



# Year of Transition. Key Reforms Results In 2015

**Dmytro Shymkiv**

Deputy Head of the Presidential Administration of Ukraine  
Secretary of the National Reform Council

[dmytro.shymkiv@apu.gov.ua](mailto:dmytro.shymkiv@apu.gov.ua)



# Ukrainian Framework for Reforms

## 6 Strategic Documents

- I EU-Ukraine Association Agenda
- II Strategy 2020
- III Coalition Agreement
- IV Ukraine-IMF Memorandum
- V 2015 Government Program Plan
- VI Parliament roadmap for legislative support of the reforms

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## 18 Key Reforms

- Anticorruption
- Judiciary
- Decentralization
- Public Administration
- Deregulation
- Law Enforcement
- National Security & Defense
- Public Health
- Taxation
- Energy
- Promotion Of Ukraine
- Agriculture
- Education
- State Owned Enterprises
- Financial Sector
- Constitutional
- Election reform
- Public Procurement

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## Reforms governance & coordination



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## Reforms Monitoring Framework



## NATIONAL REFORMS COUNCIL IN 2015

- **17 meetings held, over 30 topics** discussed, **209 decisions made** in different spheres of reforming.
- **More than 70% of NRC decisions** were implemented.
- **More than 340** legislative documents including bills of the Parliament, Presidential orders and decrees of the Cabinet.



# REFORMS SCORECARDS AND INDICATORS



EVALUATION  
BY RESPONSIBLE MINISTRIES  
AND NRC PROJECT  
OFFICE

Survey conducted by the TNS agency on a monthly basis.

Age of respondents: 18-55  
Question asked: How would you evaluate the reforms progress?

Blue segment: people, who answered that the changes really exist

Red color represents those who doesn't see any changes

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## EUROPEAN INTEGRATION

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- ◆ Launch of the Deep and Comprehensive Free Trade Agreement between Ukraine and EU. Law became effective from January 1<sup>st</sup> 2016.
- ◆ European commission recognized Ukrainian progress with visa-liberalization Action Plan with the EU (December 2015).



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*“Right now, in Brussels, the European Commission published the final report on the full implementation of criteria for the visa-free regime by Ukraine.*

*Without any exaggeration, it is a great victory for Ukraine and each of you. I sincerely congratulate everyone on this. After the Agreement on political association and deep and comprehensive free trade area, we have made another stride towards our cherished European dream.....”*

*President of Ukraine, Petro Poroshenko*

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# ANTI-CORRUPTION REFORM

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- ◆ Major legislative base for preventing and counteracting corruption has been adopted, including setting up several specialized anti-corruption institutions. Part of the institutions have been staffed and started functioning. State Budget for 2016 provides full funding of the newly established anti-corruption institutions.
  - ◆ State institutions and government are now required to publish important information in the format of Open Data.
  - ◆ Direct state budget financing of political parties will start in 2017.
  - ◆ GRECO recognized that Ukraine had partly or fully implemented 40 out of 41 recommendations.
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## LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

SPECIALIZED ANTI-CORRUPTION INSTITUTIONS		LEGISLATIVE BASE ADOPTED	MANAGEMENT APPOINTED	STAFFED	MOSTLY FUNCTIONING
	<b>NATIONAL ANTI-CORRUPTION POLICY COUNCIL</b>	✓	✓	✓	✓
	<b>NATIONAL ANTI-CORRUPTION BUREAU</b>	✓	✓	✓	✓
	<b>SPECIALIZED ANTI-CORRUPTION PROSECUTOR'S OFFICE</b>	✓	✓	✓	✓
	<b>STATE BUREAU FOR INVESTIGATIONS</b>	✓	✗	✗	✗
	<b>NATIONAL AGENCY FOR PREVENTION OF CORRUPTION</b>	✓	✓	✗	✗
	<b>NATIONAL AGENCY FOR IDENTIFICATION, TRACING AND MANAGEMENT OF ASSETS DERIVED FROM CORRUPTION AND OTHER CRIMES</b>	✓	✗	✗	✗
	<b>BUSINESS OMBUDSMAN COUNCIL</b>	✗	✓	✓	✓

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## JUDICIAL REFORM

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- ◆ Amendments to the Constitution of Ukraine regarding the administration of justice: approved by the Constitutional Court of Ukraine and pre-approved by Verkhovna Rada.
- ◆ Law On Fair Justice has been adopted in order to improve national standards of justice.
- ◆ New regulations: evaluation of judge work; maintenance of judges dossiers; qualification examination; new professional and ethical requirements for judges.

