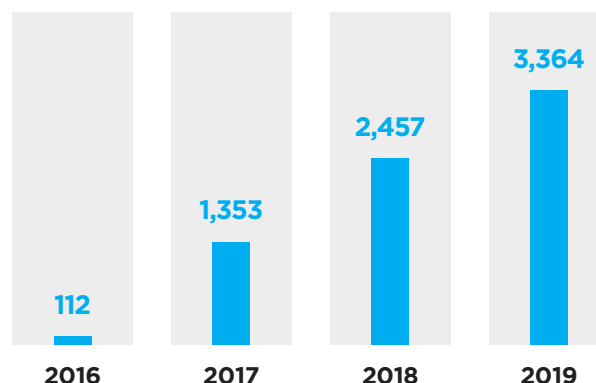
Ukraine has also disclosed the information on ultimate beneficial owners (UBO) in the companies register. Companies that run business, carry out at least one registration action per year on average. This wide information provide an opportunity for a deeper analysis of the structure of ownership of a company.

At present, the technical administrator is taking steps to update the software of the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Formations in order to provide structured information on the ultimate beneficial owners of the legal entity and search for relationships between legal entities and their founders (participants), final beneficial owners (controllers), heads of legal entities, visualization of all direct and indirect links, which also allowed casting to ensure integration with Global register on beneficial owners of Open Ownership. Technical administrator of the register works on implementation of BODS (beneficial ownership data standard). Ukrainian authorities in cooperation with civil society and international experts are also working towards a very ambitious goal - to draft a concept on verification of information on UBO. This practice is absent in most countries globally.

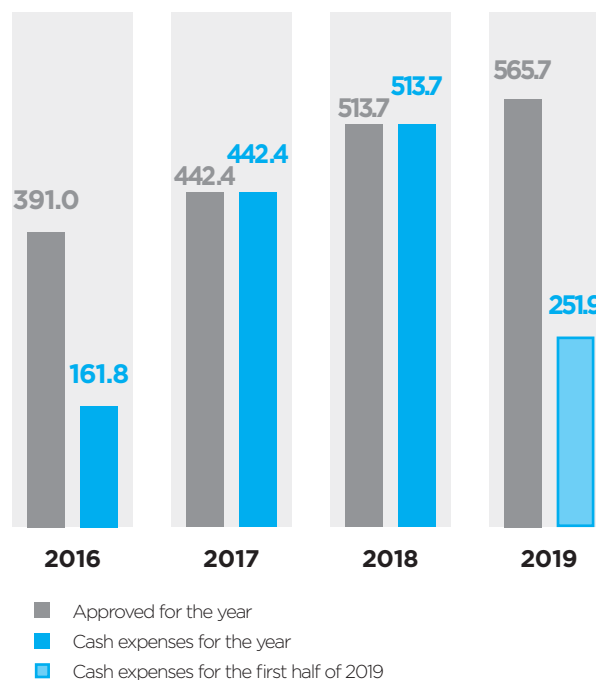
○ Improving standards of integrity

Introduced a free online Conflict of Interest online course on Prometheus Online Prometheus (prometheus.org.ua), aimed at raising standards of integrity in preventing and resolving conflicts of interest, and other restrictions and obligations stipulated by the Law of Ukraine “On Prevention of Corruption”. Since the beginning of the course, more than 40,000 students have taken part in it.

**Number of declarations submitted through the system
(thousand declarations)**



**The amount of state budget allocation for financing of
political parties by the state (million hryvnas)**





**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

60

RULE OF LAW
AND FIGHT AGAINST
CORRUPTION

Justice Sector Reforms

MAIN TASKS

- To reform the system of enforcement of judicial rulings,
- Ensure creation of a flexible free legal aid provision system,
- To increase transparency and efficiency of the judiciary and prosecution sectors in Ukraine

ACHIEVEMENTS

Judiciary sub-sector reforms

The Justice Sector Reform Strategy and Action Plan 2015-2020 (JSRSAP) foresees a wide- ranging reform of justice sector in Ukraine, elaborating policy interventions with complex results-oriented indicators. On August 2, 2018, the HQCJU announced a competition for 78 vacant positions of judges of cassation courts within the Supreme Court. On May 7, 2019 75 judges were appointed by the President. The staffing of the Supreme Court has reached 193 judges out of possible 200.

- **Enforcement of court and other bodies decisions**
New developments were introduced in the system of enforcement of decisions which resulted in increase

of the level of enforcement. The efficiency of enforcement of court decisions on alimony and salaries was improved. In 2018 state enforcement officers collected UAH 4.6 billion in favour of 555 thousands children and UAH 461.4 million for payment of salaries. Data on debtors for alimony and salary is disclosed in the Unified Register of Debtors. As of beginning of 2019 there are 146 private enforcement officers registered in the Unified Register of Private Enforcement Officers of Ukraine.

- **Provision of Free Legal Aid**

In 2011, a free legal aid system was introduced in Ukraine, which as of 2019 has 535 access points to free legal aid and established effective cooperation with other institutions providing free legal aid. In total, over 22 million Ukrainians (about 52% of the total population) are entitled to receive the services of a lawyer or an employee of the free legal aid system at the expense of the state. From 1 July 2015 to 1 July 2019, 1 627 430 persons received legal advice and clarification free of charge, and 14 909 persons were referred to partner institutions. In addition, free secondary legal aid centers issued 609,274 warrants to attorneys and orders for centers' staff to protect the rights of individuals in criminal cases and to represent interests in civil and administrative matters.

- **Penitentiary and probation system**

On March 29, 2018, the decision of the collegium of the Ministry of Justice of Ukraine approved the passport of the reform of the penitentiary system and probation for 2018-2021. One of the strategic goals is to create a system of reintegration to provide a proper environment that encourages people to live without committing offenses.

The ultimate goal of reforming the penitentiary system and probation is to improve the security of society by correcting and re-socializing those who have been in conflict with the law.

Within the framework of the reform of the penitentiary system and probation, the Administration of the State Criminal Enforcement Service of Ukraine, State Institution «Probation Center» and State Institution «Health Center of the State Penal Enforcement Service of Ukraine» were formed as independent institutions coordinated by the Deputy Minister of Justice of Ukraine.

One of the key areas of reform of the State Penitentiary Service of Ukraine is the creation of a Unified Register of Convicts and Persons Imprisoned and the creation of a reintegration system to provide a proper environment that encourages a person to live without committing crimes.

The innovation of the criminal process was the preparation and filing of probation, which would facilitate the election by the court of the criminal punishment, necessary and sufficient for correcting the offender, expanding the practice of applying punishments, alternative to imprisonment.

As a result of the activities of the United Nations Special Monitoring Mission on Human Rights in Ukraine, from 2014 to 2018 there were no cases of accusations against DCAF personnel for repressing actions against prisoners / prisoners who had complained about their misuse or abuse. improper conditions of detention.

○ Legal education and legal awareness

Since 2017, the project “I HAVE THE RIGHT!” is the first in Europe a nationwide advocacy project. More than 2 million people received legal assistance under the project.

In order to improve the quality of legal education, a draft Concept for the Development of Legal Education was developed. Requirements for admission to the bachelor's degree have been

raised, the procedure for admission to the magistracy has been improved by the introduction of the Single Professional Entrance Test and the Single Entrance Exam, the refusal of the state order for the external form of education.

