

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 to reflect the mutual commitment to address the public policy challenges the country faces.

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**. It identifies 28 OECD legal instruments to which Ukraine could request adherence (in addition to the 24 OECD instruments Ukraine has already adhered to so far, as well as 2 pending requests), and ten OECD bodies in which it could request partnership. In 2021, the MoU was renewed for five years until 2025 by Ukraine Prime Minister and OECD Secretary-General. Since Russia's large-scale aggression of Ukraine on 24 February 2022, the **OECD Council has condemned the attacks, suspended immediately participation of Russia and Belarus in OECD bodies**, and tasked the Secretary-General to develop further support the democratically-elected government of Ukraine. The OECD-Ukraine Action Plan will be revised in 2022 to reflect the **enhanced OECD support to Ukraine and define priorities for the country's reconstruction**.

Making use of the OECD

Ukraine can benefit greatly from participating in OECD committees and their subsidiary 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 bodies is underpinned by peer review processes that help build capacity, strengthen public institutions and provide support as reforms are designed and implemented. Through its alignment with OECD standards and best practices, Ukraine can anchor its policy reforms. Ukraine benefits from:

- ◆ peer learning and support through participation in selected OECD committees;
- ◆ alignment with OECD standards;
- ◆ knowledge and data-sharing;
- ◆ capacity building to improve the implementation of reforms; and
- ◆ policy reviews and recommendations ([full list of OECD reports on Ukraine since 2015](#)).

Working hand in hand

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 reforms.

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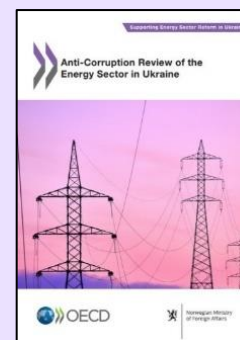
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Action Plan Pillar 1: Anti-Corruption

Ukraine has been participating in the OECD Anti-Corruption Network for Eastern Europe and Central Asia (ACN) since its establishment in 1998. Through the Istanbul Anti-corruption Action Plan, the OECD supports Ukraine's anti-corruption reforms through country reviews and continuous monitoring of implementation of recommendations. The **Fifth Monitoring Anti-Corruption Report**, using new anti-corruption indicators, was adopted by Ukraine in October 2021 and will be published in March 2022.

FOCUS: FIGHTING CORRUPTION IN THE ENERGY SECTOR

Corruption continues to impede efficient and effective service delivery, particularly in the State-Owned Enterprise (SOE) sector. The OECD report **Anti-Corruption Reforms in Ukraine: Prevention and Prosecution of Corruption in State-Owned Enterprises**, adopted by Ukraine in July 2018, includes a comprehensive assessment of the sector and case studies of selected SOEs, including Naftogaz and Ukrenergo. It provides policy recommendations to mitigate corruption risks within SOEs and to promote their integrity, compliance, and transparency. In 2021, the OECD conducted the **Anti-Corruption Review of the Energy Sector in Ukraine** and developed a report on **Typology of High-Level Corruption in the Energy Sector**, which includes guidelines on detection, investigation and prosecution of such cases. The Review provides an overview of corruption risks and schemes in the energy sector, anti-corruption measures implemented by the government and civil society, and challenges in the investigation and prosecution of corruption in the energy sector.



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 and selecting judges of the High Anti-Corruption Court. In addition, **training of Ukrainian tax officials and criminal justice professionals** responsible for detecting, investigating and prosecuting high-profile corruption is underway through the **Ukraine Anti-Corruption Project** and the training offered at the **OECD Tax Academy in Ostia**. The OECD also contributes to **promoting transparency and integrity in the business sector**: it is a co-signatory of the **Memorandum for the Ukrainian Anti-Corruption Initiative**, which resulted in the establishment of the Business Ombudsman Council in 2015, and it supports the Ukrainian Network of Integrity and Compliance, established in 2017.



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 entered into force in December 2019. Ukraine has benefitted of an 18-month programme under the joint **OECD-UNDP Tax Inspectors without Borders initiative (TIWB)** in 2019-2020. 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** is underway, and the first phase was completed in 2021. IN

2022, the OECD is conducting a project to **support Ukraine with its fiscal reforms to address tax fraud**.

