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 instruments to which Ukraine could request adherence and ten OECD bodies in which it could request partnership. Chaired by the Government of Ukraine, the OECD-Ukraine Co-ordination Council serves to disseminate OECD standards and best practices among various ministries and to monitor the Action Plan implementation. In 2021, the MoU was renewed for five years until 2025 by Ukraine Prime Minister and OECD Secretary-General. The Action Plan is subsequently being revised to reflect the new government priorities.

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;
- alignment with OECD standards;
- knowledge and data-sharing;
- capacity building to improve the implementation of reforms; and

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. The fifth round of monitoring was launched in 2020 and the *Fifth Round of Monitoring Anti-Corruption Report* will be published in early 2022.

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 typology of corruption cases in the energy sector, as well as guidelines on detection, investigation and prosecution of cases.

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 is underway through the *Ukraine Anti-Corruption Project* and the training offered at 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, which resulted in the establishment of the Business Ombudsman Council in 2015.

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 from 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* was published in June 2021.

**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 progress in modernising public governance, while identifying shortcomings and providing policy recommendations to help improve public service delivery. In recent years, SIGMA has assisted with the drafting and monitoring of *Ukraine’s Public Finance Management (PFM) Strategy and Action Plan*. In 2023, SIGMA will carry out a further assessment of public administration reform.

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 result of this work, Ukraine adhered in 2019 to the *OECD Recommendation on Effective Public Investment across Levels of Government*. 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. Ukraine is also included in the annual report *Agricultural Policy Monitoring and Evaluation*.  

[oe.cd/ukraine](http://oe.cd/ukraine)  

[@OECD Eurasia](https://twitter.com/OECD Eurasia)
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 December 2019. Ukraine will participate in PISA 2024. 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.

**FOCUS: STATE-OWNED ENTERPRISES (SOEs) REFORM IN UKRAINE**

The OECD completed the review of the SOE Reform in the Hydrocarbons Sector in Ukraine looking at Naftogaz as case study in 2019. In 2020, 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. The review evaluates the ownership, corporate governance and regulatory arrangements for SOEs in Ukraine and includes recommendations to better align Ukraine’s practices with the OECD Guidelines on Corporate Governance of State-Owned Enterprises (“SOE Guidelines”). This national review can result in an official recognition of Ukraine’s adherence to the OECD SOE Guidelines as per Ukraine’s official adherence request. The monitoring of Ukraine’s implementation of OECD recommendations took place in October 2021.

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

An Investment Policy Review of Ukraine (IPR) and a Case study of Responsible Business Conduct Practices, both focusing on the energy sector in Ukraine, were launched in 2021. The IPR assesses Ukraine’s business environment against the OECD Policy Framework for Investment, focusing on responsible business conduct, investment policy, infrastructure and finance. Following the 2017 IPR, Ukraine became the 47th Adherent to the OECD Declaration on International Investment and Multinational Enterprises and related legal instruments. Since then, the country 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.

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 market competition unnecessarily or favour public or private incumbents. 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. The OECD also organised several capacity-building workshops for senior public procurement officials in Ukraine throughout 2021.

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 policy makers to support the digital transformation of businesses.

Ukraine is featured in the OECD Scoreboard on Financing SMEs and Entrepreneurs 2020. The country has also participated in the third round of the Small Business Act for Europe Assessment in the Eastern Partner region. The results were published in the SME Policy Index: Eastern Partner Countries 2020. Throughout 2018-19 the OECD worked on strengthening capacities to make better use of Enterprise Statistics in Ukraine, and in 2021 further work to strengthen the capacities of the State Statistics Service of Ukraine was provided in the framework of the project Improving Statistics Development in Ukraine. In 2019, the OECD also reviewed Ukraine’s SME Development Strategy and launched the report in June 2020. Since 2015, the OECD has monitored the progress made in the implementation of OECD recommendations to remove barriers to improve the Policy Framework for Energy Service Companies (ESCOs) and to unleash Ukraine’s competitiveness in energy and agriculture.
OECD and Ukraine

Under the EU-funded "Greening Economies in the Eastern Neighbourhood" programme, the OECD has carried out various 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 continues under the four-year EU4Environment programme launched in 2019. In 2021, the OECD updated the inventory of government support for the production and consumption of fossil fuels, which aims to support Ukraine’s quantification and reform of fossil-fuel subsidies.

**Snapshot of Ukraine’s Engagement with the OECD**

**Participation in OECD bodies**
- Associate in the Investment Committee (in enlarged session for work related to the Investment Declaration), Working Party on Responsible Business Conduct and Freedom of Investment (FOI) Roundtable
- Associate in the Steel Committee
- Participant in the Committee on Fiscal Affairs as Associate in the BEPS Inclusive Framework
- Participant in the Competition Committee and its subsidiary bodies
- Participant in the Public Governance Committee
- Participant in the Regional Development Policy Committee
- Participant in the Regulatory Policy Committee
- Participant in the Working Party on SMEs and Entrepreneurship

**Participation in other programmes and activities**
- Equal Pay International Coalition (participant)
- European Union Water Initiative Plus project for the Eastern Partnership
- Global Forum on Transparency and Exchange of Information for Tax Purposes
- Greening Economies in the Eastern Neighbourhood (EaP GREEN)
- Inclusive Framework on Base Erosion and Profit Shifting (BEPS) package (Associate)
- International Transport Forum
- OECD Anti-Corruption Network for Eastern Europe and Central Asia (ACN)
- OECD Eastern Europe and South Caucasus Initiative (EESCI) and OECD Eurasia Competitiveness Programme
- OECD Export Credits Group and Participants to the Arrangement (Invitee)
- OECD Seed Schemes (participating State)
- OECD-GVH Regional Centre for Competition in Budapest
- Programme for International Student Assessment (PISA)
- Senior Budget Officials from Central, East and Southeast European Countries
- SIGMA (European Neighbourhood Instrument)

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