Prosecution sub-sector reform

As a result of the reform, the prosecutor's offices have lost the function of pre-trial investigation but temporarily continue to carry it out during transitional period (until 20.11.2019 but only in criminal proceedings opened before 20.11.2017). On November 27, 2018 the State Bureau of Investigations has started its functionality. In this regard, in the structure of the Office of the Prosecutor General of Ukraine the Department of Organization and Procedural Guidance for the Pre-trial Investigation of Criminal Offenses Investigated by the State Bureau of Investigations was created. This Department on SBI supervision will carry out obligations with regard to observance of the fulfilment of laws by operational units of the SBI. By now, work is underway to develop interagency regulatory and methodological documents that regulate issues of interaction with the SBI. One of the main priorities of the work of the Department on SBI supervision is to provide effective procedural guidance in criminal proceedings on corruption-related crimes. As a result since establishment of the Department on SBI supervision 21 indictments were sent to courts in corruption related offences. During 2018, prosecutors (without the military prosecution) have sent 299 indictments against 395 people to the court.

Ukraine has adopted the law on misdemeanour. The category of misdemeanour will include 126 criminal offences. The institute of misdemeanour and simplified investigation procedures were introduced with the purpose to relief investigators from unnecessary workload, which will allow them to concentrate on investigations of crimes.

IMPACT

- More efficient use of the state funds and their allocation for specific, priority needs
- Eliminating corruption risks in the operations of executive Government agencies and state companies, strengthening civil oversight and control over their activities
- Laying the foundations for transparent political party operations and their monitoring; better control and oversight of funding for political parties and election campaigns
- Strengthening the institutional infrastructure and the capacity of anti-corruption agencies for policy planning and implementation, and ensuring efficient operation of anti-corruption bodies
- Making decisions for anti-corruption policies based on the analysis of reliable data on corruption and factors that enable corruption
- Improved positions in international anti-corruption rankings
- Improved national image and increased confidence of international partners and investors in Ukraine
- Reduced tolerance to corruption in the society and increased public support of the state anti-corruption policies and initiatives.



62

SECURITY
AND DEFENSE

Security and defense

The desire to feel safe is among the strongest aspirations of Ukrainians today. Reliable protection of sovereignty and restoration of territorial integrity of Ukraine are key prerequisites for ensuring a healthy development of the Ukrainian state. The Government is committed to continuing enhancing the country's potential of countering various forms of external aggression including a comprehensive support of the capabilities of the Ukrainian Armed Forces. In addition to that the Government is tasked with adequate response to any and all challenges by minimising risks for citizens' life and property - in particular, by implementing measures aimed at infringement of their rights, preventing crime and adequate response to emergencies, maintaining safety of public space and road traffic.

The development of defence capabilities is carried out in accordance with Euro-Atlantic standards and the capacities of the Ministry of Defence of Ukraine, the Armed Forces of Ukraine, and other components of the defence forces are developed to adequately respond to military threats to the national security, Ukraine's sovereignty, its territorial integrity, inviolability of its borders, contribute to global peace and security and meet the NATO ascension criteria.

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

Defence Reform

The Government's unconditional priority is maintaining the state's ability to withstand different forms of foreign aggression, including by thoroughly building the capacities of the Armed Forces. At the same time a modern conflict affects many more facets of social life instead of being only limited to the military component.

This exactly why Ukraine chose a strategic course on becoming a full-fledged member of the European Union and NATO. Ukraine is actively adopting NATO standards - in particular, the defence reform is being implemented in line with the principles and values shared by NATO member states. Ukraine's strategic goal in the area of security and defence is integration into the Euro-Atlantic security framework and, primarily, into the North-Atlantic Treaty Organization (NATO). In addition to that the defence reform pivots on a vision approved by Ukraine's Military Doctrine for preparing the state for a potential armed conflict and applying military force to defend its sovereignty, territorial integrity, and other vital national interests.

MAIN TASKS

- Implementing a shift to a joint command of defence forces. Creating a radically improved new system of commanding defence forces based on a new allocation of authority, functions, responsibilities, and accountability on a strategic and operational level based on the best practices of NATO member states.
- Ensuring effective communications capacity on a strategic, operational, and tactical level of a formation.
- Ensuring the elaboration and implementation of an effective policy and a resource planning and management system in the defence sector.
- Ensuring operational (battle and special) capabilities of the defence forces.
- Development, in accordance with Euro-Atlantic norms and criteria of NATO membership, capabilities of the Ministry of Defense of Ukraine, Armed Forces of Ukraine and other components of the defense forces necessary for adequate response to threats to national security in the

military sphere, protection of Ukraine, its sovereignty, territorial integrity and territorial integrity, borders, support for international peace and security.

- Improving the system of defence and budget planning and creating an integrated risk management system.
- Implementing an open and transparent electronic procurement system for all public purchases, planning Government defence contracts for a three-year period with the possibility of annual adjustment of the order numbers.
- Implementing advanced technology in the production of military equipment, creating end-to-end cycles for the development and production of key weaponry, military and special machinery, and updating the military infrastructure management system.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

64

SECURITY AND DEFENSE

ACHIEVEMENTS

Joint command of defence forces

The chief element of the new system of command is an efficient structure of the Ministry of Defence and the General Staff of the Armed Forces build in line with NATO standards and meeting the principles of effective democratic civilian control of defence field. The Government continues the reform of the Ministry of Defence aiming to streamline the number of staff and the organisation of structural units. The reform included a revision of functions, accountability, and scope of authority associated with responding to challenges in managing defence forces and aimed at improving coordination between the MoD and the General Staff of the Armed Forces.

On February 21, 2019, the Law of Ukraine “On Amendments to the Constitution of Ukraine (Regarding the Strategic Course of the State for Acquiring Full Membership of Ukraine in the European Union and in the North Atlantic Treaty Organization)” came into force.

The Constitution of Ukraine enshrines the civilizational choice, the European identity of the Ukrainian people and the irreversibility of the strategic course of the state for the acquisition of full membership of Ukraine in the European Union and in the Organization of the North Atlantic Treaty Organization. Ukraine is actively implementing NATO standards in its Armed Forces. In particular, these efforts include reorganization of the structural units of the General Staff of the Armed Forces in line with the principles and values shared by NATO member states. The intensity of combat training of servicemen is being increased with an active instruction input from NATO member states and partners.

The Government continues implementing democratic public civilian control over the Armed Forces. The civil command of the Ministry of Defence of Ukraine was appointed, and as at the

end of 2018 the share of civilian personnel of the Ministry of Defence administration amounted 82% with only 18% servicemen.

The Ministry of Defence of Ukraine is empowered to shape the state defence policy whereas the General Staff - to implement it.

Effective resource planning and management

The Government continues implementing a new system of defence planning based on enhancing capacities:

- The organizational basis was determined and a defense review was started to assess the state and readiness of the Armed Forces and other components of the defense forces to fulfill the tasks of the state defense, the state of their personnel, financial, logistical and other types of security, as well as available capabilities for effective responding to challenges and threats in the military field. According to the results of the defense review, it is expected to determine a promising model of the Armed Forces and other components of the defense forces, taking into account real and potential threats in the military sphere and financial and economic capabilities of the state.
- Programme and project management is being introduced.

This involves management of risks to mitigate the threats caused by poor managerial decisions and irreparable losses while using budget funds.

A new system of procuring weapons and military equipment (WME) and other materials is being deployed. The Ministry of Defence was authorised to import weapons from foreign partners. A three-year WME procurement and modernization cycle within the scope of the state defence contract was introduced.

Enhancing operational capacities of defence forces

The 2028 Development Strategy of Ukraine's Defence Industry, which defines its strategic areas of development, was adopted. These areas include, inter alia, upgrading and enhancing the productive capacity of enterprises in the defence industry.

