

OECD and Ukraine



Since 1991, the OECD and Ukraine have been working in partnership to improve governance and economic development. A **Memorandum of Understanding for Strengthening Co-operation** (MoU) was signed with the Government of Ukraine in 2014. The MoU was first renewed during the visit of Prime Minister Volodymyr Groysman to the OECD in October 2016 for two additional years, and was further renewed until 2020 at a ceremony held in Kyiv in June 2018 in the presence of OECD Deputy Secretary-General Mari Kiviniemi.

The **Action Plan** for implementing the MoU was signed in April 2015 and was revised in 2019 by the Government to reflect new priorities. It is structured around three pillars: i) **anti-corruption**, ii) **governance and the rule of law**, and iii) **investment and business climate**. The Action Plan includes 29 reviews and projects. It identifies 28 OECD instruments to which Ukraine could request adherence and 10 OECD bodies in which it could request partnership. Both parties established the **OECD-Ukraine Co-ordination Council** to disseminate OECD recommendations among various ministries and to monitor the Action Plan implementation.

Making use of an OECD Toolkit

OECD Committees lend themselves to stronger international co-operation and provide a setting where Ukraine can take in the shared and national experiences of OECD member countries, as they identify and codify best policy practices. Participation in OECD Committees is underpinned by peer review processes that help build capacity, strengthen public institutions and provide peer support as reforms are designed and implemented. Adhering to OECD instruments serves to support Ukraine in further aligning to international good practices and anchoring policy reforms. Ukraine benefits from:

- ◆ Peer learning and support through participation in selected OECD Committees
- ◆ Policy reviews and recommendations
- ◆ OECD legal instruments – guidelines, principles, international norms and standards
- ◆ Knowledge and data-sharing
- ◆ Capacity building to improve the implementation of reforms

Working in Partnership

While there is strong political will in Ukraine to pursue an ambitious reform agenda, the country needs both policy guidance and financial support to ensure that reform is sustainable. With its multidisciplinary expertise and wide array of internationally recognised policy instruments, the OECD is a valued partner in advancing and sustaining Ukraine's reform efforts while strengthening institutions.

The OECD works closely with its members, the European Union, and other international organisations to support Ukrainian policy priorities. Ukraine is invited to participate in specific OECD meetings and events to raise the visibility of its reforms and to exchange and learn from international good practices. Selected OECD instruments are used as benchmark or framework to define Ukraine's policy reform.

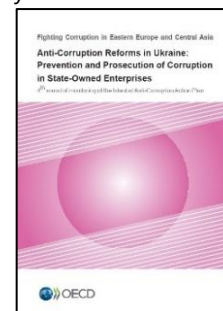


"I am grateful for the support of the OECD and its member countries for our reform agenda and reiterate my country's commitment to international cooperation and the adoption of best global standards for improving our policies and our people's lives."

- Petro Poroshenko, President of Ukraine

Pillar 1: Anti-Corruption

Ukraine has been a member of the OECD Anti-Corruption Network for Eastern Europe and Central Asia (ACN) since its establishment in 1998. The **Fourth Round of Monitoring Anti-Corruption Report** launched in Kyiv in October 2017 highlighted that despite Ukraine's progress since 2014, including progressive legislation and efforts towards more transparent public procurement, a serious risk of backsliding on reforms has remained. Corruption continues to impede efficient and effective service delivery, particularly in the State-Owned Enterprise (SOE) sector. The report **Anti-Corruption Reforms in Ukraine: Prevention and Prosecution of Corruption in State-Owned Enterprises** adopted in July 2018 at the ACN meeting in Paris, provides a comprehensive assessment of the sector and case studies of selected SOEs, including, among others, Naftogaz and Ukrenergo. The OECD has issued recommendations to help mitigate corruption risks within SOEs and to promote their integrity, compliance, and transparency.



Further OECD assistance focuses on developing policies in areas such as human resources, reporting and accountability, and reinforcing co-ordination among anti-corruption bodies. **Capacity-building and training Ukrainian tax officials and criminal justice professionals** responsible for detecting, investigating and prosecuting high-profile corruption are underway through the **Ukraine Anti-Corruption Project** and the **Tax Academy in Ostia**. The OECD is a co-signatory of the EBRD-led Memorandum on tackling corruption, resulting in the establishment of the Business Ombudsman Council in 2015. It is also one of the key partners in launching the National Anti-Corruption Bureau of Ukraine and the Asset Recovery and Management Agency of Ukraine. Together with UNDP, the OECD leads the **donor co-ordination group on anti-corruption in Ukraine**. The Action Plan also sets ambitious objectives to ensure that anti-corruption efforts are sustainable and that Ukraine is brought closer to OECD anti-corruption instruments and policy standards.

