

KEY CHALLENGES FOR UKRAINE

THREAT TO THE INDEPENDENCE

- Russian military, economic and information aggression
- Destroyed infrastructure and industry in Donetsk and Luhansk regions, the loss of economic potential of Crimea
- Loss of human lives, humanitarian crisis and a growing number of internally displaced persons
- Energy dependence from Russia

ECONOMIC LOSSES FROM THE RUSSIAN AGGRESSION

- Foreign currency reserves fell under \$10 billion
- Rapid devaluation of the Ukrainian Hryvnia
- GDP fell by 7%
- Deficit of public finance makes up 5% of GDP, the deficit of the Naftogaz of Ukraine – € 5.6 billion
- Systemic problems in the banking sector
- Decline in industrial output
- Inflation

CORRUPTION

- Bad and inefficient governance
- Corruption in courts and in the law enforcement system
- Bribery as common daily practice

The sovereignty and territorial integrity of Ukraine are our key values

Our objectives: to return Crimea and to rebuild Donetsk and Luhansk regions

The implementation of the Association Agreement with the European Union is our guidance

Only radical solutions and actions can prevent the country from an economic downfall

The donor support needed to stabilize the economy and recover growth requires speedy systemic reforms



THE NEW SECURITY POLICY

Defence sector reform and defence capacity building

- Up to 5 % of the GDP – to fund the expenditures on defence and law enforcement annually
 - To approve a 5-year state program for Armed Forces capacity building 2015
- To repeal the “non-block” status 2015
- To introduce the NATO standards first quarter of 2015
 - To approve the Annual National Programme of Ukraine-NATO cooperation 2015 - 2018
- To build capacity of the military industry 2015
 - A new legislation on state defence procurement 2015-2016
 - International agreements on military technical cooperation 2015 - 2018
- To implement the “European Rampart” project: first quarter of 2015
 - construction of a safe and secure border between Ukraine and Russia
 - To establish a state agency for border infrastructure
 - To attract financial assistance from the EU to ensure border security.
 - Assistance of the EU Advisory Mission for Civilian Security Sector Reform
 - To attract Ukrainian companies to participate in the bid to construct border annually
- To fulfill the criteria of the Visa Liberalization Action Plan. To start issuing biometric passports annually
- To provide funding for the military personnel and the participants in the anti-terror operation 2015
 - To grant the special status to ATO participants on constant basis
 - To fund all social benefits on constant basis
 - To provide social assistance and medical rehabilitation through the State Service on veterans and ATO participants on constant basis
 - To approve a Programme of social rehabilitation and integration of the ATO participants first half of 2015
 - To upgrade to a new system of logistics to provide for the Army’s needs in compliance with the NATO standards first half of 2015
- To protect the national interests in international courts. on constant basis
 - To seek compensation for the damage caused by the Russian military aggression
- To draft and implement the concept of information security 2015
 - To launch the public broadcasting service 2015
 - To launch international broadcasting service 2015
 - To privatize the state-owned print media 2015



THE NEW GOVERNANCE POLICY

De-bureaucratization, decentralization, deregulation and responsibility

- Deregulation and reducing the number of areas of interaction between business and Government
 - To introduce a model of quantity and functions of regulatory agencies in compliance with the EU standards and with the Association Agreement
 - To cut the number of regulatory functions from 1032 to 680, and of the regulatory agencies - from 56 to 28 2015
 - As a second stage – to bring the number of regulatory bodies and their functions in full compliance with the EU standards 2016
 - A new legislation on licensing certain economic activities first quarter of 2015
 - Legislation on technical regulations and conformity assessment first quarter of 2015
 - To implement the newly adopted legislation on metrology and metrological activity, and on standardization
 - To adopt over 1500 national technical standards harmonized with the EU, to repeal the standards of the former USSR 2015
 - To form an electronic database of technical standards (about 28 thousand standards) 2015
- Decentralization and capacity building of the regions. Delegating state functions to the local level
 - To amend Budget and Tax Codes (budget decentralization) 2014
 - To pass the legislation on decentralization in construction oversight first quarter of 2015
 - To establish local “transparent offices” to provide administrative services 2015
- Downsizing of the public sector by 10%, with a corresponding salary increase 2015-2016
- To attract new state employees on the basis of new rules for open competitions
 - To implement the legislation on lustration 2015-2016
 - To pass a new legislation on civil service first quarter of 2015
 - To strengthen personal responsibility of the officials from 2015 on constant basis
- Introducing e-government 2015-2016
 - To introduce electronic administrative services by 2017
 - Electronic ID and digital signature 2015 - 2016
 - To reduce paper documentation flows 2015
 - To pass the legislation on the unified system of electronic interaction 2015
 - To pass the legislation on open data 2015



