

# Reforms in Ukraine:

Progress in 2017  
& Priorities for 2018

February, 2018





## Foreword by the Prime Minister



Dear colleagues!

To build a successful European state – this is the chance we have got thanks to the Revolution of Dignity, and we have no right to waste it.

Indeed, we have begun a major transformation of the state aiming to ensure economic growth, provide effective governance, facilitate human capital development, implement the rule of law and fight corruption as well guarantee the state security and enhance its defense power. These objectives were specifically set out in the Government's Medium-Term Priority Action Plan to 2020, adopted last year.

The key achievements of the Government in 2017 were maintaining macroeconomic stability, ensuring further economic growth and pursuing systemic and institutional reforms, including those neglected over the entire period of Ukraine's independence.

Specifically, the Government has launched pension, education and healthcare reforms, prepared the ground for transparent privatization practices and efficient management of state-owned enterprises. Besides, the Government has started preparing the land reform.

To overcome the institutional weakness of the Ukrainian state, which still remains one of its biggest problems, we have particularly focused on public administration reform. At the same time, we continued the decentralization reform, which the Government had commenced earlier.

Besides, the Government was consistently implementing its part of anticorruption activities, creating favorable conditions for the work of anticorruption bodies and, together with civil society, was monitoring corruption risks in central executive bodies to narrow the potential sources of institutional corruption. This has put an end to abuses in the system of VAT reimbursement, while custom revenues increased significantly due to fight against smuggling. By initiating new legislation the Government is trying to protect business against abuses coming from law-enforcement bodies.

The Government's efforts have led to general improvement of the business and investment climate in Ukraine, which has been noted by entrepreneurs. Hence capital investments in Ukraine grew by 19.9% over the first three quarters of 2017. Privatization of the state-owned enterprises and reform of their management will be among the top priorities of our Government. The privatization of such big enterprises as Centrenerg, Turboatom, Odessa Port Plant, Ukrgazbank is planned for early 2018.

The Government stays firm and consistent in its policy aimed at deepening relations with the European Union. After the final approval of the Association Agreement, its implementation became one of the Government's top priorities. The EU is becoming Ukraine's main economic partner: the share of the EU member-states in Ukraine's foreign trade in goods has reached 41.3% of the total trade volume. In 2017 more than 14 thousands Ukrainian companies exported to the EU.

At the same time, we do understand that we cannot afford to be satisfied – the country needs to increase its economic growth, step up its major transformations, continue profound modernization of infrastructure, and provide real changes in healthcare and education.

Thus we have identified the following priorities for 2018: privatization and efficient management of state-owned enterprises, improvement of the business climate, modernization of infrastructure, energy sector reform, preparations for land reform and support of farming, innovations development, further fight against corruption, strengthening the rule of law as well as pursuing current reforms.

I am convinced that the Government's comprehensive and responsible approach towards these priorities, our joint efforts to keep political consensus with constructive forces for the sake of much-needed reforms, as well as support of our international partners will ensure continued economic growth and progress in 2018. We are particularly aware of how responsible our mission is, and we will keep proving our political will to achieve the well-being of the Ukrainian people.



**Volodymyr Groysman**  
Prime Minister of Ukraine



# The Government's Medium-Term Priority Action Plan to 2020 is a Roadmap for Reforms and Changes



## ▲ Purposes of the Mid-term action plan

### Identification and adoption of the key objectives and priorities of the Government for 2017 – 2020

- Policy coherence
- Strategic view
- Long-term planning

### Foundation for mid-term budget and ministerial plans

- 2018-2020 budget resolution
- Annual budgets
- Effective use of limited resources

### Coordination of resources, donor support

- Priorities
- Assistance
- Commitments

## ▲ Strategic goals and key actions

### → Defense and security

Protection of sovereignty and territorial integrity, securing safe environment for citizens

### → Anticorruption and the Rule of Law

Effective anti-corruption policy & institutions, protection of property rights, equal access to justice

### → Human capital development

Education, healthcare, social security, culture – effective use of resources

### → Economic Growth

Maintaining macroeconomic stability, land reform, privatization, deregulation, energy reform, tax and customs reform, increasing exports and attracting investment

### → Effective governance

Public administration reform, public finance management reform, decentralization



## ▲ Implementation

- Operationalized through annual actions plans of the Government
- Actions plan for 2017 includes 615 detailed actions
- Daily monitoring of the Plan for 2017 actions implementation is performed through the online tool by Secretariat of the Cabinet of Ministers of Ukraine and the Reforms Delivery Office