Action Plan Pillar 2: Governance and Rule of Law

The joint OECD-EU SIGMA Programme assists Ukraine in improving many aspects of its public governance system, including by drafting the **PAR Strategy and its Action Plan for 2022-2025** in line with the results of the **2018 SIGMA baseline measurement assessment against The Principles of Public Administration (PPA)** report, which provides policy recommendations to help improve overall policy design and service delivery. Used by the European Commission as a framework to assess public administration reform in EU candidates and potential candidates, the PPA helps evaluate the strategic framework of the reform, policy development and co-ordination, and public service delivery. A follow-up assessment is planned for 2023. In addition, SIGMA regularly provides comments to amendments of **Civil Service Law** in order to make it more compliant with the European practices, and has co-operated closely with the Verkhovna Rada of Ukraine during the **drafting of the laws on administrative procedure** and on **Public Consultations**. SIGMA has also assisted with the drafting and monitoring of **Ukraine's Public Finance Management (PFM) Strategy and Action Plan**, as well as with implementing reforms in the areas of public internal financial control and public procurement.



The corporate governance of SOEs reform has been supported by the OECD for several years. In 2019, the OECD completed the review of the **SOE Reform in the Hydrocarbons Sector in Ukraine** looking at **Naftogaz** as case study. The year after, the OECD completed the electricity SOE sector review, looking at the corporate governance reform of **Ukrenergo** as a case study. In May 2021, the OECD published the **Review of the Corporate Governance of SOEs in Ukraine**. This national review evaluates the ownership, corporate governance and regulatory arrangements for SOEs in Ukraine and includes policy recommendations to better align Ukraine's practices with the **OECD Recommendation on Guidelines on Corporate Governance of State-Owned Enterprises** ("SOE Guidelines") [[OECD/LEGAL/0414](#)]. This national review can possibly result in Ukraine's adherence to the OECD SOE Guidelines as per Ukraine's adherence request – the decision is still pending. The monitoring of Ukraine's implementation of the policy recommendations is underway, and will continue in 2022.

In June 2018, the OECD launched its report **Maintaining the Momentum of Decentralisation in Ukraine** which highlights mechanisms to improve multi-level governance and to detect barriers for effective public service delivery at the subnational level. As a follow-up of this work, Ukraine adhered in 2019 to the **OECD Recommendation on Effective Public Investment across Levels of Government** [[OECD/LEGAL/0402](#)]. The project **Supporting Decentralisation in Ukraine 2021-2022** is being implemented and will provide further policy recommendations to improve multi-level governance and the roll out of the decentralisation and regional development reforms.



In 2017, the OECD undertook a **Review of Integrity in Public Education** to help tackle systemic integrity violations in Ukraine's education system. 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** was launched in Kyiv in 2019. Ukraine is participating in PISA 2022.

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 OECD also prepared the **Snapshot of Ukraine's Energy Sector** (in 2019) and the **Monitoring of the Energy Strategy of Ukraine 2035** (in 2020). The OECD-Ukraine 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. Moreover, in 2022, the International Energy Agency will release its **In-Depth Review of Ukraine**.

Action Plan Pillar 3: Investment and Business Climate

An **Investment Policy Review of Ukraine (IPR)** and a **Study of Responsible Business Conduct Practices, both focusing on the energy sector**, were launched in 2021. The Energy IPR assesses Ukraine's business environment against the OECD Policy Framework for Investment, focusing on responsible business conduct, investment policy, infrastructure and finance. Since 2017, Ukraine is Adherent to the **OECD Declaration on International Investment and Multinational Enterprises** [[OECD/LEGAL/0144](#)] and related legal instruments.



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 issues including the competition regime, institutional arrangements and work product. In 2021, the OECD launched the review **Fighting Bid Rigging in Public Procurement in the Energy Sector in Ukraine** looking at procurement rules and practices of energy SOEs using its Guidelines for Fighting Bid Rigging, and organised several capacity-building events for senior public procurement officials. Also in 2021, the OECD launched a **Market Study of the Electricity Sector** to look at potential competition issues in the electricity sector, arising from structural factors, regulatory distortions or market behaviour.

In 2021, the OECD published the report **Beyond COVID-19: Advancing Digital Business Transformation in the Eastern Partner Countries**, which analyses the current state of digitalisation in the Eastern partner countries including Ukraine, and presents a "blueprint" for supporting the digital transformation of businesses. In 2022, the OECD is conducting a project to **Promote SME Digitalisation in Ukraine**, and another one to support **its roadmap for smart cities**.