Regarding fiscal policy, in 2017 Ukraine confirmed adherence to the **Inclusive Framework for Base Erosion and Profit Shifting (BEPS)**, and presented a Roadmap Action Plan on implementing four Minimum BEPS Standards. In July 2018, it signed the **Multilateral Instrument (MLI)**, becoming the 83rd jurisdiction to join this instrument for updating bilateral tax treaties and reducing opportunities for tax avoidance by multinational enterprises. In 2017, the country also presented the Roadmap to implement **Exchange of Information on Request (EOIR)** and **Automatic Exchange of Information (AEOI)** standards, and completed the procedure to benefit from the OECD-UNDP joint **Tax Inspectors without Borders Project**. The OECD continues to support the tax administration reform by reviewing Ukraine's tax incentives regime and contributing to the creation of the new Financial Police. In 2019, it will conduct the EOIR peer review as part of Ukraine's membership to the **Global Forum on Transparency and Exchange of Information**.

Pillar 2: Governance and Rule of Law

To improve public service delivery, the joint OECD-EU SIGMA Programme assisted Ukraine in drafting its **Civil Service Law** and the **Law on Administrative Procedures**. In June 2018, SIGMA provided Ukraine with a baseline measurement assessment against *The Principles of Public Administration (PPA)*. Used by the European Commission as a framework to assess public administration reform in EU candidate and potential candidate countries, the PPA helps evaluate areas including strategic framework of the reform, policy development and coordination, and public service delivery.



The *Baseline Measurement Report* for Ukraine assesses the country's **Public Administration Reform Strategy (PARS)**, a four-year programme adopted in 2016. Requested by the Cabinet of Ministers of Ukraine, it looks at all aspects of the baseline measurement (except public financial management) to examine and contribute to potential revisions of PARS. Launched in 2018, the report highlights Ukraine's efforts to modernise public governance, as well as progress made in reforming the public administration. It also identifies shortcomings and provides recommendations to help improve public service delivery. In 2016, SIGMA also reported on the monitoring assessment of Ukraine's Public Finance Management (PFM) Action Plan, and began monitoring the implementation of the **PFM Strategy and Action Plan** in 2018.

In December 2017, Ukraine's Vice Prime Minister and Minister of Regional Development Hennadiy Zubko participated in the OECD Regional Development Committee meeting and discussed with OECD members the assessment and recommendations stemming from the project **Supporting Decentralisation in Ukraine**. The project studied mechanisms to help improve multi-level governance and to detect barriers for effective public service delivery at subnational level. The OECD report *Maintaining the Momentum of Decentralisation in Ukraine*, summarises the analysis. It was launched in Kyiv in June 2018 with Mr Zubko.



Vice Prime Minister Zubko holding the OECD report *Maintaining the Momentum of Decentralisation in Ukraine*, June 2018.

To help tackle systemic integrity violations in Ukraine's education system, the OECD undertook a **Review of Integrity in Public Education** with the Ukrainian Ministry of Education and Science, the Open Society Institute, and the Renaissance Foundation. The review focuses on policy design to eliminate integrity risks, to improve capacity for their early detection and redress, and ultimately to restore public trust in operating a merit-based education system. The OECD is also supporting Ukraine's participation in the 2018 round of the Programme for International Student Assessment (PISA).

Several projects are also underway regarding **environmental development and green growth**. OECD work in this area aims to provide recommendations for designing economic instruments that can manage environmentally harmful products, to support the development and application of green growth indicators for moving towards a green economy, and to improve the performance of **water supply and sanitation services in Ukraine**. The Action Plan also envisages targeted reviews and projects that can enhance public governance and regulatory reform, and identify constraints to sustainable and equitable growth and well-being.

FOCUS: ENERGY SECTOR REFORM IN UKRAINE

The OECD supports energy sector reforms in Ukraine focusing on competition, investment, anti-corruption and corporate governance of State-owned enterprises (SOEs). As part of this work, the OECD has completed a first component which reviews the **SOE reform in the Ukrainian hydrocarbons sector**. Using **Naftogaz** as a case study, the review incorporates the OECD Guidelines on Corporate Governance of State-Owned Enterprises, and provides recommendations to promote effective management and efficiency of the company, as well as its competitiveness on the international markets. The final report was launched at an international event hosted by the Cabinet of Ministers, in Kyiv in February 2019. This project is financed by the Government of Norway and will run until 2021.