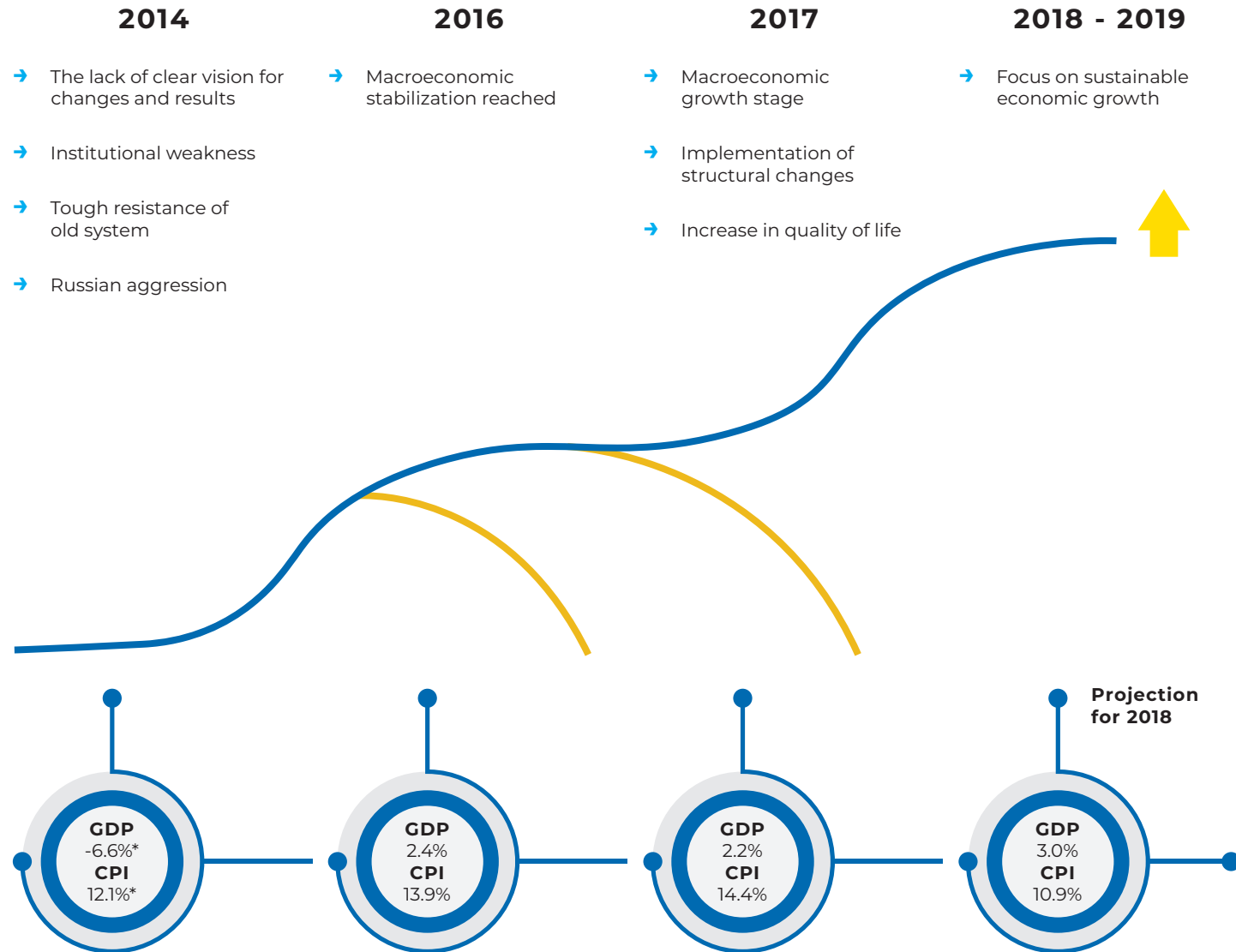
# The Government's Medium-Term Priority Action Plan to 2020 is a Roadmap for Reforms and Changes



## ▲ Focus on economic growth

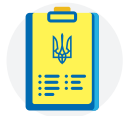
In 2014-2016 Ukraine navigated the challenging road of macroeconomic stabilization and transformation. Over these years the country has developed a clear vision of change and deliverables, and has become even more institutionally strong.