Ukraine is featured in the annual **OECD Scoreboard on Financing SMEs and Entrepreneurs**. The country has also participated in the third round of the Small Business Act for Europe Assessment in the Eastern Partner region, which results were published in the **SME Policy Index: Eastern Partner Countries 2020**. In 2019, the OECD reviewed **Ukraine's SME**

Development Strategy, and throughout 2018-19 the OECD worked on strengthening capacities to make better use of **Enterprise Statistics in Ukraine**. Further work to strengthening the capacities of the State Statistics Service of Ukraine was provided in 2021 in the framework of the project **Improving Statistics Development in Ukraine**. Since 2015, the OECD has also monitored the progress made in the implementation of OECD policy recommendations to remove barriers to improve the **Policy Framework for Energy Service Companies (ESCOs)** and to unleash Ukraine's competitiveness in energy and agriculture. Ukraine is also included in the annual report **Agricultural Policy Monitoring and Evaluation**.



Through the GREEN Action Task Force, the OECD has supported Ukraine green its economy. Since 2019, the four-year EU4Environment programme to preserve natural capital and increase people's environmental well-being in the Eastern Partnership (EaP) countries, including Ukraine. As a follow-up to the recently completed EU-funded Water Initiative Plus (EUWI+) Programme, the OECD seeks to **Improve the Management of Water Resources in Ukraine** under a new action launched in January 2022. In 2021, the OECD updated the inventory of government support for the production and consumption of fossil fuels, with an objective to support **Ukraine's quantification and reform of fossil-fuel subsidies**. The OECD launched a representative survey of public acceptability of climate change mitigation policies in Ukraine in 2021. The results of the survey will be presented and analysed in 2022.

Snapshot of Ukraine's Engagement with the OECD

Participation in OECD committees and their subsidiary bodies or projects

- ♦ Associate in the Base Erosion and Profit Shifting (BEPS) Project (BEPS Inclusive Framework) – Committee on Fiscal Affairs
- ♦ Associate in the Investment Committee in enlarged session for work related to the Declaration on International Investments and Multinational Enterprises and related legal instruments, including the Working Party on Responsible Business Conduct and Freedom of Investment (FOI) Roundtable
- ♦ Associate in the Steel Committee
- ♦ Programme for International Student Assessment (PISA) Governing Board participant
- ♦ Participant in the Competition Committee and its subsidiary bodies
- ♦ Participant in the Public Governance Committee and its subsidiary bodies
- ♦ Participant in the Committee on SMEs and Entrepreneurship

Other activities within the framework of the OECD

- ♦ Anti-Corruption Network for Eastern Europe and Central Asia (ACN)
- ♦ Equal Pay International Coalition
- ♦ Eurasia Competitiveness Programme
- ♦ Global Forum on Transparency and Exchange of Information for Tax Purposes (member)
- ♦ International Transport Forum (member)
- ♦ OECD Eastern Europe and South Caucasus Initiative (EESCI)
- ♦ OECD Seed Schemes (participating State)
- ♦ OECD-GVH Regional Centre for Competition in Budapest
- ♦ Senior Budget Officials from Central, East and Southeast European Countries
- ♦ SIGMA (European Neighbourhood Instrument)

Adherence to selected OECD legal instruments ([full list](#))

- ♦ Convention on Mutual Administrative Assistance in Tax Matters as amended by the 2010 Protocol [OECD/LEGAL/0382]
- ♦ Decision Revising the OECD Schemes for the Varietal Certification or the Control of Seed Moving in International Trade [OECD/LEGAL/0308]
- ♦ Declaration on International Investment and Multinational Enterprises [OECD/LEGAL/0144] and related legal instruments
- ♦ Declaration on Policies for Building Better Futures for Regions, Cities and Rural Areas [OECD/LEGAL/0448]
- ♦ Multilateral Guidelines (Extract from the Annex to the Decision establishing a Steel Committee) [OECD/LEGAL/5007]
- ♦ Recommendation on Artificial Intelligence [OECD/LEGAL/0449]
- ♦ Recommendation on Effective Public Investment Across Levels of Government [OECD/LEGAL/0402]