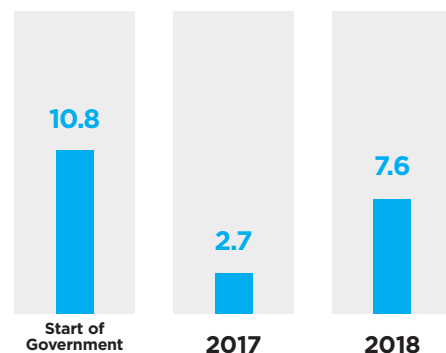
Ukraine is extensively cooperating with and gravitating towards NATO. Politically, NATO officially recognized Ukraine's Alliance aspirations in 2018. In their Brussels Summit Declaration on July 11, 2018, NATO member states acknowledged Ukraine's prospects of NATO membership.

National manufacturing facilities set up production of missiles and ammunition.

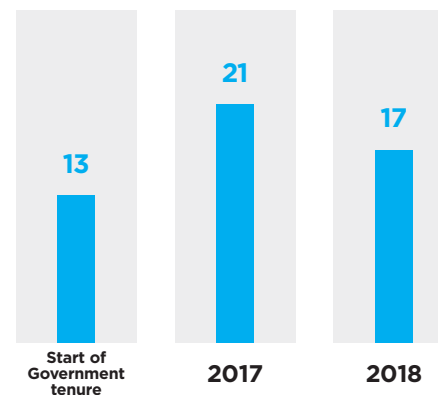
The Joint Operational Headquarters, the Special Operations Forces, and the Air Assault Forces were formed within the Armed Forces of Ukraine.

The Government continues efforts aimed at restoring the capabilities of the Ukrainian navy. The newly formed Naval Command and the Marine Corps Command are increasing their capabilities. The Ukrainian Navy's Missions Centre is under construction as part of the efforts aimed at rebuilding the base infrastructure of the Ukrainian Navy on the coasts of the Black and Azov Seas and the creation of a modern management system together with the engineering service of the U.S. Sixth Fleet.

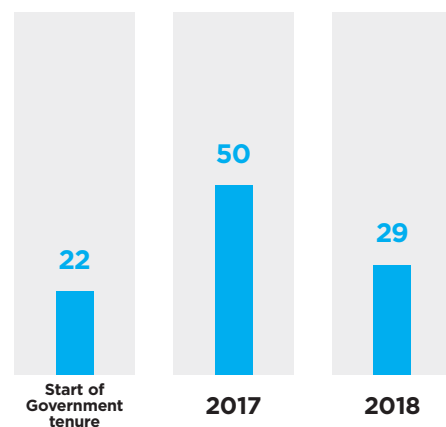
Supply of samples of new and upgraded weapons and military equipment to the Armed Forces of Ukraine (thousand units)



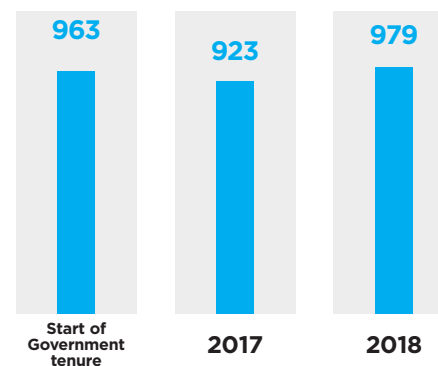
Accepted (supply) Armed Forces samples of weapons and military equipment (units)



Samples of weapons and military equipment are allowed to operate



Weapons and military equipment repaired by the defense industry of Ukraine and transferred to military units (units)





66

SECURITY
AND DEFENSE

**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

→ ACHIEVEMENTS

Integrated logistics and medical support systems

Two functional vertical structures of the integrated logistics system were formed and now undergo capability development: planning the logistical support and direct management of logistical assets while organising logistical support. The new food and nutrition system which relies on the Food Catalogue was adopted at 73 military units.

Over 100 new materiel items were introduced with the material support norms revised and updated. The Armed Forces personnel is fully provided with combat uniforms.

The system of the Armed Forces medical support and other defence forces components are being improved in accordance with NATO principles and standards - in particular:

- "Senior company (battery) combat medic" and "Squad combat medic" positions introduced.
- Combat medic training commenced at the tactical medicine centre in accordance with NATO standards.
- The procedure of setting up and effecting medical evacuation and the mechanism for providing medical care to servicemen at civilian health care institutions were defined.
- Qualified medical care was brought as closely as possible to the wounded to reduce lethality during medical evacuation and while providing medical care.

Professionalizing defence forces and creating the requisite military reserve force

The Armed Forces gained a unique experience while carrying out six phases of partial mobilization during which 217 thousand people eligible for military service (including over 35 thousand volunteers) were drafted and 8.5 thousand equipment items were commandeered from the national economy of Ukraine. The number of contract servicemen reached 166 thousand. At present the share of soldiers and sergeants serving under contract is 85%.

The Armed Forces' gender policies are changing to comply with the modern standards. Among other matters, this includes introduction of gender advisors in the Armed Forces of Ukraine and other military formations. Equal rights and opportunities for men and women while performing active duty are now protected by law, and 57 positions of gender advisors were created. There are over 27 thousand service women including 3.7 thousand officers performing active duty in the Armed Forces of Ukraine.

The structure of the pay service of military personnel was reconsidered for the first time in 30 years. The minimum amount of basic pay services of military personnel and the combat zone bonuses were increased. A mechanism of financial compensation for renting accommodation is provided for enlisted personnel (soldiers, sergeants, and starshynas) serving under a contract.

A contemporary system of military education was created enabling training of military specialists at all levels of higher education. The Military Armoured Corps Institute and the State Research Institute for Testing and Certification of Weapons and Military Equipment Military Law Institute at Yaroslav the Wise National Law University were created. A prospective model for promoting career growth of officers based on acquiring military education combined with learning foreign languages (including courses abroad) was approved and is now being implemented. The personnel structure was streamlined which involved downgrading a number of core position categories of senior officers. The development of a professional non-commissioned officer corps continues.

IMPACT

- Ukraine is extensively cooperating with and gravitating towards NATO. In their Brussels Summit Declaration on July 11, 2018, NATO member states acknowledged Ukraine's prospects of NATO membership.
- Ukraine is actively implementing NATO standards in its Armed Forces. In particular, these efforts include reorganization of the structural units of the General Staff of the Armed Forces in line with the principles and values shared by NATO member states. The intensity of combat training of servicemen is being increased with an active instruction input from NATO member states and partners.
- The defence industry of Ukraine is being reformed and developed. The infrastructure of training centres, military communities and ranges of the Armed Forces, complexes of airfield buildings and runways is being gradually restored.
- The Government is continuously increasing the investments into the development of new types of weaponry. The 2028 Development Strategy of Ukraine's Defence Industry, which defines its strategic areas of development, was adopted. These areas include, among other matters, modernisation and enhancing the productive capacity of enterprises in the defence industry.
- The Ukrainian Navy's Missions Centre is under construction as part of the rebuilding of the base infrastructure of the Ukrainian Navy on the coasts of the Black and Azov Seas and the creation of a modern management system together with the engineering service of the USA Sixth Fleet.
- The Armed Forces of Ukraine's gender policies are changing to comply with modern standards.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

68

SECURITY
AND DEFENSE

Homeland Security Reform

A health development of the Ukrainian state is impossible without building a unified resilient and functional internal affairs system being an integral national security element. Modern-day challenges and threats - first and foremost including hybrid ones - are caused by a combination of socio-demographic, economic, political, legal, psychological and technological factors requiring systemic response, adequate transformation both of the entire security sector and the internal affairs system in particular as well as integration of the system into the structure of the country's political priorities.

MAIN TASKS

- Protection of people against violations of law.
- Preventing crime.
- Ensuring the safety of public space and road traffic.
- Ensuring observance of human rights and civil liberties.

ACHIEVEMENTS

Reform of the Ministry of Internal Affairs

Strategic priorities for further reform were defined by the Strategy for the Development of the System of Ministry of Internal Affairs till 2020 (dated November 15, 2017). The Ministry of Internal Affairs has respective departments for interaction with subordinated agencies: State Border Guard Service, State Migration Service, National Police, State Emergency Service, National Guard.

