OECD and Ukraine

Since 1991, the OECD and Ukraine have been working hand in hand 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 renewed until October 2020 at a ceremony held in Kyiv in June 2018.

The Action Plan for implementing the MoU was signed in April 2015 and revised by Ukraine and the OECD in 2019 to reflect the new policy 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 projects and policy reviews. It identifies 28 OECD instruments to which Ukraine could request adherence and 10 OECD bodies in which it could request partnership. An OECD-Ukraine Co-ordination Council serves to disseminate OECD standards and best practices among various ministries and to monitor the Action Plan implementation.

Making use of the OECD

Ukraine can benefit greatly from participating in OECD committees and bodies, which provide a setting for sharing national experiences of OECD member countries as they develop international standards and identify best policy practices, resulting in stronger institutions and enhanced international co-operation. Ukraine’s participation in some OECD committees is underpinned by peer review processes that help build capacity, strengthen public institutions and provide support as reforms are designed and implemented. Through its adherence to OECD legal instruments, Ukraine can further align to international good practices and anchor its policy reforms. Ukraine benefits from:

- peer learning and support through participation in selected OECD committees;
- policy reviews and recommendations;
- alignment with OECD standards;
- knowledge and data-sharing; and
- capacity building to improve the implementation of reforms.

Working hand in hand

While there is strong political will in Ukraine to pursue the ambitious reform agenda initiated after the Maidan Revolution in 2014, the country still needs policy guidance and stronger institutional capacities 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 in line with international standards. The OECD works closely with its Members, the European Union, and other international organisations to support Ukrainian policy priorities. Ukraine participates in specific OECD meetings and events to raise the visibility of its reforms and to exchange and learn from international good practices. Selected OECD standards are used as benchmark or framework to define Ukraine’s policy reform.

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OECD and Ukraine

### Action Plan 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* adopted by Ukraine in September 2017 found that despite Ukraine’s progress since 2014, including new anti-corruption legislation and institutions, and unprecedented levels of transparency, there was a serious risk of backsliding on reforms. 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 by Ukraine in July 2018, provides a comprehensive assessment of the sector and case studies of selected SOEs, including, among others, Naftogaz and Ukrenergo. The OECD has issued policy recommendations to help mitigate corruption risks within SOEs and to promote their integrity, compliance, and transparency.

Further OECD assistance primarily focuses on strengthening Ukraine’s legislative and institutional capacity to detect, investigate and prosecute high profile and complex corruption. The OECD was one of the key partners in launching the National Anti-Corruption Bureau of Ukraine and the Asset Recovery and Management Agency of Ukraine. In addition, training of 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 OECD Tax Academy in Ostia. The OECD is also a co-signatory with the Government of Ukraine, business associations and the EBRD of the Memorandum for the Ukrainian Anti-Corruption Initiative, resulting in the establishment of the Business Ombudsman Council in 2015. Together with UNDP, the OECD initiated the donor co-ordination group on anti-corruption in Ukraine. The Action Plan also aims to ensure that anti-corruption efforts are sustainable and that Ukraine moves closer to OECD anti-corruption standards.

Ukraine is an active member of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) since 2017, which brings together more than 100 jurisdictions committed to curbing cross-border tax evasion. In August 2019, Ukraine ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, which shall enter into force for Ukraine on 1st December 2019. Ukraine is benefitting from an 18-month programme under the joint OECD-UNDP Tax Inspectors without Borders initiative (TIWB) since February 2019. Ukraine is a member of the Global Forum on Transparency and Exchange of Information and in 2017 presented a Roadmap to implement the Exchange of Information on Request (EOIR) and Automatic Exchange of Information (AEOI) standards. Ukraine’s EOIR peer review will be launched in late 2019.

### Action Plan 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 countries and potential candidates, the PPA helps evaluate the strategic framework of the reform, policy development and co-ordination, and public service delivery.

The 2018 *Baseline Measurement Report for Ukraine* assesses the country’s state of play with public administration half way through the Public Administration Reform Strategy. 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 policy recommendations to help improve public service delivery. In recent years, SIGMA has assisted with the drafting of Ukraine’s Public Finance Management (PFM) Strategy and Action Plan, as well as with monitoring their implementation. In 2019, SIGMA has been helping the Ministry of Finance to draft its own monitoring report on the Strategy and Action Plan. 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.
In June 2018, the OECD launched its report *Maintaining the Momentum of Decentralisation in Ukraine* in Kyiv. The report highlighted mechanisms to help improve multi-level governance and to detect barriers for effective public service delivery at subnational level. As a result of this work, Ukraine adhered in 2019 to the **OECD Recommendation on Effective Public Investment across Levels of Government**. Through the Supporting Decentralisation in Ukraine project, in 2019 the OECD continues to provide capacity building in subnational public investment and decentralisation reform implementation drawing on the report’s policy recommendations and introducing new OECD work on effective decentralisation.

