

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 **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 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 2020, the MoU was renewed for an additional five years until 2025 by Ukrainian Prime Minister Denys Shmyhal. The Action Plan will be revised in 2021, in order to align OECD work with the new Government Programme for the next term.

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
- ◆ policy reviews and recommendations ([full list of OECD reports on Ukraine since 2015](#)).

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.

Contacts

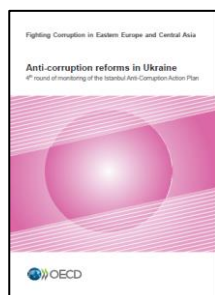
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Action Plan Pillar 1: Anti-Corruption



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 OECD report **Anti-Corruption Reforms in Ukraine: Prevention and Prosecution of Corruption in State-Owned Enterprises**, adopted by Ukraine in July 2018, is 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 2020-21 the OECD is conducting the **Energy Sector Anti-Corruption Review** and is developing the typology of corruption in energy sector as well as the guidelines on detection, investigation and prosecution of such crimes.

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. 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 entered into force in December 2019. Ukraine has been 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** is underway and will be ready in 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 June 2018, the OECD launched its report **Maintaining the Momentum of Decentralisation in Ukraine**. The report 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**. A second phase of the project **Supporting Decentralisation in Ukraine** will

be launched in February 2021, providing further policy recommendations to improve the roll out of the decentralisation and regional development reforms. Ukraine was included in the ***Agricultural Policy Monitoring and Evaluation 2020***.



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 in 2019 the review of the ***SOE Reform in the Hydrocarbons Sector in Ukraine*** looking at **Naftogaz** as case study. Building on these findings, a second review was carried out providing analysis of the electricity SOE sector in Ukraine, looking at the corporate governance reform of **Ukrenergo** as a case study. The final report was launched in June 2020.

In 2020-21, the OECD is conducting the **National review of the corporate governance of SOEs in Ukraine**. This review will evaluate the ownership, corporate governance and regulatory arrangements for SOEs in Ukraine. The work will result in country-specific recommendations to better align Ukraine's practices with the internationally-agreed standards of the **OECD Guidelines on Corporate Governance of State-Owned Enterprises** ("SOE Guidelines"), which provide direction for ensuring that SOEs operate transparently, efficiently and on a level playing field with private enterprises. This review can result in an official recognition of Ukraine's adherence to the SOE Guidelines.



Action Plan Pillar 3: Investment and Business Climate



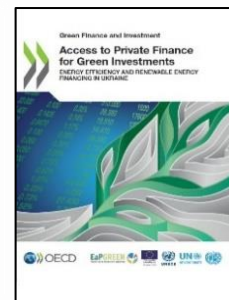
An **Investment Policy Review of Ukraine** and a **Responsible Business Conduct** case study, both focusing on the energy sector in Ukraine, are being carried out in 2020-21. The OECD Investment Policy Review assesses Ukraine's business environment against the OECD Policy Framework for Investment, focusing on responsible business conduct, investment policy, infrastructure and finance. Following the 2017 review, Ukraine 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.

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 2020, the OECD kicked-off the review of procurement rules and practices of energy SOEs using its **Guidelines for Fighting Bid Rigging**. The review will be launched in 2021, and the OECD will also organise several capacity-building workshops for senior public procurement officials in Ukraine.

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** in March 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 the State Statistics Service of Ukraine will be provided. 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 unleash Ukraine's competitiveness in energy and agriculture.

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 2020-21, the OECD is updating 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 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
- ◆ 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](#))

- ◆ Recommendation of the Council on Artificial Intelligence
- ◆ 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