In addition, in December 2018, the Security Sector Coordination Unit for Counteracting Hybrid Threats was established under Division for Critical Infrastructure Protection of the Policy-making Department of the Ministry of Internal Affairs of Ukraine.

There is an active intervention to improve the provision of services. As of today, there are 156 regional service centers of the Ministry of Internal Affairs, including 114 new ones, which provide services under the principle of "one window" in the format of an open-space office.

In August 2018, the service of open data on the primary registration of vehicles was launched. Optimization of the process of certification of specialists of driving schools, which carry out training of drivers of vehicles started. In December 2018, a new online service "Checking the Vehicle Registration Certificate" was introduced.

On December 21, 2018, the online service "Driver's Electronic Cabinet" started functioning.

Reform of National Police

Reform of criminal police is ongoing including pre-trial investigation units which is provided in close cooperation with EUAM. It's aim is to merge investigators and operative police officers.

Response to criminal offenses has been improved through Unified contact centres "102" and newly created service of dispatchers who carry out centralized management of details/units at the level of region. Due to these changes, the time of police response to reports of crimes or other events decreased from a few hours to strictly set by the order of the NPU norms: 7 minutes in regional centers and 20 minutes in district centers.

A comprehensive video surveillance system is being introduced. Situational centers (analytics of criminal situation) actively use video information 19 thousand CCTV cameras, of which nearly 2 thousand with video analytics system.

At present, the patrol police operates in 38 localities, as well as on roads of national and international importance with a total length exceeding 6,4 thousand km. 43 patrol police stations were created. In order to increase the effectiveness of counteracting street crime, patrol police tactical teams have been formed to assist ordinary patrols in case of emergencies. Currently such groups are established in 24 regions and in Kyiv, consisting of 1233 employees. Patrol responding teams are created in small towns and rural areas.

Protection of public order during mass events has improved with the introducing "Scandinavian model" of public order protection. At present, communication groups are involved in mass events in all regions of the state.

Special police unit CORD was established for providing special operations (riot police). New units of the National Police were created, namely:

- Department of Strategic Investigations, the priority of which is to counteract socially dangerous organized groups and criminal organizations, as well as the prevention of increased activity of representatives of organized criminality.
- Department of organizational support for the activities of the police units on the water and air, whose function is to coordinate the work of police units on the water, groups on the use of unmanned aerial vehicles and the introduction of helicopter police activities.
- Criminal Analysis Department, the main tasks of which are the organization and coordination of information retrieval and analytical work aimed at collecting, evaluating, analyzing information, assessing risks.
- Patrol Police Academy was established.

National Guard of Ukraine

5 regional (recruiting) centers started their work, the system of military reserve was created. 1127 of reservists were trained during training collections.

Work is underway to improve the structure and composition of the National Guard's Main Military Command, bring its organizational and staff structure closer to that of other security and defense sector constituents, and similar military units of the relevant NATO member states.

One of the significant results achieved in the framework of joint projects is the creation of forces of the National Guard of Ukraine for security protection in the mountainous area, providing assistance to tourists and the population. The issue of equipping NGU military units with modern and upgraded samples of equipment, special means, equipment and equipment for ensuring public order protection is ongoing.

During the implementation of the projects, the National Guard of Ukraine received assistance and support in the process of the accession of the National Guard of Ukraine to the International Association of Gendarmerie and Police Force in the status of a military institution of the FIEP and to gain full membership.



Progress in european and euro atlantic integration

Reforms in Ukraine
2016-2019:
Irreversibility of Changes

The membership with EU and NATO remains the number one priority of Ukraine's domestic and foreign policies. Our strategy of ascending into the EU is based on building a viable state using the best international practices. We are continuously working on the integration into the economic, political, and legal framework of the EU. In February this year Ukraine once again reaffirmed its commitment to the chosen path. The provisions on the political course on securing EU and NATO membership were added to the Constitution of Ukraine. Enshrining Ukraine's course on the European and Euro-Atlantic integration in the Constitution will help to protect the state against political manipulation. The President's decree of 20 April, 2019 entitled "Issues of European and Euro-Atlantic Integration" approved the action plan for the implementation of the state's strategic course on a full membership with the EU and NATO mandating the Government to endeavour best efforts to meet these goals.

Ukraine's ambitions remain crystal clear: a successful performance of the EU-Ukraine Association Agreement including the provisions with regards to the launch of a free trade area and applying for EU membership upon completing the reforms and ensuring compliance with the EU criteria for ascension.

The Ukrainian nation confirms its commitment to this course every

day. Institutional changes happening everywhere. The Government efforts are focused on building inclusive institutions and dismantling the post-Soviet heritage. The results of structural changes in such areas as ensuring the rule of law, reforming the Government control system, the anti-corruption system, improving public welfare, and ensuring stability and sustainable economic development attest to a gradual transformation of Ukraine into a modern European country.

In 2018 Ukraine changed its approach to the implementation of the EU-Ukraine Association Agreement (hereinafter 'Association Agreement'). The Government follows the adopted Action Plan on Implementation of the Association Agreement, which explicitly defines the entire range of tasks and enables performance status control and planning and setting additional goals. The work never stops. The monitoring system "Pulse of the Agreement" helps to track the progress in implementing the Association Agreement in every area of social life.

A list of high-priority Euro-integration bills was approved for submission to the Verkhovna Rada of Ukraine in order to improve the collaboration of the Cabinet of Ministers and the Parliament along the lines of EU integration. This 2018-2019 roadmap is being continuously updated.

"Roadmap" of priority draft laws on Ukraine's European integration for the period of 2018-2019



57

Total number of
draft laws



11

Adopted in
principle



13

Adopted

Ukraine's performance of the Association Agreement including with the provisions on the DCFTA were highly recognised at the 20th EU-Ukraine summit held on the 9 July 2018, and at the Association Council meeting on 17 December 2018. The statement following the 5th Association Council meeting acknowledges the parties' commitment to enhancing cooperation in high-priority areas. In order to strengthen political association and deepen economic integration of the EU and Ukraine four high-priority areas of cooperation were detailed including digital economy, customs policy, energy, as well as legislation, freedom and security.

The first half-year of 2019 is to mark the adoption of decisions on updating the Agreement to reflect our commitment to sectoral

integration into the European single market - our principal aspiration in performing the Agreement.

Ukraine's achievements were recognised by the EU both in terms of the Association Agreement performance and with regards to meeting its commitments specific to the visa-free regime once again proving its status of a dependable partner. Two million Ukrainians have already benefited from the new regulations which enabled their travel for recreation and establishing business contacts. Ukraine and the EU continue collaboration on countering common threats.



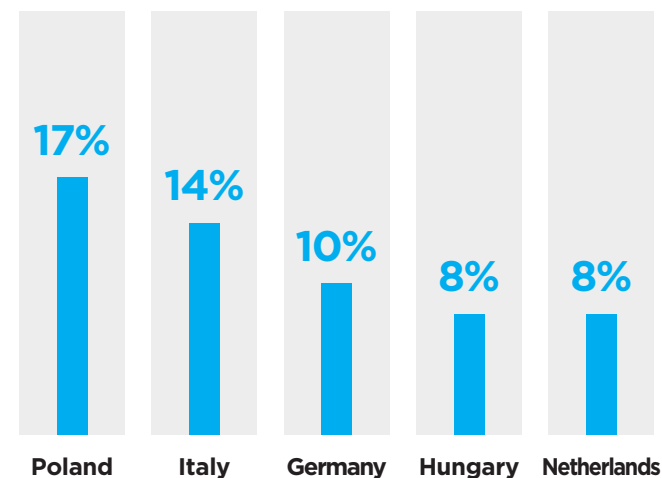
**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

LIBERALISATION OF TRADE TERMS WITH THE EU AND THE WORLD

The implementation of the EU-Ukraine Association Agreement in part of establishing a free trade area created favourable conditions for the development of trade with the EU. The share of business with the EU in Ukraine's foreign trade continues to grow. Over 2018 the specific weight of the trade in goods and services between the EU and Kyiv amounted to approximately 42% of the entire volume of Ukraine's trade.