# JUDICIAL REFORM



## Amendments to the Constitution of Ukraine regarding the administration of justice

- Ensuring depoliticization and independence of the judiciary
- Stipulating mechanisms for rebooting the judiciary (assessment of judges, reorganization of the courts where required)
- Bringing the functions of public prosecution service into line with European standards

PLACED TO THE PARLIAMENT AGENDA, APPROVED BY THE CONSTITUTIONAL COURT OF UKRAINE



### Civil Procedure Code, Commercial Procedure Code, Administrative Procedure Code

- Improving the efficiency of justice, legal certainty and finality of judgements
- Ensuring equal application of the law
- Introducing electronic litigation

DEVELOPED, PUBLIC CONSULTATION UNDERWAY



### Draft laws on electronic writ proceedings and automated seizure of funds

- Setting up an electronic writ proceedings system and automated bank account seizure system
- Reducing the burden on the judiciary
- Providing for prompt seizure of funds in bank accounts

INTRODUCED TO PARLIAMENT



### Amendments to legislation relating to the Bar

- Setting up a unified, self-regulated professional Bar
- Empowering members of the Bar and increasing their responsibility
- Setting high professional and ethical standards

REFINEMENT AND PUBLIC CONSULTATION UNDERWAY



### Modification of the system of execution of judgements

- Improving the efficiency of judgement enforcement agencies and officers
- Introducing the concept of private enforcement officers
- Setting up an open Unified Register of Debtors

PASSED THROUGH FIRST READING



## Renewal of the judiciary



### Supreme Council of Justice and High Qualification Commission of Judges as the bodies responsible for judicial careers and renewal of the judiciary

FORMED, PERFORMING WELL



### Legislation needed to update

- Regulation of the evaluation of judges' work
- Regulation of judge dossiers' maintenance
- Regulation of qualification examinations

DEVELOPED, APPROVED



### Judges dossier

- Dossiers on judges of Supreme Court and high specialized courts put together
- Creation of dossiers on judges of courts of appeal and courts of first instance underway

IN PROGRESS



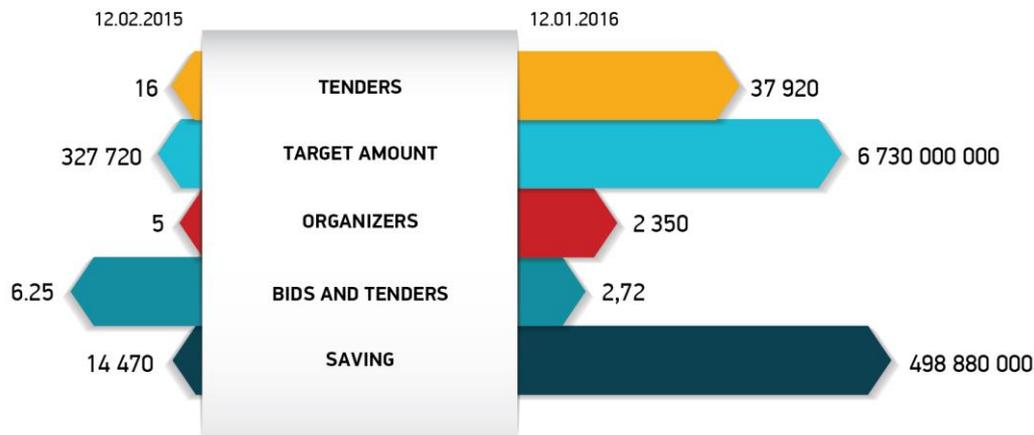


# LAW ENFORCEMENT REFORM



# PUBLIC PROCUREMENT REFORM

- ◆ Online procurement system and new Law on Public Procurement are cornerstones for optimizing government spending and fighting corruption in government purchases.
- ◆ Ukraine joins WTO Agreement on Government Procurement.
- ◆ ProZorro is targeting to save more than 20% on annual public purchases.



# PUBLIC PROCUREMENT REFORM

<http://bi.prozorro.org>  
(February 29<sup>th</sup>, 2016)