To help tackle systemic integrity violations in Ukraine’s education system, the OECD undertook a Review of Integrity in Public Education in 2017 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 has also supported Ukraine’s first-ever participation in the Programme for International Student Assessment (PISA). The PISA Report on Ukraine is being finalised and will be launched in Kyiv on 3rd December 2019.

Several projects are also underway regarding environmental development and green growth. OECD work in this area aims to provide policy recommendations for designing economic instruments that can support the development and application of green growth indicators in Ukraine and to improve water management 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 completed a first component in February 2019, reviewing the SOE Reform in the Ukrainian Hydrocarbons Sector using Naftogaz as a case study. Building on these findings, a second phase of the project was launched in January 2019. It provides an overview of the electricity sector in Ukraine, looking at the corporate governance framework of Ukrenergo as a study case. The OECD is also preparing an updated mapping of the energy sector as well as an assessment framework to monitor the implementation of the Energy Strategy of Ukraine. The project is financed by the Government of Norway and will run until end 2021.

**Action Plan Pillar 3: Investment and Business Climate**

The OECD **Investment Policy Review of Ukraine** assesses Ukraine’s business environment against the OECD Policy Framework for Investment, focusing on responsible business conduct, investment policy, infrastructure and finance. Following the review, Ukraine in 2017 became the 47th Adherent to the OECD Declaration on International Investment and Multinational Enterprises and related legal instruments. Since then it has been an Associate in the OECD Investment Committee for work related to the Declaration, in the Working Party on Responsible Business Conduct and in the Freedom of Investment (FOI) Roundtable.

Under the EU-funded “Greening Economies in the Eastern Neighbourhood” programme the OECD has also carried out projects to enhance green investment 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 **Economic Instruments for Managing Environmentally Harmful Products in Ukraine**. Support to green Ukraine’s economy will continue under new four-year EU4Environment programme launched in 2019. The OECD leads this work in co-operation with UNECE, UNEP, UNIDO and the World Bank.

In 2015, the OECD developed policy recommendations to remove barriers to unleash Ukraine’s competitiveness in two critical sectors: energy and agriculture. Since then, the OECD has continued to monitor progress made in the implementation of OECD recommendations to enhance the Policy Framework for Energy Service Companies (ESCOs).

Ukraine is participating in the third round of the Small Business Act for Europe Assessment in the Eastern Partner region. The results will be published in the SME Policy Index: Eastern Partner Countries 2020 in March 2020. The OECD is reviewing Ukraine’s SME Development Strategy and worked throughout 2018-19 on capacities to make better use of Enterprise Statistics in Ukraine.

The 2017 OECD Review of Competition Law and Policy in Ukraine examined the progress of the Antimonopoly Committee of Ukraine (AMCU) in implementing previous policy recommendations on aspects including the competition regime, institutional arrangements and work product. 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. The OECD has further advised Ukraine on using its Guidelines for Fighting Bid Rigging in public procurement tenders to promote best value for money.

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 Investment Declaration), including the Working Party on Responsible Business Conduct and the Freedom of Investment (FOI) Roundtable
- Associate in the Base Erosion and Profit Shifting (BEPS) Inclusive Framework of the Committee on Fiscal Affairs
- Participant in the Competition Committee and its subsidiary bodies
- Participant in the Regulatory Policy Committee
- Participant in the Regional Development 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
- GREEN Action Task Force for Eastern Europe, the Caucasus and Central Asia
- Greening Economies in the Eastern Neighbourhood (EaP GREEN)
- European Union Water Initiative Plus project for the Eastern Partnership
- International Transport Forum
- OECD Seed Schemes (participating State)
- OECD Export Credits Group and Participants to the Arrangement (Invitee)
- Senior Budget Officials from Central, East and Southeast European Countries
- OECD-GVH Regional Centre for Competition in Budapest

Adherence to selected OECD legal instruments (full compendium)

- Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting
- Recommendation on Effective Public Investment Across Levels of Government
- Declaration on Policies for Building Better Futures for Regions, Cities and Rural Areas
- Recommendation of the Council on the OECD Due Diligence Guidance for Responsible Business Conduct
- Declaration on International Investment and Multinational Enterprises and related legal instruments
- Declaration on Better Policies to Achieve a Productive, Sustainable and Resilient Global Food System
- Convention on Mutual Administrative Assistance in Tax Matters as by the Protocol amending the Convention
- Decision of the Council Revising the OECD Schemes for the Varietal Certification
- Paris Declaration on Aid Effectiveness
- Multilateral Guidelines (Extract from the Annex to the Decision establishing a Steel Committee)
- Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs
- Understanding on Common Shipping Principles