Ukraine was ranked third among the exporters of agricultural products to the EU pulling ahead of China. The amount of Ukrainian exports to the EU in the period from February 2018 to January 2019 amounted 5.9 billion Euros. Almost 15,000 Ukrainian companies have received EU export permits.

The leader markets for Ukrainian goods



Dozens of projects are being implemented in such areas as the development of transport infrastructure, housing and public utility sector, the support of small and medium-size enterprises, energy efficiency and many others. The scope of EU financial and credit support exceeded 1.2 billion Euros in 2018.

According to the end-of-year results the most significant progress was reached in such areas as “Entrepreneurship”, “Agriculture”, “Technical Barriers to Trade”, and “Social Policy and Labour Relations”.

Ukraine met a substantial number of its obligations specific to ensuring the transparency of competition policy through Government aid control, implementation of corporate governance, and opening data regarding corporate operations. In April 2019 the Bankruptcy Code, which improves the effectiveness of bankruptcy procedures, protects creditor rights, and provides for execution of court rulings, was adopted. By and large as at 1 January 2019 Ukraine met 73% of its obligations regarding harmonisation of its entrepreneurship legislation with the EU laws.

The implemented changes and the convergence of policies and legislation on agriculture have turned Ukraine into an important supplier of organic products to the EU market. The EU law provided the foundation for adopting legislation on organic production, marking of organic products, and creating conditions for producing competitive export products. Most of Ukraine’s organic operators are certified according to the EU standards which are applied both to exporting organic products and doing business on the domestic market.

Industries continue to adopt international technical regulations eliminating non-tariff barriers to trade and enhancing the access of Ukrainian industrial products to global markets. The country has made a significant effort with regards to development and adoption of

technical regulations, standardisation and metrology. On 1 January 2019 Ukraine repealed 10,917 outdated standards developed before 1992 which amounts to almost 90% of the total number of standards in the country.

The roadmap for Ukraine’s accession to the joint transit procedure EU / EFTA was approved. The adoption of the Law of Ukraine “On Amendments to the Customs Code of Ukraine and Certain Other Laws of Ukraine on the Implementation of the ‘Single Window’ Mechanism and Optimisation of Control Procedures for Movement of Goods Across the Customs Border of Ukraine” marks the beginning of bringing Ukrainian transit procedures into compliance with the Convention on a Common Transit Procedure.

On 25 April 2019 the Parliament took an important step towards the so-called ‘industrial visa-free regime’ for Ukrainian goods. The Parliament passed the draft law “On Amendment of Certain Legislative Acts of Ukraine Regarding the Implementation of European Union Legislation in the Area of Technical Regulation” and “On Common Transit Procedure” in the first reading. These steps were the essential pre-requisites for initiating the official procedure of assessing Ukraine’s readiness for entering into the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA).

To introduce the institute of Authorised Economic Representative (AER) the Verkhovna Rada of Ukraine is expected to adopt the draft Law of Ukraine on amendments to the Customs Code of Ukraine to facilitate customs formalities for reputable enterprises, create the conditions for the recognition of Ukrainian AERs in the EU, pave the way for the participation of Ukrainian AERs in cargo tracking efforts in accordance with SAFE Framework of Standards of the World Customs Organisation to result in boosting the competitive advantage of Ukrainian enterprises.



SECTORAL COOPERATION WITH THE EU

Changes in social policy and labour relations are achieved by developing professional standards, adopting new approaches to the operation of the State Employment Service of Ukraine and implementing common standards of pension benefits. These transformations are based on EU standards.

In furtherance of the EU-Ukraine Association Agreement the Government prepared the Strategy for Ukraine's Integration into the EU Single Digital Market and the Action Plan for its Implementation (roadmap) which is currently undergoing EU internal audits. Once the audits are completed, Ukraine expects a visit of EU expert mission to assess the state of Ukraine's digital market - in particular, the telecommunications. The results will help define joint EU-Ukraine activities aimed at the integration of digital markets.

Ukraine has made considerable progress in such areas as "Justice, Freedom, Security, and Human Rights", "Sanitary and Phytosanitary Measures", "Energy Efficiency, Housing and Public Utilities Sector",

"Energy", "Statistics and Information Exchange", and "Financial Services".

Cybersecurity remains a priority for Ukraine which is an important contributor in this area due to the existing threats. Ukraine joined a number of EU initiatives which strengthen its capabilities in countering cyber threats such as partnering with the European Network and Information Security Agency (ENISA) and the European Cybersecurity Research and Competence Centre. The Department of Strategic Investigations was established within the structure of criminal police of the National Police of Ukraine. Ukraine continues collaborating with the EU on border management, migration, providing refuge and crime prevention.

The year of 2018 also marked the commencement of technical implementation of the mechanism for the procurement of goods and services under framework agreements. Similarly to the procurement procedures, this mechanism relies on the ProZorro system and enables clients to purchase goods and services by entering into framework agreements for the maximum term of 4 years.

The introduction of the comprehensive draft Law of Ukraine "On Amendments to the Law of Ukraine "On Public Procurement Improvement" and Certain Other Legislative Acts of Ukraine" to the Verkhovna Rada of Ukraine and its adoption remains among the top priorities.

A series of regulatory instruments were passed in 2018 to implement the provisions of the Law of Ukraine “On Commercial Accounting of Thermal Energy and Water Supply” and “On Energy Efficiency of Buildings”. The capacities of the Energy Efficiency Fund were considerably expanded. Ukraine is implementing ecodesign - a European approach which defines requirements to the efficiency and environmental impacts of various energy-consuming products.

The Government approved plans for the implementation of Phase 1 of the Energy Strategy of Ukraine (to 2020) and the synchronisation of the common energy system of Ukraine with the energy grid of the EU member states. A new model of the electricity market was created, and the State Inspectorate for Energy Supervision was established.

The Government is actively working on updating the energy annex to the Association Agreement to ensure integration with the EU energy markets.

The efforts aimed at ensuring the integration of Ukraine’s energy market with the EU energy market include the work on updating Annex XXVII to the Association Agreement. The Government of Ukraine approved the respective draft decision of the EU-Ukraine Association Council.

To improve the investment climate in Ukraine the draft Law of Ukraine “On Amendment to Certain Legislative Acts of Ukraine on Facilitation of Investment Attraction and Introduction of New Financial Instruments” was developed and awaits review by the Parliament. The adoption of the new law will enable regulation of the commodity market operation and prevent manipulation.

To build an effective system of countering corrupt practices on the securities market and improving the attractiveness of Ukraine’s economy by building

trust to the efficiency of state regulation of the stock market the draft Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine on Protecting Investors against Corrupt Practices on Capital Markets” was developed.

The draft Law of Ukraine “On Amendment of Certain Legislative Acts of Ukraine on Credit Unions” which, among other goals, is intended to provide transparency and ensure stability on the mutual lending market and establish common approaches to the regulations which govern credit union operations.