NO. OF TENDERS  
**55.90k**

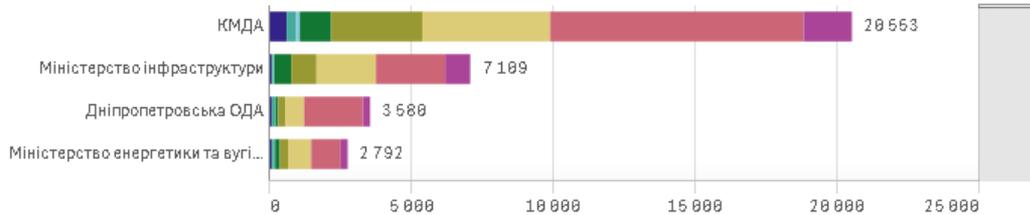
AMOUNT PLANNED  
**€12.82bln**

BUYERS  
**3.18k**

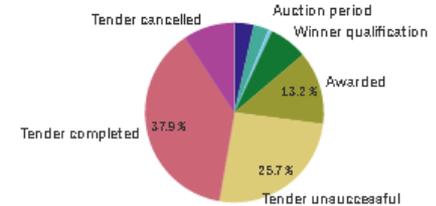
BIDS  
**2.89**

SAVINGS  
**€870.52mln**

## Buyers' Ranking



## Tender Status

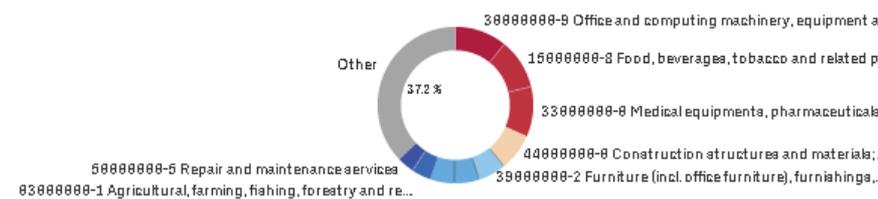
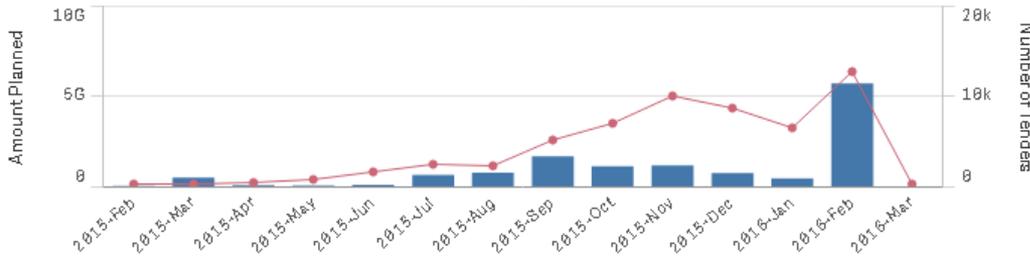


## Number of Tenders

Number of Tenders = 55898, with one party = 13854 (25%)

## Dynamics

## CPV Classification of Goods - TOP 10



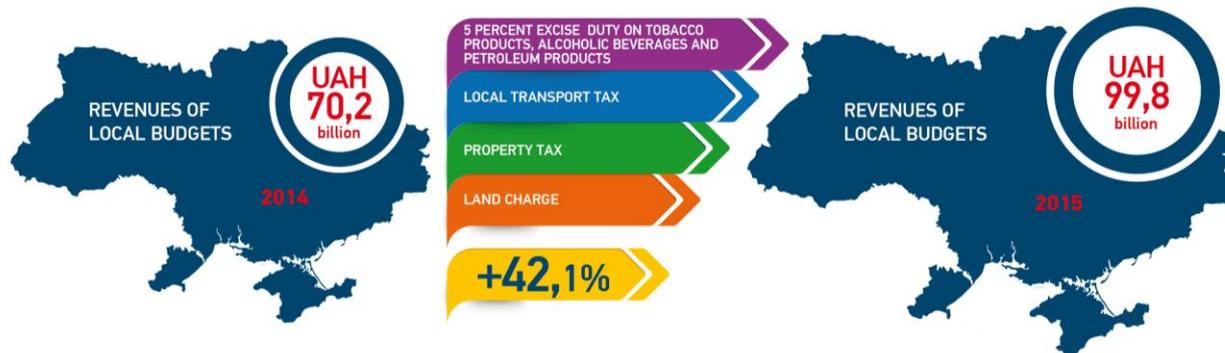
# DECENTRALIZATION REFORM

## FIRST VOLUNTARILY-MERGED COMMUNITIES FORMED

Merger process has been initiated in **more than 6,300** territorial communities (more than half of the total number)



## COMMUNITIES OBTAINED ADDITIONAL FINANCIAL RESOURCES

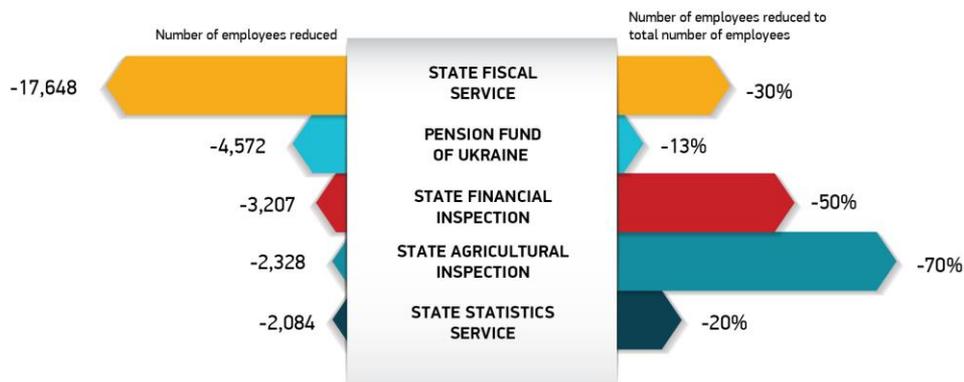


According to the State Budget for 2016, UAH 5.9 billion is allocated for communities development.