Economic indicators for 2017 (about 2% GDP growth) show that Ukraine has entered a phase of economic growth. According to the Cabinet of Ministers, the budgeted forecast of economic growth for 2018 is +3%. Ukraine is well placed to achieve more than 5% of GDP growth in 2019, and such growth is the key goal of the Government and the major economic target for the coming years. The main drivers of economic growth will be the revival of Ukraine's industrial sector and development of innovative industries.



\* annual change

# **Reforms Priorities Progress in 2017**



## 6 key reform priorities of 2017 at glance



In line with the Medium-Term Priority Action Plan and the Government's Annual Action Plan for 2017 the Prime Minister determined 6 key priority areas for the Government in 2017:

- Pension reform
- Education reform
- Healthcare reform
- Public administration reform

→ Privatization and state-owned enterprise reform

→ Land market reform

Stabilization of the economy and economic growth achieved by the Government in 2016-2017 with the international community assistance allowed the mobilization of resources for the implementation of key reforms and social initiatives.

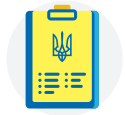
2017 was a year of success in laying the groundwork for human capital development as the Parliament of Ukraine passed the laws proposed by the Government, and the long-awaited education, healthcare and pension reforms were launched.

In early 2018, the Government and the Parliament cooperatively embarked on the elaboration and passage of a new groundbreaking law to ensure effective and transparent privatization.

Despite the extension of the moratorium on agricultural land sales into 2019, the work on land market reform is ongoing and remains a priority for 2018.

Steps made as part of the efforts to implement reforms will contribute to stable economic growth, and the improvement of social protection and the well-being of citizens.





## 6 key reform priorities of 2017 at glance



### Pension reform

- Calculation of pensions for all employee categories based on duration of pensionable service introduced
- Increased pensions for 10.2 mln pensioners
- The Action Plan for 2017-2018 on the introduction of the 2nd and improvement of the 3rd pillars of the pension system adopted by the Government



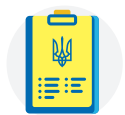
### Education reform

- The Law of Ukraine "On Education" was adopted and has launched the development of special legislation (general secondary education, vocational education, changes to higher education financing)
- Implementation of New Ukrainian School concept has started with primary education and continues till 2029 on further levels of secondary education



### Health Care reform

- Legislation on the state financial guarantees for the provision of health services and medicines was adopted. From July 2018, the National health care service of Ukraine will function for primary care
- Full implementation of the healthcare reform for the primary care will occur in 2019
- Test registration of hospitals and doctors in the system gained traction. 716 hospitals, 5242 doctors and 31251 patients were registered. The transfer of eHealth software to the state system administrator is planned in February 2018

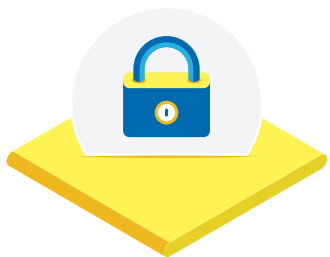


## 6 key reform priorities of 2017 at glance



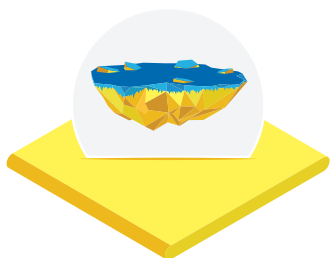
### Public administration reform

- New strategic planning approach introduced within the Government's Medium-Term Priority Action Plan to 2020 approved
- Reorganization of the ministries launched with the aim to increase Government capacity for policy development and strategic planning: in 10 ministries and 3 other government bodies 50 directorates with 821 new reform staff positions of civil service (RSP) established
- Modern civil service and RSP vacancies portal career.gov.ua launched with possibility to apply online. >13 000 candidates applied, with 42000 monthly users resulted in average 33 candidates per vacancy
- 34 positions increase (65th place in 2017) for "Transparency of policy making" by WEF GCI
- 35 online e-services were implemented, namely in registration services, social sphere, construction sector
- Open data portal "data.gov.ua" launched with more than 30,000 data sets and more than 2000 data administrators, resulted in 24th place (+ 30 positions) in the Global Open Data Index 2017



### Privatization & SOE reform

- The new Law "On privatization" was adopted by the Parliament in early 2018. It simplifies the procedure of privatization: only 2 groups of objects for privatization (small-scale privatization and large-scale privatization) instead of 6, only two types of auctions instead of 5 etc. Therewith, small-scale privatization shall be made exclusively through online auctions
- The separation of the SOEs into groups for further action "triage" was completed and published
- The Supervisory Board of NJSC Naftogaz with the majority of independent directors was re-appointed
- State Auction Platform ProZorro.Sale was launched allowing easy, fast and transparent sales and leases of state property through online auctions. The platform as well would be used for privatization of the minor state-owned projects