The Government also intends to redouble its efforts aimed at the performance of Ukraine’s obligations under the Association Agreement in such areas as “Education, Training and Youth”, “Transport, Cooperation on Infrastructure, Postal and Courier Services”, “Government Procurement”, “Environmental Protection and Civil Defence”. These areas are marked with considerable progress. The Government continues to implement state monitoring of water reserves pursuant to the EU Water Framework Directive. The Law of Ukraine “On Strategic Environmental Assessment”, which provides for openness of information regarding the impact of Government projects and plans on the environmental conditions, recently became effective while beginning September 2018 the secondary education reform “New Ukrainian School” was launched.

The Ukrainian and EU parties are collaborating on extending the presence of international education institutions in Ukraine - in particular, by launching courses of the College of Europe and the Eastern Partnership School for public servants and further support and development of the European camp in Ukraine.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

76

PROGRESS IN EUROPEAN
AND EURO ATLANTIC
INTEGRATION

KEY INITIATIVES AND PRIORITIES FOR THE NEAR FUTURE

Ukraine will continue the dialogue with the European Union and its member states within the framework of its strategic course on European and Euro-Atlantic integration.

Sectoral integration in high-priority areas such as digital market, trade liberalisation, and energy as well as justice, freedom and security will deepen. Therefore, the current agenda includes the following issues:

- Updating the energy annex to the Association Agreement enabling Ukraine's integration with the energy markets of the EU states. The Government is actively working on this task.
- Entering into the EU-Ukraine Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) to mark an 'industrial visa-free regime' for Ukrainian goods.
- Eliminating customs barriers. The Verkhovna Rada of Ukraine is expected to adopt the draft Law of Ukraine on Authorised Economic Representative and the common transit to contribute to customs liberalisation and create the conditions for joining the Convention on a Common Transit procedure in the long term.
- Preparation of proposals for the EU party on updating the Association Agreement to reflect the dynamics in the FTA functioning and review of preferences.
- Based on the results of the EU assessment of the Strategy for Ukraine's Integration with the EU Single Digital Market and its Action Plan (roadmap) and the activities of the EU expert mission tasked with assessing the convergence of Ukrainian legislation with the EU law in the digital domain the parties may approve a joint action plan regarding further steps in the digital domain at the next scheduled meeting of the EU-Ukraine Association Council.
- Continued collaboration with a group of high-level EU advisors on developing the draft strategy of integrated border management up to 2025 and the action plan for its implementation. The document is being developed based on eleven European principles of integrated border management and, among other matters, will provide the legal framework for the guarding of borders, passage of individuals, vehicles and cargo across the state border, implementation of preventive activities to combat trans-border crime, analysis of risks using a common integrated model, countering illegal migration and human trafficking etc.

FURTHER PLANS



E-services market



Energy sector



Justice, Freedom, Security



Education and Science

Further priorities also include the implementation of the new trans-European Transport Network (TEN-T) Investment Action Plan for stronger connectivity approved at the meeting of foreign ministers of EaP member states. The conclusion of the EU-Ukraine Common Aviation Area agreement to liberalise the air transportation market.

The time has come to update the EU-Ukraine Association Agenda in collaboration with the EU party to reflect Ukraine's initiatives specific to achieving more comprehensive sectoral integration in such areas as digital market, customs cooperation, and energy as well as justice, freedom and security.

Furthermore, Ukraine will focus on creating conditions for economic growth, improving the business climate, ensuring effective governance, creating conditions for investment into human capital development, and continuing education and health care reforms and the efforts aimed at strengthening the rule of law and fighting corruption.

Both the Ukrainian and the EU parties strive to build closer interpersonal ties. To that end the Government will continue investigating possibilities regarding extending the presence of foreign education institutions in Ukraine - in particular, by launching courses of the College of Europe and the Eastern Partnership School for public servants and further support and development of the European camp in Ukraine.

At the same time the development and revision of standards of higher education in Ukraine along specialities in a number of knowledge areas will include the definition of requirements to academic programmes on matters of European and Euro-Atlantic integration.

In addition to that the Ukrainian party intends to engage in consultations with the EU party regarding the possibility of Ukraine's participation in "Horizon Europe", the EU's next funding programme for research and innovation.

The near-term plans include extending EU-Ukraine cooperation in matters of information security and cyber security, ensuring the resilience of critical infrastructure, countering trans-national crime, strengthening the guarding of borders, and mitigation of migration-related risks.



EURO-ATLANTIC INTEGRATION

Within the context of implementing the state Euro-Atlantic integration policy, the approaches to NATO integration were completely updated, the work on strategic convergence of Ukraine and NATO was organised, the defence planning system built on the NATO standards was created, a clear mechanism of monitoring, coordination, and control of the cooperation with the Alliance was implemented by forming the intergovernmental Committee on Coordination of Ukraine's Euro-Atlantic integration efforts chaired by the Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration; organisational conditions were created for the professional development of the Government officials involved in cooperation with NATO and reforming Ukraine's security and defence sector; the targeted and

systematic informational activities aimed at raising public awareness of the content and the end goal of Ukraine-NATO cooperation were resumed to enlist the civic support of the Government policy on Euro-Atlantic integration; the security and defence sectors are strengthened by laying institutional foundations for the introduction of gender advisors / contact persons on gender issues and the integration of gender agenda into the learning process at the education institutions of the security and defence sector of Ukraine; and the adoption of NATO standards in the security and defence sector of Ukraine.

The annual national programme (ANP) is Ukraine's key instrument of promoting its Euro-Atlantic aspirations. The document had laid the framework for strategic reforms and other activities to ensure effective, decisive and systemic preparation of Ukraine to becoming a NATO member. The programme is primarily focused on ensuring compliance with the criteria for ascension into the Alliance. Instead of being focused on the process ANP-2019 marks a shift to the new result-oriented approach.

For the first time the document contains the logical chain: "strategic goal - methods of meeting the goal - priority tasks for the current year - activities aimed at completing high-priority tasks". In addition to that the ANP framework provides for a monitoring system by

introducing key performance indicators. This enables tracking the progress in the implementation of each specific reform or, conversely, identify any deficiencies and failures.

At the moment the implementation of the programme documents is ensured by 300 experts from 84 ministries and agencies. The Government is actively preparing ANP-2020.



Donors support coordination

Reforms in Ukraine
2016-2019:
Irreversibility of Changes

DONOR AID PLANNING →

In 2017 the Government first developed and approved the Medium-Term Priority Action Plan. The new medium-term plan to be developed in 2019 is to define the primary goals and priority areas for the Government in 2020-2022. The new plan will provide the foundation for medium-term budgetary planning and the plans of ministries and other central Government authorities, and will help to better align donor aid with the actual development priorities. The introduction of medium-term budgetary planning integrated with the state strategic planning system is to ensure effective financing of strategic activity areas and reforms and contribute to establishing a clear connection between the amounts of funding and the results of implementing the respective policies. The new approach to strategic planning will help to improve the existing donor coordination system to become an efficient tool for the dialogue with donor countries at all levels. The new medium-term plan will define the key areas and the expected results of respective activities enabling its use as a tool for enlisting foreign aid and allocating the resources of foreign donors to finance high-priority areas of state development and reforms.

The change in the donor coordination model was initiated in 2018. The updated model is based on holding regular meetings between the highest-level

Government representatives and international partners to provide a clear understanding of the vision and cooperation areas with regards to development. Such approach is expected to synchronise the operations of all donors in Ukraine contrary to a situation in which each donor forms its own agenda of providing aid with allocations to certain sectors based on its medium-term or long-term planning perspective (3-10 years).

The updated approach builds on the partner countries' 'and donors' commitments on shared responsibility, transparency and accountability, as identified in the Paris Declaration on External Aid Effectiveness, which Ukraine joined in 2007.

During the International Conference on Reforms in Copenhagen the Prime Minister suggested to analyse the existing cooperation practices in order to improve donor coordination and attract foreign assistance use efficiency. In December 2018 this initiative was supported during the "Partnership for Development" national donor coordination forum in the history of Ukraine.