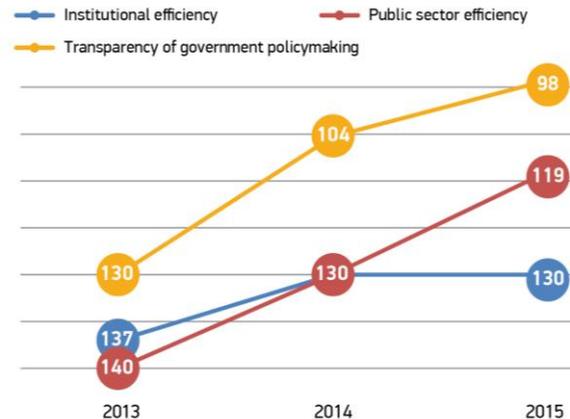
# PUBLIC ADMINISTRATION REFORM

- ◆ Reform of public administration has advanced, resulting from reductions of personnel and government expenditures to adoption of new Law on Civil Service.
- ◆ State Financial Inspection (-50%), State Fiscal Service (-30%), Ministry of Economic Development and Trade (-29%) and Presidential Administration (-28%) were one of the leaders on staff optimisation and reorganization.

TOP 5 agencies by marginal reduction\*



Ukraine's Global Competitive Index Rank\*\*

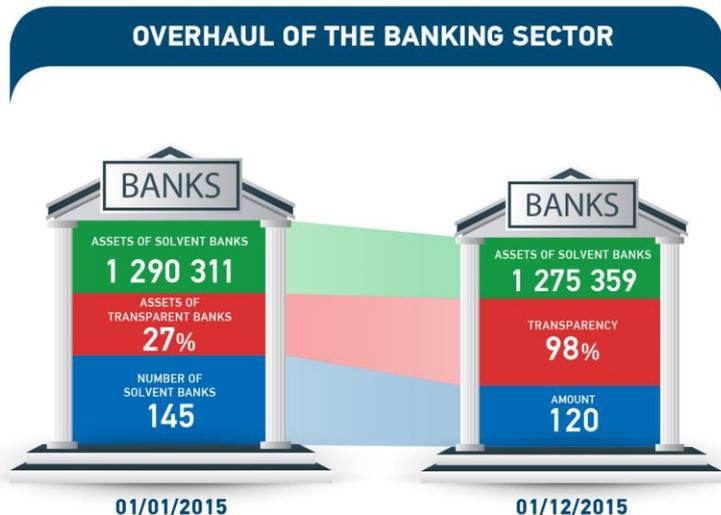
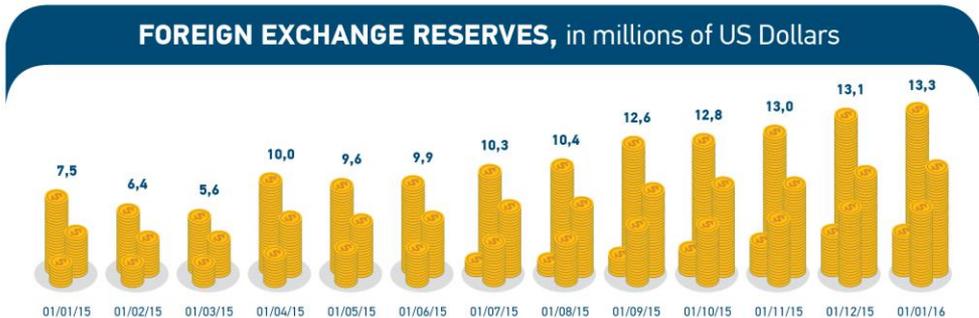


\*of staff of central and territorial units of central executive agencies (according to CMU Resolution # 840 of October 21, 2015)

\*\*source: <http://www.weforum.org/reports>

# FINANCIAL SECTOR REFORM

- ◆ Rehabilitating the banking sector has been improved with better banking supervision and with the closure of insolvent banks (65 banks closed during 2014-2015, 33 – in 2015).
- ◆ International reserves of the National Bank of Ukraine (NBU) grew from USD 7.5 billion at the beginning of 2015 to USD 13.3 billion as on January 1, 2016.





# TAX REFORM

## REDUCING TAX BURDEN IN FINANCING HIGH-PRIORITY SPENDING

### PAYROLL TAX CUT

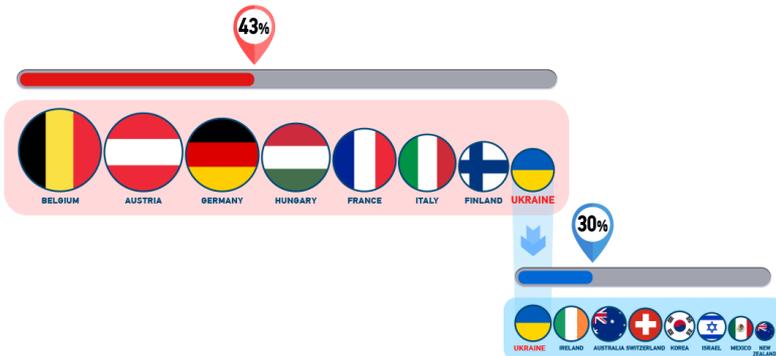


The only exceptions are special USSC rates for people with disabilities (8.41 %, 5.3% and 5.5%), which remain intact