### Land market reform

- The Concept of National land market model has been developed by the Government together with the World Bank.
- The concept of the State program of development of farming for 2018-2020 years approved

# **Reforms Priorities for 2018**



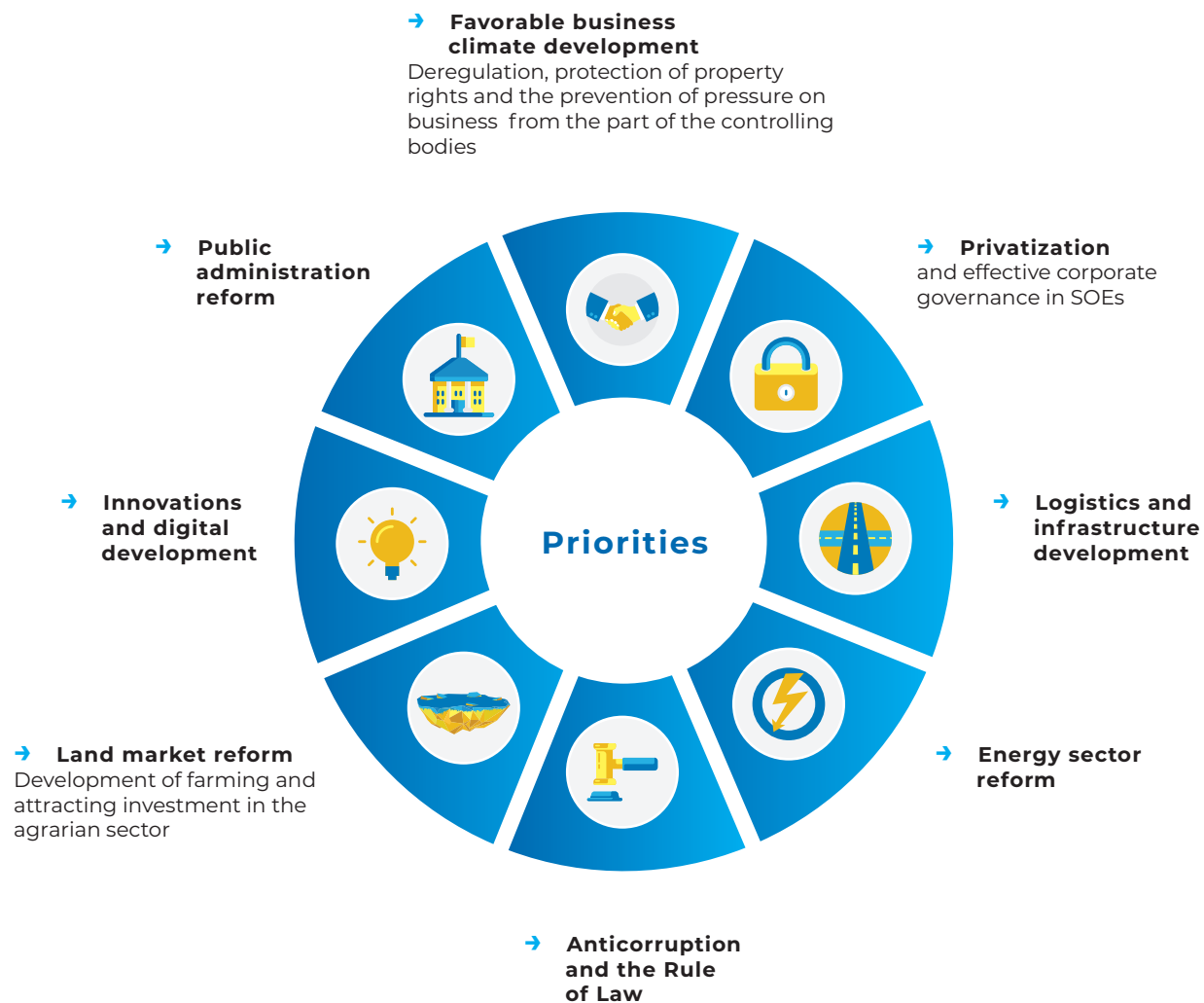
## Reform priorities for 2018 at glance

### ▲ Goal

to ensure sustainable economic growth 5-7% GDP

### ▲ Key tasks

- Move from stabilization to sustainable economic growth
- Eliminate the institutional foundations of corruption
- Continue the implementation of previously initiated reforms





## List of 35 priority bills - focus on economic growth

The Government plans to do its utmost to reach more than 5% of economic growth this year. Ukraine should and will become one of the most attractive countries for doing business: both for a small businessman and for large foreign investors.