The Prime Minister proposed to apply the principle of demand driven approach to attract external assistance.

The regular meetings on donor aid are primarily aimed at establishing a systemic platform for strategic dialogue regarding the areas of Ukraine's cooperation with international partners and enhancing such cooperation and partnership in the future, and systemic coordination and approval of the priorities of the Ukrainian Government and the donors.

The first national forum was a continuation of international conferences on reforms held in London and Copenhagen and became a key phase in the preparation to the International Reform Conference on Reforms in Toronto, Canada. The meeting of the members of Ukrainian Government and international partners resulted in mutual commitments on enhancing the effectiveness of international aid provided by the donor community.



→ DONOR AID PLANNING

The forum resulted in forming working groups which included representatives of the central Government authorities, the donor community and the Reforms Delivery Office. The activities of the working groups address the challenges in the implementation of international technical aid projects, speeding up the implementation and disbursement according to the approved investment projects of international financial organisations, and enhancing the coordination of strategic collaboration with international partners.

In December 2018 the respective working group chaired by the Minister of Finance elaborated the Concept for Enhancing the Implementation Effectiveness of Projects of International Financial Organisations along with a key actions plan. The Cabinet of Ministers reviewed and approved these documents at the meeting on 27 December 2018. The Concept provides for a change of approach to selecting projects to receive IFIs funding and

improved compliance of the projects with the current priorities of Ukraine. The document contains alternative proposals for increasing the average level of IFIs disbursement and improvement of project management at various levels including the development of tools for minimising currency risks, creating an information exchange system and a multi-level project monitoring system, regular review of the credit portfolio and establishing an open registry of IFIs projects.

In furtherance of the decisions made during the forum the Government continues the optimisation of the process of attracting and using foreign technical aid.

To improve the efficiency of external technical assistance, the Ministry of Economic Development reviews project portfolios jointly with the largest donors annually. During 2014-2018, the following was done:

- Signing 107 international agreements and other bilateral documents on technical and financial cooperation.
- Improving procedures for attracting, using and monitoring international technical assistance.
- Introducing new effective approaches in cooperation with the EU through the introduction of annual assistance programming missions for the coming year.

FURTHER STEPS

The Government intends to further update the foreign aid coordination programme to be consistent with the strategic priorities identified in the Government's Program of Action, other strategic and programmatic documents, and regional development strategies.

The ProAid online portal is to play a key role in raising public awareness of the ITA projects. The portal will be updated with the latest information regarding all the technical aid programs supported by international donor organisations in Ukraine. The administrative functions are expected to facilitate and ensure timely electronic registration of projects and electronic accreditation of contractors. The ProAid is intended as a convenient tool for the public, non-governmental organisations and all concerned parties in monitoring foreign aid streams. This mechanism is to improve transparency standards and minimise corruption risks enhancing confidence with the Government.

The elaboration and adoption of the new Priority Action Plan 2022, which will contain the priorities for medium-term planning and define the tasks

and priorities specific to attracting foreign technical aid, will become a key component of donor coordination efforts. On 14.07.2019 the Government has already amended the Cabinet of Ministers of Ukraine resolution as of February 15, 2002 No. 153, "Establishing a Unified System for Attracting, Using and Monitoring International Technical Assistance," which establishes a "demand driven approach" at the legislative level and will improve donor engagement, guided by national development priorities.

The change in approach will contribute to enhancing the Government's capacities specific to a systemic coordination of planning and using foreign aid to meet the Government's goals and objectives as well as enhancing the effectiveness of using the aid to meet high-priority goals and implement reforms.



Ukraine Now brand

Reforms in Ukraine
2016-2019:
Irreversibility of Changes



SUCCESSFUL CAMPAIGN

Ukraine NOW is the largest image-building Government campaign in the entire history of independent Ukraine. The campaign was a collaborative effort of experts, leading communicators, British consultants, representatives of the creative industries and the Government officials. The brand success steps from successful communications focused on creativity.

Ukraine NOW became an important component of building a positive image of Ukraine worldwide. The brand demonstrates the unity of the state in showcasing the positive changes taking place, presenting the achievements in social and economic development, improving the business climate and attracting investments.

BRAND AMBASSADORS

The brand primarily relies on the openness and the versatility of application - by anyone, anywhere. More and more businesses are introducing the brand into their communications.

The brand is steadily gaining recognition as a powerful tool for promoting Ukrainian goods and services on global markets. The logo frequently appears at various international exhibitions. It is widely used on display stands and on gifts presented to visitors and partners.

The key branding tasks include demonstration of the country's achievements to inspire the world and encourage people to visit Ukraine, start a business or invest in its economy.

Ukraine NOW does just that! It is safe to say that Ukraine NOW has turned into a mark of premium Ukrainian products.



INTERNATIONAL RECOGNITION



Thanks to its simplicity and convenience Ukraine NOW quickly became popular and gained international acclaim for its contemporary and creative style. In addition to national success and first prizes at local marketing competitions the brand was also well-received by the international expert community. Ukraine NOW won one of the world's most prestigious awards in



design - Red Dot Design Award 2018. The coherent style of presenting the country won in the Corporate Identity nomination. Being a synonym of quality, Ukraine NOW becomes a symbol of Ukraine. The Red Dot award acknowledges recognition of the creative industries and Government communications of Ukraine by the international community.





Ukraine Reform Conferences

Reforms in Ukraine
2016-2019:
Irreversibility of Changes

UKRAINE REFORM CONFERENCE, LONDON, 2017

On July 6, 2017 the UK jointly with Ukraine hosted the first Ukraine Reform Conference – an annual international conference on reforms in Ukraine under the patronage of the Prime Minister Volodymyr Groysman. The meeting in London focused on the progress Ukraine has made in reforms since 2014 and on presenting the Government Priority Action Plan until 2020. The initiative brought together representatives of the international community and top Ukrainian officials and decision-makers to discuss priority reform areas and show their support for Ukraine.

Alongside ministerial-level plenary discussions, the conference included detailed conversations on each of the priority reform areas defined by the Action Plan:

- Economic growth.
- Effective governance.
- Human capital development.
- Rule of law and fight against corruption.
- Security and defense.

The wave of reforms in Ukraine that started in 2014 has been the most far-reaching and deepest since its independence. However, there is still a long way to go and the Ukrainian Government commitment and continued international support is crucial.

Ukraine has great potential. But only through transforming itself into a stable, transparent, prosperous democracy can Ukraine meet its citizens' aspirations and realize its full economic potential. Reforms will enhance Ukraine's stability, which is important to the stability and security of wider Europe. Ukraine's international partners also have a direct interest in upholding the rules-based international order, which has been violated by Russia in Ukraine.

This conference brought the international community together with the Ukrainian Government, civil society, business and politicians to strengthen support for reforms.

UKRAINE REFORM CONFERENCE, COPENHAGEN, 2018

The second Ukraine Reform Conference was hosted by the Kingdom of Denmark and took place on June 27, 2018 in Copenhagen. The conference strengthened the role and image of the event as a “driver for change” and a meeting point for representatives of the international community and Ukraine, and focused mainly on the substantial progress, achieved by the Ukrainian Government in implementing reform priority areas that have been defined by the Government Priority Action Plan until 2020.

The Prime Minister of Ukraine presented an overview of achievements and priorities for further reforms on the backdrop of economic recovery and increasing growth. The presentation was followed by plenary discussions focusing on two priority reform areas, particularly Good Governance and Economic Development.