### REQUIREMENT TO WITHHOLD USSC FROM SALARY ABOLISHED



### IMPROVING UKRAINE'S RATING IN DOING BUSINESS RANKING AND REDUCING PAYROLL TAX RATE TO BELOW OECD AVERAGE



\* - Source: OECF, Dragon Capital settlements

### INDUSTRIAL USE

RENT PAYMENT FOR SUBSOIL USE FOR THE EXTRACTION OF NATURAL GAS

FOR GAS EXTRACTED FROM DEPOSITS OF LESS THAN 5,000 METERS



FOR GAS EXTRACTED FROM DEPOSITS OF MORE THAN 5,000 METERS



### RESIDENTIAL USE

RENT PAYMENT FOR SUBSOIL USE FOR THE EXTRACTION OF NATURAL GAS

FOR GAS EXTRACTED FROM DEPOSITS OF MORE THAN 5,000 METERS





# DEREGULATION AND ENTREPRENEURSHIP REFORM



- ◆ National Standardization Agency is active again. 4833 national standards were adopted, 2,651 of which are harmonized with international and European standards, including 1459 standards related to EU directives.
- ◆ Almost 16 000 Soviet government standards (GOSTs) adopted before 1992 were cancelled in December 2015.
- ◆ Three-year funding arrangement for the Better Regulation Delivery Office (BRDO) was signed with the EU. Total deregulation plan exceeds 200 priorities.
- ◆ State-owned company UkrEcoResursy's monopoly to collect, recover and recycle packaging waste was abolished.

## AGRICULTURAL SECTOR REFORM

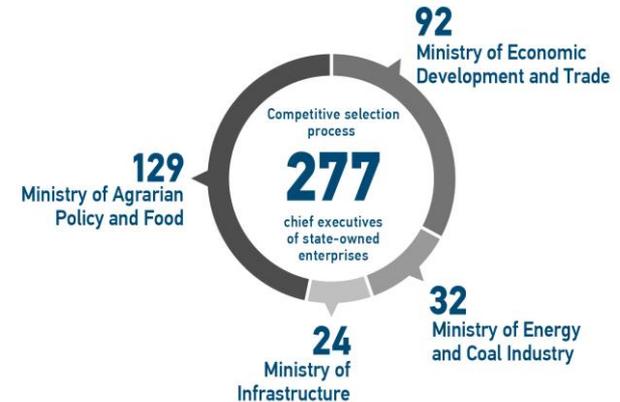
- ◆ “Deep and Comprehensive Strategy for Development of Rural Areas in Ukraine till 2020” drafted with support from the EU and approved by the National Reform Council.
- ◆ Diversification of markets to overcome the effects of the Russian embargo. Russia’s share in Ukraine’s exports reduced to 2%. Agricultural products are now supplied to more than 190 countries. 238 enterprises received permits to sell to EU.
- ◆ 471 state-owned enterprises are ready to be denationalized and privatized. 11 SOE’s handed over to the State Property Fund.
- ◆ Deregulation: 28 permits eliminated and 28 streamlined.





# STATE-OWNED ENTERPRISE REFORM

- ◆ Financial statements of 780 SOEs are published.
  - ◆ 345 SOEs have been approved for privatization.
  - ◆ Reports on Ukraine's TOP-100 State-Owned Enterprises for 2013, 2014 and first half of 2015 had been published.
  - ◆ Market-level compensation for SOEs' chief executives introduced.
  - ◆ Special Committee selected new executives for 9 strategic state-owned enterprises (*PJSC Ukrigasbank, PJSC Ukrgezvydobuvannia, PJSC Ukrnafta, PJSC State Food and Grain Corporation of Ukraine, PJSC Ukrtransnafta, SOE Boryspil International Airport, SOE Lviv Danylo Halytskyi International Airport, PJSC Sumykhimprom*) (6 already appointed).
- Revenue: UAH 59M+ (20% of the revenue of TOP 100 SOE list)**



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## EDUCATION REFORM

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- ◆ Law On Science and Technical Activity was adopted. It will change completely an approach to the science funding in Ukraine.
- ◆ In November 2015, OECD approved Ukraine's application for participation in PISA 2018.
- ◆ Universities are now obliged to make there financial reporting public through the web sites.
- ◆ Ukraine joins Horizon 2020 to work with EU in science and research (access to €80 billion of funding innovative projects and research).
- ◆ Control over academic integrity (counteraction of plagiarism in theses) has been enhanced.



## HEALTH CARE SYSTEM REFORM

- ◆ Purchasing of medicines and medical supplies through public procurement involving international organizations – started.
- ◆ Initial results for the procurement of medicines under oncology program through international organizations announced. 60% have been saved comparing to 2014.