THE NEW ANTI-CORRUPTION POLICY

- Implementation of the recently adopted anti-corruption legislation
- To establish National Agency for the Prevention of Corruption as a preventive body and National Anti-corruption Bureau as a law enforcement agency
- To monitor the lifestyle of state officials
- To introduce electronic declaration of incomes and expenses of officials, and to create a unified register of the declarations
- To screen the government officials under the provisions of the lustration legislation
- To disclose information about beneficiaries of legal entities and information about registered property rights

**first half of 2015
on constant basis**

2015

by the end of 2016

2015



THE NEW LAW ENFORCEMENT SYSTEM

- Reforming the Interior Ministry
 - to implement the principle “to serve and protect” instead of “to punish and to cover”
 - new legislation on national police
 - to establish National Investigation Bureau

2015

THE NEW JUDICIAL SYSTEM

- Judiciary reform
 - new legislation on the judicial system and the status of judges
 - Better access to justice. Simplified procedures for civil and commercial cases.
- To initiate amendments into the Constitution to complete the judiciary reform (to introduce a three-tier system of courts, to recertify all judges, to eliminate judicial immunity, to eliminate political influence on the appointment, career and responsibility of judges)
- To return to the Supreme Court of Ukraine its powers as the superior court
 - To amend all codes of procedure

first half of 2015

2015-2016

2016

2016





THE NEW ECONOMIC POLICY

Cutting expenses, simplifying and cutting the number of taxes, control over transfer pricing, introduction of a modern and competitive public procurement system

- To reduce public sector expenditures by 10% of GDP **2015-2016**
 - Law of the state budget
 - Amendments into the Budget Code
- To cut the number of taxes from 22 to 9 **first quarter of 2015**
 - Amendments into the Tax Code **2014**
 - Unification of tax and accounting reporting. Harmonization with the norms of International Financial Reporting Standards **2015-2016**
- Legalization of shadow salaries through reducing social burden on the payroll **first quarter of 2015**
 - Amendments into the legislation on collection and accounting of the social contribution (gradual reduction from 41% to 15%)
 - Increased responsibility for paying “envelope salaries” (amendments into the Code on administrative offences and into the Criminal Code) **first half of 2015**
- To fight shadow cash circulation **first quarter of 2015**
 - Adoption of appropriate regulations of the National Bank together with the Finance Ministry
- To reduce the tax burden on small and medium business **first quarter of 2015**
 - To reduce by 50% the single tax rate (amendments into the Tax Code) **through 2015 – 2016**
 - To withhold all controlling visits by regulatory bodies



THE NEW ECONOMIC POLICY

- To launch the concept of a tax compromise to ensure full declaration of assets and introduce mandatory declaration of income
- Control over transfer pricing
 - Amendments into the legislation on the transfer pricing
 - A new VAT administration system
- Completion of the public procurement reform. Introduction of e-procurement
 - To pass legislation on e-procurement
 - To implement the co-operation program with the IMF
- Demonopolization of the economy
 - a new legislation on protecting economic competition
 - to form the new composition of the anti-monopoly committee
- Capitalization of state-owned banks
- To support exports growth and to protect domestic markets
 - Full use of the advantages of a free trade regime with the EU
 - To double the Ukrainian exports
 - To conclude free trade agreements, while protecting the national interests, with Canada, Turkey, Israel, the Cooperation Council for the Arab States of the Gulf (GCC), the Economic Community of West African States (ECOWAS) and other countries
 - Active engagement of the Trade Representative

2016
first quarter of 2015

2015
for duration of the program

2015
first half of 2015

on constant basis
by 2019

by 2018
on constant basis



THE NEW POLICY OF STATE PROPERTY MANAGEMENT

International audit, good corporate governance, privatization of state-owned assets

- To launch an international audit, to introduce corporate governance in compliance with OECD standards, to appoint renowned managers into key state-owned companies
 - To introduce efficient management principles of state-owned property **2015**
 - To attract international auditing companies to carry out auditing in key state-owned companies **annually**
 - To remove the bureaucrats from management of state-owned companies **2015**