The Conference also focused on a number of key reforms implemented by the Government, such as:

- healthcare reform
- pension reform
- education reform
- privatization and SOE reform
- agriculture sector reform
- public administration reform

International partners remained committed to supporting the reform work of the Ukrainian Government and further strengthening the partnership with Ukraine. A well-functioning, prosperous and resilient Ukraine remains of key strategic importance to Europe and the wider international community and is Ukraine's best answer to Russian aggression. However, more reform work is to be done for Ukraine to truly achieve its full potential and become a modern and prosperous nation.

In the period ahead, the Ukrainian Government focuses on achieving sustainable economic growth. As was stated by the Prime Minister, priority is to be given to privatization and state-owned enterprises reform, favorable business climate development, agriculture sector reform, anticorruption and rule of law, energy sector reform, logistics and infrastructure development, public administration reform and innovation development.



**Reforms in Ukraine
2016-2019:
Irreversibility of Changes**

88

UKRAINE REFORM
CONFERENCES

UKRAINE REFORM CONFERENCE, TORONTO, 2019

In 2019, the third annual Ukraine Reform Conference is hosted by Canada and takes place on July 2-4 in Toronto. The event once again unites international community, represented by delegations from the EU, NATO and G7 countries, as well as other international delegations and the Ukrainian Government, civil society and business representatives who support reform process in Ukraine.

The main topic of the Conference is "Irreversibility of Changes". Despite a number of internal and external challenges, namely the Russian military aggression in Ukraine's East, for the past years the country has been going through the path of deep and structural reforms that have already demonstrated substantial success. At the same time, this year's Conference takes place amid two election campaigns in Ukraine, which makes it vital to preserve the achieved results and secure the irreversibility and continuity of the reforming process.

The 2019 Conference will be held for the first time in an interactive format and contain not only inclusive plenary discussions with the participation of the Ukrainian governmental delegation, foreign ministers, heads of international institutions, Parliamentarians, private sector, civil society and think tanks, but also discussions on investments and innovation, democratic integrity and resilience, and security and defence. Ukraine House will be showcasing Ukrainian culture, creativity, innovation, and opportunity.

Finally, the Reanimation Package of Reforms, the largest coalition of leading Ukrainian NGOs and experts, will present its "Toronto Principles" – an expert paper, designed to outline priority tasks in key reform areas for the 5 years to come.



**HON. CHRYSTIA
FREELAND**

**P.C., M.P., Minister
of Foreign Affairs**



I am delighted that Canada is hosting the Ukraine Reform Conference in Toronto this year. This is an invaluable opportunity for Canada and the international community to demonstrate our committed support for reform in Ukraine. Together, we will continue to work toward strengthening the rules-based international order and building the future that the people of Ukraine deserve.



**PAVLO
KLIMKIN**

**Minister of Foreign Affairs
of Ukraine**



I am very much looking forward to the Ukraine Reform Conference taking place in Toronto later this year. The occasion presents a great opportunity for Ukraine to come together with our international partners to take stock of the progress we have made to date and to work in partnership on the roadmap that is paving the way to a brighter future for Ukraine and its place in the world.



Reforms architecture

Reforms in Ukraine
2016-2019:
Irreversibility of Changes

UKRAINE REFORMS ARCHITECTURE

URA is a comprehensive association of Governmental and non-governmental organisations uniting several thousand young professionals aiming to achieve qualitative transformations in Ukraine.

The main task of the URA is to stimulate reform processes within the Government by supporting daily operations of ministries and Government agencies, and providing institutional support to the Government of Ukraine for efficient implementation of reforms.

The innovative approach to implementing reforms adopted by Ukraine is studied by foreign experts for possible replication in other countries requiring drastic reformation.

LESSONS LEARNED

Human capital

1. Reforms implementation requires motivated local professionals focused on the result.
2. More than 95% of reform experts were hired within Ukraine and they stay in the country.

Political commitment

1. No reform can be launched without the government officials' political commitment
2. No RSTs are formed without PAR commitment from the Minister or other top official

Initial plan of reforms

1. Signed in 2014, and ratified in 2017, the Association Agreement is our reform roadmap
2. Detailed TORs for RSTs before their launch



This a coherent and efficient architecture consist of three core elements:

REFORMS DELIVERY OFFICE (RDO)

An advisory body to the Cabinet of Ministers of Ukraine, coordinated by the Prime Minister and headed by the Minister of the Cabinet of Ministers of Ukraine, with a focus on ensuring consistency of reforms delivery across Ministries, with special attention paid to the Public Administration Reform.

REFORM SUPPORT TEAMS (RSTs)

The Reform Support Teams (RSTs) are formed of professionals from outside the Ukrainian civil service and work in ministries on a temporary basis to implement priority reforms and transform the Ministries themselves. The goal is to lay the foundations for a new generation of reform-oriented Ukrainians working in the civil service. It is expected that the RSTs members will gradually be integrated in the civil service.

STRATEGIC ADVISORY GROUP SUPPORTING UKRAINIAN REFORMS (SAGSUR)

SAGSUR is providing unified, strategic advice to the Prime Minister. SAGSUR advises on how to implement comprehensive reforms effectively, based on first-hand successful experience elsewhere, bringing best international practice and link to international resources. SAGSUR is headed by Ivan Mikloš, a former Deputy Prime Minister of Slovakia, with an outstanding record of delivering reform.

National Reforms Council (NRC)

PRIME MINISTER

PRESIDENT

SPEAKER OF PARLIAMENT

STRATEGIC ADVISORY GROUP FOR
SUPPORT OF UKRAINIAN REFORMS
(SAGSUR)

CABINET OF MINISTERS OF UKRAINE

REFORMS DELIVERY OFFICE

MINISTRY OF AGRARIAN POLICY
AND FOOD

MINISTRY OF INFRASTRUCTURE

MINISTRY OF FINANCE

MINISTRY OF ECONOMY

MINISTRY OF REGIONAL
DEVELOPMENT...

MINISTRY OF ENVIRONMENT AND
NATURAL RESOURCES

STATE ROAD AGENCY

MINISTRY OF EDUCATION
(to be launched)

High-level advice
on reforms



Reform Support Team (RST)
EU Technical Assistance



Reform Support Team (RST)
Funded through the Ukraine
Multi-Donor Account (MDA)



Abbreviations

Reforms in Ukraine
2016-2019:
Irreversibility of Changes

A	AFU	Armed Forces of Ukraine
	ARMA	National Agency of Ukraine for finding, tracing and management of assets derived from corruption and other crimes (Asset Recovery and Management Agency)
	ATC	Amalgamated Territorial Communities
B	BEPS	Base Erosion and Profit Shifting
C	CAS	Centers for Administrative Services
	CEB	Central Executive Body
	CMU	Cabinet of Ministers of Ukraine
	COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
	CTE	Career and Technical Education
D	DSA	District State Administration
E	EDC	Electronic Digital Signature
	E-governance	Electronic Governance
H	HACC	High Anti-Corruption Court
	HQCJU	High qualification commission of judges of Ukraine
	HRMIS	Human Resources Management Information System
J	JSRSAP	Justice Sector Reform Strategy and Action Plan 2015-2020

M	MEDT	Ministry of Economic Development and Trade of Ukraine
	MFA	Ministry of Foreign AffairsNational Anticorruption bureau of Ukraine
N	NABU	National Agency for Corruption Prevention
	NACP	National Agency for Corruption Prevention
	NBU	National Bank of Ukraine
	NHSU	National Health Service of Ukraine
	NUS	New Ukrainian School
P	PAR	Public Administration Reform
	PFM	Public Finance Management
	PGO	Prosecutor General's Office
R	RLA	Regulatory Legal Act
S	SAPO	Specialized Anticorruption Prosecutor's office
	SE	State Enterprise
	SFS	State Fiscal Service
	SIB	State Investigation Bureau
	SME	Small and Medium-sized enterprises
	SSQE	Single State Qualification Examination
U	UBO	Ultimate Beneficial Owners

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