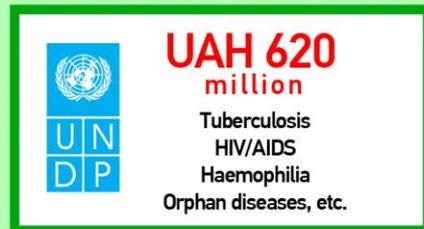


### Procurement of medicines and vaccines through international organizations

(Reflected in the Action Programme of the Cabinet of Ministers of Ukraine and Ukraine-IMF Memorandum<sup>1</sup>)

Transfer of medicines and vaccines procurement to international organizations is a crucial step towards rooting out corruption in public procurements. According to the reform, by 2019 the Government is to transfer the procurement function to credible global institutions while building up a new effective and transparent system of public procurement.

It has been planned for 2015 to transfer procurements under 7 out of 18 national programs (UAH 2,2 billion out of UAH 4,1 billion). Despite complexities, 100% of planned funds have been transferred to international agencies before year-end.



Funds transferred; invitation to bid gets underway

<sup>1</sup>Procurement of vaccines and other special medicines through UN based and other international organizations and funds (Action Programme of the Cabinet of Ministers of Ukraine);

"Healthcare reform... will change public procurement regulation to allow purchasing medicines and medical supplies through direct, multi-year procurement involving UN based organizations" (IMF, Ukraine: Memorandum of Economic and Financial Policies, II.C.26.III)

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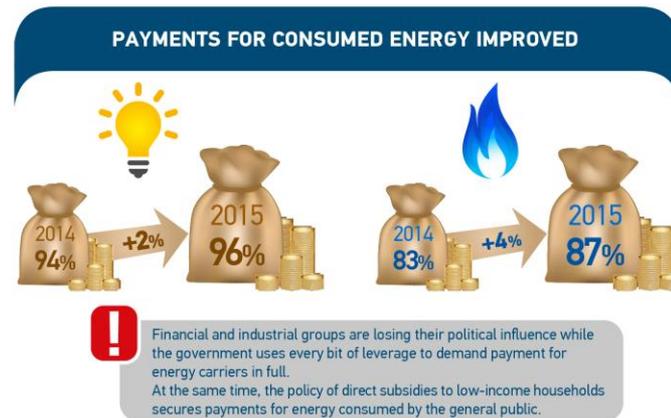
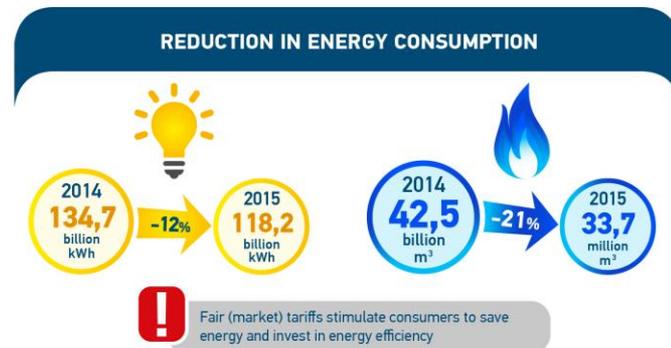
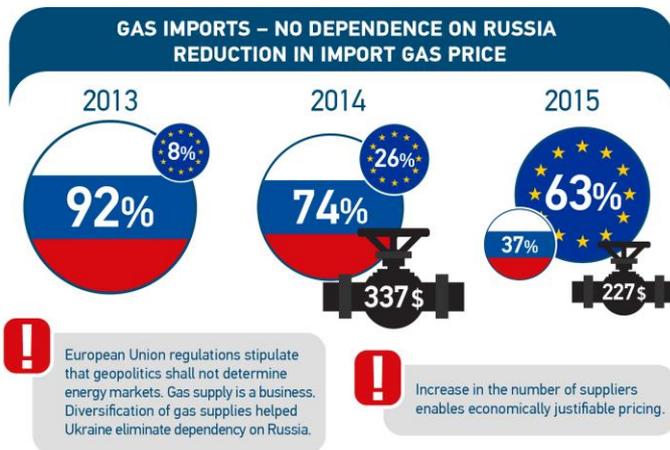
# NATIONAL SECURITY AND DEFENSE REFORM

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- ◆ Size of the armed forces increased from 180,000 to 250,000.
- ◆ Military budget doubled and will reach 5% of GDP in 2016 (it was 4.6% in 2015).
- ◆ 2015 – 2018 Roadmap for Standardization Reforms in Ukrainian Defence Industry.
- ◆ 5 agreements on NATO standards (STANAG) signed and 12 military standards developed and approved.
- ◆ Ministry of Defense is leading in electronic procurement savings (UAH 200M saved)



# ENERGY SECTOR REFORM



- ◆ Energy independence and safety increased due to the change of gas supplies from Russia to EU.
- ◆ Reduction of Naftogaz deficits from USD 8+ billion in 2014 to USD 1.5 billion in 2015.
- ◆ Long awaited Gas Market law de-facto created new game rules and set up de – monopolization principle.



