



# **UKRAINE: REPORT OF THE GOVERNMENT**

**FEBRUARY 2014-JUNE 2015**

# Financial stability

- Implemented anti-crisis measures to bridge the budget gap. Eliminated a number of shadow economic schemes. Negotiated and approved a comprehensive IMF support program.
- Income of the state budget by the end of 2014 increased by 5 %.
- Adopted three austerity packages. Passed a realistic budget for 2015. Reduced the external debt by \$4 bn.
- Cut financing for the state institutions by 10.7% (\$142.5 mln). Cut the number of public officials by 28 thousand.
- Eliminated the outdated system of privileged pensions for state officials; introduced taxation of high pensions.
- Reformed the outdated system of energy tariffs, raising natural gas tariffs by 280%, heating tariffs – by 66%. Substantially reduced the deficit of the Naftogaz company – from 5.7% GDP in 2014 to 3.1% GDP in 2015.
- Launched a new target-oriented system of subsidies for the most vulnerable part of the society, reaching up to 4 million of households.
- In 2014, received \$9 bln in financial aid, repaid \$14 bln to the international creditors.
- Organized an International Support for Ukraine Conference to reaffirm the commitment of the international community and investors to support the Government's reforms
- In March 2015, by adopting a comprehensive reform package, agreed a new EEF program with the IMF of \$17.5 bn, plus \$7.5 bn from other international partners. Launched consultations with regard to external debt restructuring as part of the IMF agreement.
- Adopted a social security system for over 1,3 million of the internally displaced persons – budget allocations in direct financial aid of \$210 mln. Over 1 mln. of pensioners from Donetsk and Luhansk are receiving their pensions in other regions of Ukraine.



# National security and defense

---

- Restored combat readiness of the Armed Forces. Created and equipped the National Guard. Contained the Russian aggression and prevented its spreading to other regions.
- Raised the defense expenditures to 5.2% of the GDP. Increased budget allocations for security and defense sectors by \$1.27 bln, including by \$430 mln for procuring and modernizing the military equipment.
- Eliminated the “non-block” status of Ukraine; launched a reform of the military with the aim to meet NATO standards; adopted the Annual National Programme with the NATO.
- Launched the construction of a secure and protected border infrastructure with Russia – constructed 144 km of anti-tank fortifications, 90 km of fortified border infrastructure.
- Submitted three claims against Russia to the European Court of Human Rights.
- Launched the dispute settlement procedure regarding Russia’s financing of terrorism in Ukraine in accordance with the International Convention for the Suppression of the Financing of Terrorism.
- Passed the Government’s law on the sanctions, targeting the aggressor and its supporters.
- Passed a law on comprehensive police reform. Launched a pilot project of new patrol police in Kyiv and major Ukrainian cities.





# Good governance

---

- Organized free and fair democratic elections of the President and of the Parliament.
- Formed a pro-European coalition with a constitutional majority in the Parliament.
- Launched a decentralization reform: completed the fiscal decentralization. Devoted more financial powers to the regions: more taxes will remain at the local level, financial resources of the local communities increased by \$2 bn or by 35%.
- Adopted a package of anti-corruption laws, established a National anti-corruption bureau.
- Arrested \$1.4 bn in assets belonging to Viktor Yanukovych and his clique.
- Adopted the law on lustration and launched the screening of senior public officials. Over 600 officials were entered into the lustration register.
- Did away with the Soviet totalitarian heritage: passed the laws which condemn the totalitarian communist regime and open the Soviet archives about communist repressions in Ukraine.
- Passed the reform of public prosecution: eliminated the Soviet-style “general oversight”.
- Strengthened legislative controls over transfer pricing and related party lending.
- Transparent and effective management of state-owned companies: introduced external auditing by “big 4”; compulsory open competitions to appoint their CEOs.



# Improved conditions for business

---

- Ukraine's ranking in the Doing Business report improved by 16 points – from 112 to 96.
- Tax reform: cut the number of taxes from 22 to 11. Increased taxes for super-profitable industries (oil and gas extraction).
- Prohibited all state inspections of small businesses for 2 years. Cut the number of controlling agencies from 56 to 28.
- First stage of deregulation: cut the number of permits and licenses for businesses by 50%, targeting food, agriculture, energy and IT sectors.
- Simplified the procedures for registering new businesses (deadline – 2 days) and property rights.
- Introduced an office of business ombudsman, appointed former EU Commissioner Algirdas Šemeta to this post.
- Appointed the Ukrainian Trade Representative, with the aim of promoting trade, including at new markets, and utilizing the legal tools to fight the Russian economic aggression.
- Reached agreements with the U.S., France, Germany and other partners to hold investment-promoting summits in respective capitals.
- Technical standards: transition from the Soviet to the EU system.
- Agricultural output in 2014 grew by 16%.



# Energy independence

---

- Launched the reverse supply system of natural gas into Ukraine from the EU.
- Eliminated shadow intermediaries in energy supplies – launched direct contracts with the suppliers.
- Passed the law “On the gas market”, implementing the Third EU energy package and demonopolizing the natural gas market in Ukraine”.
- Purchase 70% of the imported natural gas from the EU, saved \$500 mln due to a cheaper price.
- Established a stabilization fund for energy security in the amount of \$1bn.
- Increased natural gas reserves from 5 to 17 bcm for the winter season 2014/2015. Secured an unhindered heating season and transit of the natural gas to the EU.
- Diversified the supplies of nuclear fuel for the Ukrainian NPPs: broke the Russian monopoly by reaching a deal with US-based Westinghouse Corp.
- Reduced natural gas consumption by 20%.
- Submitted claims for a total value of \$16bn against Gazprom to the Arbitration Institute of the Stockholm Chamber of Commerce. Signed an interim deal with an acceptable price to get through the winter.
- Created a legal framework for EU and US based companies to invest into the Ukrainian gas transportation system.



# The European integration

---

- Signed and ratified the Association Agreement with the EU.
- Adopted the National implementation plan and sectoral plans by each ministry.
- Adopted the national plan and sectoral plans for implementing EU Regulations, Directives and other EU legislative acts into the national legislation.
- Created a coordination system by establishing an EU integration office in the Government and by introducing posts of deputy ministers for the EU integration in each ministry.
- The EU unilaterally abolished all customs and export duties for Ukrainian exporters. Share of the EU market in Ukrainian exports grew by 5% - to 31,5%.
- Adopted legal acts and completed the first phase of the Visa Liberalization Action Plan. Started to issue biometric passports – over 300 thousand passports already issued.
- Held the Ukraine-EU summit and the first meeting of the Ukraine-EU Association Council.





Kyiv  
June 2015

