

Reforms Bulletin

(September-November 2018)

Economic development and improvement of investment climate

Ukraine remains committed to furthering the comprehensive reform agenda aimed at consolidating democracy and rule of law, as well as ensuring economic prosperity.

Despite the upcoming elections and new wave of escalation by Russia in the maritime domain, Ukrainian government continues implementation of the above strategic goals, rejecting populist and short-run solutions.

- The economy of Ukraine [grows for 11 quarters in a row](#). The GDP in 3Q grew 2.8% in comparison to the same period last year. [Export of goods reached USD 41.7 billion in 9 months 2018](#), export of services grew by 9.3%. Volume of trade (goods and services) with the EU reached USD 14.6 billion. EU remains the key market for Ukraine.
- In 2017, for the first time since 2011, the correlation between state debt and GDP decreased, approaching [the “safe” level of 60%](#) (demand of the Budget Code of Ukraine, due to be achieved already in 2018). It is expected to decrease a level to 52% in 2019 and to 49% in 2020.
- [GDP growth is expected at the level of 3.1%](#) as a result of 2018, 3% in 2019, 3.1% in 2020 and 3.9% in 2021. They also expect the decrease in distribution prices at the level of 9.5% in 2018, 7.4% in 2019, 6% in 2020 and 5% in 2021.
- The Parliament of Ukraine adopted and the President of Ukraine signed [the Law on State Budget for 2019](#).
- [The Government priorities for 2019 include 4 main blocks](#):
 - **Economic growth**: continuation of changes and improvement of business climate through introduction of the smart regulatory policy, improvement of the efficiency of state companies’ management, privatization, infrastructure development and energy sector reform.
 - **Improvement of public administration efficiency**.
 - **Improvement of life standard** and investments into human capital development, continuation of already started education and healthcare reforms.
 - **State security and defence**: strengthening of defense capabilities, rule of law and the fight against corruption.

Anticorruption reform

- High Anticorruption Court is to be launched in early 2019. As a necessary precondition for a duly recruitment process of judges, the Civil Council of International Experts has already started its activities. [The recruitment process for 39 positions of judges](#) started on 12-14 November and is now underway.
- [State Investigation Bureau](#) finalizes establishment of 7 territorial units. Meanwhile, the director of the State Investigation Bureau appointed units’ acting heads.
- NACP [upgrades a system of control of e-declarations](#) to render declaration checking automatic.
- As of 31 October 2018, NABU under procedural guidance of SAPO investigated 730 criminal proceedings. 276 persons have been accused of corruption crimes within 166 cases sent to court. Just in October 2018, 7 cases were sent to court. In particular:
 - «amber case» (obtaining an improper advantage for the assistance to a foreign company in the realization of amber mining in Ukraine);
 - «Krayan Plant case» (embezzlement of UAH 185 million from Odesa City budget during purchasing of buildings of the Open Joint Stock Company (OJSC) «Holding Company «Krayan»»;
 - case of a judge of the Holosiyivsky District Court of Kyiv, accused of bribery.

Energy efficiency and renewable energy reform

- The [key achievements that were reached during last 4 years](#) are:
 - o Over [EUR 1.1 billion of attracted “green” investments](#) in renewable energy projects;
 - o 6 billion m³/year of saved gas;
 - o EUR 1.2 billion of annual economy on gas purchases;
 - o 190 concluded ESCO-contracts worth almost UAH 200 million;
 - o UAH 7 million of investments in insulation of housing.
- Ministry of Energy and Coal Industry of Ukraine is working on administrative and technical implementation of the [reformed market of electric energy](#), the end goal of which is to reduce the cost of electricity for end users.
- EBRD and NAK Naftogaz [agreed to reduce methane emissions in gas sector](#) and signed a Memorandum of Understanding covering this cooperation.
- The first stage of [electric energy reform starts this December](#) with a software check, adoption of last package of normative acts and a Road map on reorganization and establishment of a new state enterprise. By 11 December, the electric companies will have to separate distribution function from supply function.
- The [Energy Efficiency Fund is due to be launched](#) in the near future after 4 of 5 members of its Supervisory Board have been appointed. One more member has to be assigned by the EU.
- Germany is planning to allocate additional [EUR 10 million for the Energy Efficiency Fund](#).

Deregulation

- Ukraine has climbed 5 positions in the [Doing Business-2019 Index](#), ranking 71st.
- [Currently, 85% of consignments are cleared through the „single-stop”](#) system, launched 2 years ago. Full implementation of the “single-stop” procedure remains a priority for financial authorities of Ukraine.
- A network of [entrepreneurship support centers](#) will be launched in the framework of the SME 2020 Strategy implementation. These centers will provide free-of-charge business information and consultation with an accent on available possibilities (for ex.: affordable programs of support and the process of application, study events, etc.).
- Deregulation went through 6 stages. [760 legal acts](#), impeding business development, were cancelled. The next steps include: introduction of single tax payments accounts, e-checks, processing concession mechanisms, continuation of small privatization procedure through ProZorro system.
- Ukraine launched [an integrated portal \(https://inspections.gov.ua\)](#) with a number of instruments for the transparent and predictable on-line cooperation G2B. 26 inspection organs out of 33 have already joined the portal and opened information for checks.
- On 5 December the Cabinet of Ministers initiated a [draft law on protection of intellectual property assets \(inventions, utility models, industrial designs and trademarks\)](#) and conveyed it to the Parliament for adoption.