Having identified the problems that prevent business from developing in Ukraine, the Government has presented a comprehensive solution aimed at solving these problems. These decisions are presented in 35 legislative initiatives. They were developed and proposed by the Government, the President of Ukraine and more than 100 MPs from all factions and groups without exception. But the main point is that these are the changes that our business is asking for.

### The efforts will be directed to 5 packages of solutions:

- Protecting the rights of business, especially from the arbitrary behavior on the part of law enforcement officers and administrative officials.
- Deregulation. Business is to spend the maximum of its time on creating jobs in Ukraine, and not on unnecessary administration.
- Facilitating access to financing. Lending and state support should be open for every entrepreneur.
- Transparent access to public resources. These resources are required to support the development of the business climate, and not vice versa.
- And the last, but not least - fostering innovations. In this century it is an indispensable prerequisite for a competitive economy.



### Deregulation and business climate improvement

- Financial Intelligence Service
- #4591 - Business Ombudsman
- #7326 - Responsibility for violations of the officials of controlling bodies
- #7373 - Responsibility for violations of the officials of permit authorities
- #7473, #4776 - Authorized Economic Operator
- #7010 - "Single window" at the customs
- #7302, #7303 - Radiological and environmental control at the customs
- #4666 - Regulations for LLCs\*
- #6540 - WB's Rating of Doing Business
- #4650 - De-communisation
- #3096-д - Simplification of gas exploration and extraction
- #7497 - Market of scrap metal
- #7034, #7035 - A single account for paying taxes and fees

- Deregulation of cash registers
- Currency control (the National Bank of Ukraine)

- #7365 - Sanctions for violations of foreign economic activity rules



### Facilitating access to financing

- Loans to SMEs
- #7055 - Regulation of derivatives market
- #6141 - Encouragement of foreign portfolio investments (nominee institution)
- #7114-д - Credit Registry\*
- #6027-д - Protection of creditors' rights
- #3132-д - Bankruptcy regulation
- #7180 - Corporate governance in state-owned banks



### Transparent access to public resources

- Concessions
- Counteracting abuse in public procurement
- Lease of state property through ProZorro.Sale



### Fostering innovation

- Support for innovation and start-ups
- Venture capital
- #2554а-д, #2555а-д - Industrial parks
- #7466 - Protection of property rights
- #7270 - E-money and cashless economy

\*The draft laws have already been adopted by the Parliament on Feb 6, 2018



## Continuing the implementation of reforms initiated in 2017



### ▲ Plan for 2018

#### Decentralization

- Addressing the issue of Ukraine's administrative and territorial structure at the legislative level
- Legislating for the transfer of jurisdiction over land plots outside the limits of city/town/locality to amalgamated territorial communities and enabling investment attraction through reasonable territory planning
- Laying down the legislative framework for sectoral decentralization

#### Healthcare reform

- Reforming primary health care and implementing the Money Follows the Patient funding model
- Introducing a guaranteed primary health care package
- Expanding the Affordable Medicines reimbursement program
- Re-planning some facilities to build state-of-the-art outpatient clinics in rural areas
- Deploying an integrated cardiovascular disease control system: outpatient, intensive and emergency care

#### Pension reform

- Expanding coverage of the employed population by pension insurance, bring the employment relations out of the shadows
- Creating conditions for the introduction of a professional saving pension system, working towards occupational pension schemes
- Replacing the mechanism to compensate privileged pensions and introducing a professional pension system for employees engaged in production, jobs and positions specified in lists # 1 and # 2
- Recalculating pensions for military servants, taking into account the updated financial provision

#### Education reform

- Development of the new Law of Ukraine on General Secondary Education
- Further implementation of the New Ukrainian School concept; creating a new educational environment in elementary school
- Creating an unhindered environment for children with special educational needs; enhancement of a network of inclusive-resource centers
- Development of the Law of Ukraine on Professional (Vocational) Education
- Setting the stage for unbiased higher education quality assessment by the National Quality Assurance Agency for Higher Education
- Updating secondary, vocational and higher education curricula



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