3G

PROZORRO



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## DIGITAL UKRAINE PROGRAM

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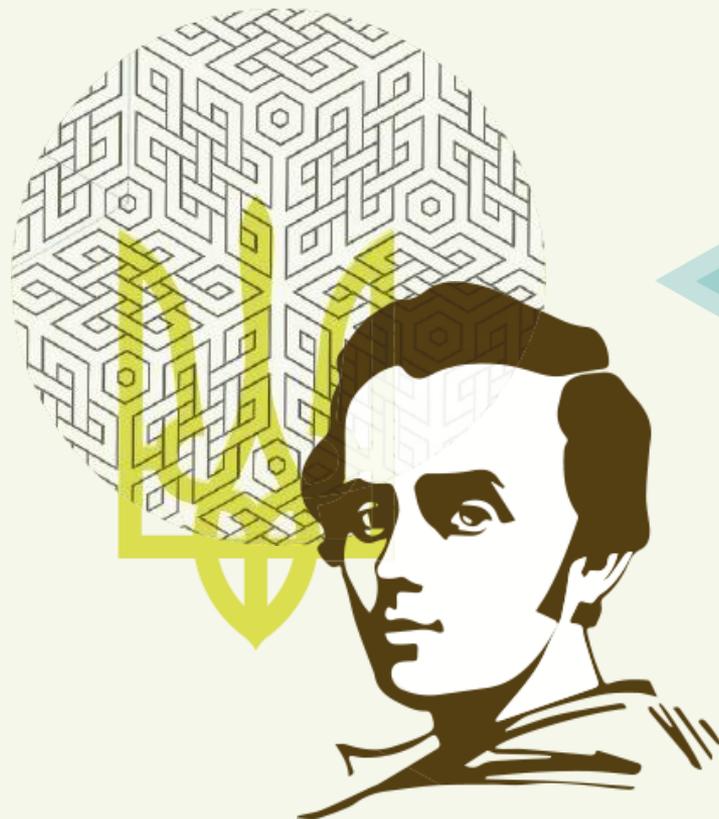
- ◆ Open Data Laws adopted (*Public data in machine-readable format suitable for automated processing*).
  - ◆ E-data portal for public finance monitoring launched by the Ministry of Finance.
  - ◆ Portal of E-petitions to the President has been launched, more than 18 000 petitions are registered up to date.
  - ◆ Governmental E-procurement system PROZORRO (end of 2015): more than 2200 state customers placed around 35000 calls for tenders for the total amount of over UAH 6 billions. Government saved between 12% and 18%.
  - ◆ 3G introduced to Ukrainian citizens. Budget gained UAH 11 billion through transparent tender.
-

2015

UKRAINE

2020

STRATEGY



2015

# 25 PERFORMANCE INDICATORS. PROGRESS



■ n/a ■ moderate ■ unsatisfactory ■ significant

### DEVELOPMENT

- Icon: Two people
- Icon: Bar chart
- Icon: Gear
- Icon: Hand holding card
- Icon: Hand holding dollar sign
- Icon: Stacks of coins
- Icon: Hand holding coin
- Icon: Smartphone

### SECURITY

- Icon: Tank
- Icon: Person
- Icon: Hand holding document
- Icon: Person with gear
- Icon: Tractor
- Icon: Two people
- Icon: Three wavy lines

### RESPONSIBILITY

- Icon: Person
- Icon: Euro symbol
- Icon: Earth
- Icon: Speech bubble with flag
- Icon: Graduation cap
- Icon: Money bag

### PRIDE

- Icon: Ukrainian trident
- Icon: Medal
- Icon: Star
- Icon: Clapperboard



# KPIs: DEVELOPMENT

	Ukraine 2014	Ukraine 2015	Ukraine 2020
 Ease of <b>Doing Business</b> Rating	96	83  <small>DB 2016</small>	Top 30
 Sovereign <b>credit rating</b> of investment grade category	CCC	B-/D 	BBB
 <b>Global Competitiveness</b> Index	76	79 	Top 40
 <b>GDP per capita</b> (PPP)	\$ 8 666		\$ 16 000
 <b>FDI net inflow</b> for the period of 2015-2020		\$ 3.1 B	\$ 40 B
 <b>Government Deficit</b> (incl. NJSC Naftogas), % of GDP	10.1%	n/a	3%
 General <b>Government Gross Debt</b> , % of GDP	67.6%	79.3% 	60%
 <b>Energy Intensity</b> , toe/\$000 GDP	0.36	n/a	0.20



# KPIs: SECURITY

	Ukraine 2014	Ukraine 2015	Ukraine 2020
 <b>Military expenditures</b> , % of GDP	1.02%	4.6% ▲ <small>Security and defense exp.</small>	3%
 <b>Active military personnel</b> per 1000	2.8	4.7 ▲	5.6
 <b>Corruption Perception Index</b>	144	130 ▲ <small>2016</small>	Top 50
 Experts community <b>confidence in judicial</b> authority	n/a	9%	70%
 Citizens <b>confidence in police</b>	n/a	60% ▲	70%
 <b>Civil service</b> employees <b>replacement</b> accumulative ratio by 2020 (law enforcement bodies, judges, prosecutors, government)	n/a	n/a	70%
 <b>Single supplier share limit</b> in overall purchase volume (per energy resource)	74% <small>natural gas</small>	37% ▲ <small>natural gas</small>	30%