Healthcare reform

A year ago, the Verkhovna Rada of Ukraine passed the first health reform law launching the long-awaited process of change in the national healthcare system, and introducing the state guaranteed benefit package. Remarkable progress has been made since the key law was passed.

- The National Healthcare Service has [signed agreements with 623 public healthcare](#) (PHC) providers providing services to about 23 million patients. It means new financing for medical facilities and new quality of service for patients. In the first 4 months, the NHSU paid the contracted PHC providers a total of UAH 1.6 billion.
- The nationwide campaign for the free choice of PHC providers (family doctors, general practitioners and pediatricians) started in April 2018. For the first time ever, Ukrainians could freely choose a

doctor, irrespective of their registered place of residence. [Every third citizen of Ukraine](#) has chosen a doctor s/he trusts.

- The Ministry of Healthcare is working on introduction of [E-Receipts system](#) that will facilitate planning, statistics and logistics and ease the access of Ukrainians to medicines.
- Some doctors have already received salaries [three times higher than they used to receive](#) under the previous financing model.
- Over [6 million Ukrainians](#) have enjoyed the Available Medicine Program. In total, since April 2017 when the program was launched, over 26.5 mln receipts were issued.
- The next stage of the health reform implementation will start in the second half of 2019, with the launch of the [Free Medical Diagnostics Program](#).
- From now on, the [State registry of medicines list](#) will be uploaded automatically to the ProZorro public procurement system that will prevent attempts to misuse applications.

Pension reform

- Starting from 1 January 2019, the [recalculation of pensions](#) for defence and security sectors is planned, from 1 March 2019 for other education and healthcare sectors.
- The next stage of pension reform is the increase of pensions to [people who had a high employment record, but low salaries](#).

Reform of education

- [Since 1 September](#) new standards of primary education have been implemented in Ukraine. 22 thousand primary school teachers and 18 thousand foreign languages teachers have taken the professional development trainings. The Research Fund is being established.
- The [first professional standard](#) “Elementary school teacher” has been approved in Ukraine on a national level.

Privatization

- Over UAH 456 million of budget revenues have been registered since the start of the so-called “[small privatization](#)” in July 2018. In total, list of 660 small companies were approved for privatization.
- The martial law will not affect the process of privatization of such large enterprises as [Centrenerg](#), [Odessa Port Plant](#), [Ukrgazbank](#).

Decentralisation

- [As of November 2018](#) 865 amalgated communities have been formed that represent 23.9% of Ukraine’s citizens and 37.2% of its territory; 123 communities prepare now for the first local elections;
- **51.5%** is a local budget share in the consolidated budget of Ukraine. In January-October, the local budgets incomes have increased by 22% (UAH 34.2 billion) in comparison to the same period last year and reached UAH 189.4 billion.
- The final goal of the decentralization is the [complete change of local management](#), and formation of strong communities that perform all functions for their citizens, while the central government forms policy and supports this process.
- The Prime Minister of Ukraine Volodymyr Groysman proposed to [finish the amalgamation process by 2020](#), and proceed with regions’ development strategies implementation, directed at multiplication of economic potential and improvement of life standards.

State administration reform

- The [complex evaluation of state administration reform](#) and its compliance with the EU has been presented, indicating that the government has fulfilled 75% of indicators set for 2017 in the state administration reform.

- In 2019 the Government will form [5 Supervisory Boards for the most important state enterprises](#), namely «Ukrzaliznytsia», «Ukrenergo», «Ukrposhta», «Administration of sea ports of Ukraine» and “International airport “Boryspil”.

Agricultural reform

- The [agricultural complex renews positive dynamics](#). In January-August the growth of agricultural products index increased by 2%. Plant industry expanded production by 4.8%, livestock sector – by 2.3%.
- In the first half of 2018 the [Ukrainian export of agricultural products](#) estimated to reach USD 8.6 billion. The total foreign trade turnover of agricultural products reached USD 11.3 billion or 3.5% more in comparison to the same period last year, and amounted to 23% of the total trade turnover of Ukraine.

EU Assessments

- In its [Association Implementation Report on Ukraine, issued in November 2018](#), the European Union acknowledged that in 2018 Ukraine has further advanced in its reform process. The EU noted, in particular , that reforms in area of pensions, healthcare and education, as well as public administration and decentralisation reforms were well underway.
- According to the EU assessments, reforms also advanced in the areas of the judiciary and anti-corruption, albeit at a slower pace, economic and sectoral reforms, in particular in the energy sector, continued.
- The EU concludes that in spite of the conflict, Ukraine has shown strong resilience and persistence in achieving societal change, asserting its European orientation.