State-Owned Enterprise Reform in the Hydrocarbons Sector in Ukraine



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Pillar 3: Investment and Business Climate

The OECD **Investment Policy Review of Ukraine** assesses Ukraine's business environment against the Policy Framework for Investment, focusing on responsible business conduct, investment policy, infrastructure and finance. As a result of this work, in 2017 Ukraine became the 47th adherent to the *OECD Declaration on International Investment and Multinational Enterprises*. It is also an Associate in the OECD Investment Committee's work on the Declaration, in its Working Party on Responsible Business Conduct and in the Freedom of Investment (FOI) Roundtable.



The OECD has also carried out investment-related projects to enhance greening in Ukraine. The report **Access to Private Finance for Green Investments: Energy Efficiency and Renewable Energy Financing in Ukraine** issued in 2018 reviewed the development of environmental credit lines in Ukraine and their use in promoting energy efficiency and renewable energy sources. Additional works include **Support to Greening Small and Medium Sized Enterprises in Ukraine** and **Mobilising Commercial Bank Credit Lines for Green Investments**. Moreover, the "Greening Economies in the Eastern Neighbourhood" (EaP GREEN) programme is being implemented by the OECD in cooperation with UNECE, UNEP, and UNIDO to assist the EU's EaP countries, including Ukraine, in their transition to greener economies.

Building on previous work, the OECD developed recommendations to remove barriers to competitiveness in two critical sectors: energy and agriculture. Since 2015, the OECD has continued to monitor progress made in their implementation to enhance the **Policy Framework for Energy Service Companies (ESCOs)**.

The OECD also carried out an assessment of Ukraine's SME policies in 2015 as part of its **SME Policy Index: Eastern Partner Countries** project, which compared SME policy elaboration and implementation of the EU's Eastern Partnership across six countries. In May 2018, the next round of the SME Policy Index review was launched in Ukraine. The OECD will also review Ukraine's **SME Development Strategy** and work towards enhancing institutional capacities to collect and make better use of **Statistics in Support of SMEs** throughout 2018-19 as part of EU4Business.

The **OECD Review of Competition Law and Policy in Ukraine** was launched in Kyiv in March 2017. It reviewed the progress of Antimonopoly Committee of Ukraine (AMCU) in implementing previous recommendations on aspects including the competition regime, institutional arrangements and work product. The review encouraged changes that would render the AMCU activity more effective and bring competition law and policy in Ukraine in line with the best OECD practices. The OECD's **Competition Assessment Toolkit** complements the review and challenges anticompetitive state practices that limit competition on markets unnecessarily or favour public or private incumbents. This supports the creation of level playing fields for all business activity. Moreover, fight against hard-core cartels and bid rigging in public procurement tenders remain a high priority in Ukraine. The OECD advises Ukraine on using its **Guidelines for Fighting Bid Rigging** to promote best value for money and to guard against wasting scarce government resources.



Snapshot of Ukraine's Engagement with the OECD

Participation in OECD bodies

- ♦ Associate in the Steel Committee
- ♦ Associate in the Investment Committee (in enlarged session for work related to the Declaration on International Investment and Multinational Enterprises and related Instruments)
- ♦ Associate in the Working Party on Responsible Business Conduct
- ♦ Associate in Freedom of Investment (FOI) Roundtable
- ♦ Participant in the Competition Committee and its Working Parties
- ♦ Participant in the Regulatory Policy Committee

Participation in other programmes and activities

- ♦ OECD Anti-Corruption Network for Eastern Europe and Central Asia (ACN)
- ♦ OECD Eurasia Competitiveness Programme
- ♦ SIGMA (European Neighbourhood Instrument)
- ♦ Global Forum on Transparency and Exchange of Information for Tax Purposes (Member)
- ♦ Base Erosion and Profit Shifting (BEPS) Inclusive Framework (Associate)
- ♦ GREEN Action Programme for Eastern Europe, the Caucasus and Central Asia
- ♦ European Union Water Initiative in Eastern Europe, Caucasus and Central Asia
- ♦ International Transport Forum (Member)
- ♦ Senior Budget Officials from Central, East and Southeast European Countries
- ♦ OECD-GVH Regional Centre for Competition in Budapest

Adherence to OECD legal instruments

- ♦ OECD Declaration on International Investment and Multinational Enterprises
- ♦ Decision of the Council Revising the OECD Schemes for the Varietal Certification
- ♦ Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs
- ♦ Paris Declaration on Aid Effectiveness
- ♦ Understanding on Common Shipping Principles
- ♦ Multilateral Guidelines (Extract from the Annex to the Decision establishing a Steel Committee)
- ♦ Convention on Mutual Administrative Assistance in Tax Matters
- ♦ Agreement on Privileges, Immunities and Facilities granted to the Organisation in 1999

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