# KPIs RESPONSIBILITY

	Ukraine 2014	Ukraine 2015	Ukraine 2020
 <b>Life expectancy</b> at birth	71	n/a	+ 3 years
 Total <b>share of local budgets</b> in the national budget	43%	55% ▲	65%
 Fixed broadband <b>Internet</b> subscribers (per 100 people)	8.83	11.3 ▲	25
 % of 2020 school graduates, who mastered <b>2 foreign languages</b>	n/a	n/a	75%
 <b>Quality</b> of secondary <b>education</b>	n/a	n/a	Top 50
 Citizens' <b>welfare</b> , share of households per capita income of which is higher than USD 15 PPP a day	40%	n/a	65%



# KPIs: PRIDE

	Ukraine 2014	Ukraine 2015	Ukraine 2020
 Citizens of Ukraine who feel <b>proud of their country</b>	n/a	80%	90%
 The number of <b>medals</b> at the Japan Olympic Games in 2020	n/a	n/a	35
 Global <b>Talent Competitiveness</b> Index	71	66 	Top 30
 <b>Number of movies</b> of Ukrainian production in wide release in 2020	7	12 	20



**UKRAINIAN  
IDEA**

DIGNITY, FREEDOM, FUTURE

**OUR GOAL**

EUROPEAN STANDARDS AND  
RIGHTFUL PLACE FOR UKRAINE  
IN THE WORLD

**OUR PILLARS**

SECURITY  DEVELOPMENT 

PRIDE  RESPONSIBILITY 

**THE  
ROADMAP**

62 REFORMS AND PROGRAMMS 

10 PRIORITIES

**KEY PERFORMANCE  
INDICATORS**

25 PERFORMANCE INDICATORS



**NEW SOCIAL CONTRACT**

## LEGISLATION FOR REFORMS





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**NATIONAL REFORMS COUNCIL**

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## National Reform Council Annual Report 2015 (ENG)

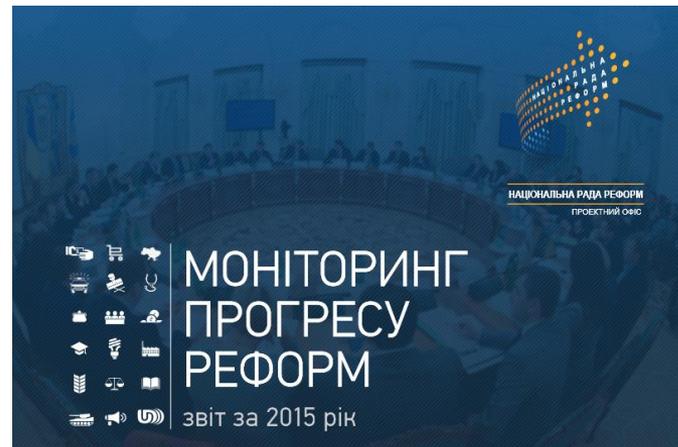
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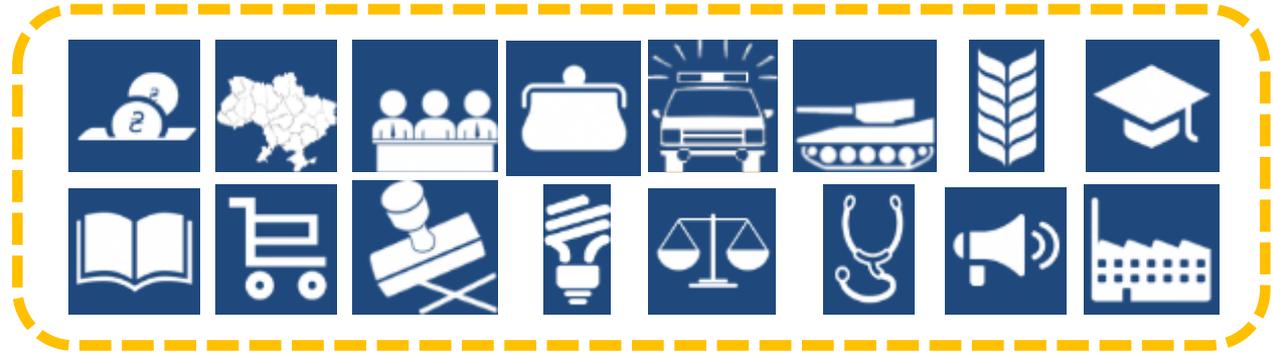
<http://reforms.org.ua/report/2015/eng.pdf>

## Річний Звіт 2015 Національної Ради Реформ (УКР)

доступний

<http://reforms.org.ua/report/2015/ukr.pdf>





**TO BE CONTINUED...**

Thank you! Questions?