- A large-scale transparent privatization of the state-owned property under favourable economic conditions
 - To amend the legislation on the list of state-owned property that are exempt from privatization (to exclude over 1200 objects) **first quarter of 2015**
 - To change the value appraisal methodology in the privatization preparation procedure **2015**
 - To start selling shares on international stock exchanges **2016-2017**
 - To use auctions as main privatization method, to remove any restrictions for the bidders **2016**

- To change the management system of strategically important state-owned property
 - To create holding companies with international standards of corporate governance **2016-2017**



THE NEW FOOD AND AGRICULTURE POLICY

Leading positions in global food markets, removal of bureaucratic barriers in managing the land

- To prepare the reform of the land resources management
- Inventory and delineation of agricultural lands of state, communal and private property. Improvement of lease relations, monetization of rental payments, introduction of effective regulatory mechanisms to develop land lease market
 - A new legislation on long-term lease of land 2015
 - To create the database of the state land register 2018
- Support and capacity building of small and medium-sized business in rural areas
 - To pass the legislation on local agricultural markets 2015
 - To launch a micro crediting program for small rural businesses 2015-2016
- Leading positions in global markets, export promotion, opening of the EU markets for Ukrainian producers, increasing the depth of processing the agricultural raw material
 - Creation and promotion of an agricultural brand “Product of Ukraine” 2015
 - Development of port and railroad export infrastructure 2015 - 2019
 - Full use of agricultural quotas on the EU market and seeking the increase of their volumes on constant basis
- Food security in wartime. Stable sowing campaign
 - A new legislation on the state support for the agriculture. A new role for the Agricultural Fund 2015
 - A new legislation on state reserve 2015
- Fundraising up to \$ 1 billion from international institutions 2015
- Effective system of corporate management of the State Food and Grain Corporation of Ukraine and of the Agricultural Fund

THE NEW ENERGY INDEPENDENCE POLICY

Energy independence. Market based tariffs for energy, subsidies reform, diversification of energy supplies

- To attract investors into modernization and management of the natural gas transportation system
 - To implement the recently adopted legislation on reforming the management of the gas transportation system
 - To launch an international competition to attract investors
 - To implement the joint project with the EBRD and the EIB on modernization of the gas transportation system

**2015
by 2020**
- To reform the Naftogaz of Ukraine to meet the requirements of the Third EU Energy Package
 - To establish the PJSC “Gas Pipelines of Ukraine”, and the PJSC “Underground Gas Storages of Ukraine”
 - To achieve sound financial standing of the Naftogaz of Ukraine

**2015
2017**

To integrate the Ukrainian energy system into the European Network of Transmission System Operators for Electricity (ENTSO-E)

from 2017

To implement the Program on reforming coal industry.

To privatize 37 coal mines, to conserve 24 mines, to close 32 unprofitable mines

2015-2019
- To upgrade the energy infrastructure
 - Modernization of nuclear and hydroelectric power plants
 - To complete construction of new power units at the Khmelnytsky NPP
 - To construct a 110-km Drozdovychi-Germanovychi gas pipeline
 - To hold negotiations on the passage of LNG-tankers through the Bosphorus
 - To complete construction of the third power unit on the Dnister HEPP
 - To construct high-voltage 750 KW power transmission lines
 - To increase the capacity output of the South-Ukrainian NPP by 1600 MW, that of Zaporizhzhya NPP – by 700 MW - and that of Khmelnytsky and Rivne NPPs - by 1000 MW
 - To construct a storage facility for spent nuclear fuel
 - To implement a joint program with the EBRD on improving safety of nuclear power units

**2020
2018
2015
2015
2017
2016
first stage – 2017
by 2017**



THE NEW ENERGY INDEPENDENCE POLICY

- To extend the operation period for 9 nuclear power units **by 2020**
- Diversification of sources and routes of energy supplies (for coal, gas, nuclear fuel):
 - To increase domestic production of hydrocarbons
 - To extend direct contracts with EU companies on the natural gas supplies **annually**
 - To construct an LNG-terminal, to build interconnectors **2016 - 2017**
 - To expand the program of supplying nuclear fuel with Westinghouse Corporation **2015-2017**
 - To procure coal at the international markets
 - To modernize the electric generating capacity of TPPs **2017**
- Elimination of cross-subsidies, transition to market rates for gas and electricity. Simultaneous introduction of compensation mechanisms for the socially vulnerable
 - To increase budget revenues from energy companies **first half of 2015**
 - To introduce transparent and fair competition rules for the development of natural resources through open auctions **2015**
 - De-shadowing of mining operations (coal, turf, amber) **first half of 2015**
 - A new Code on natural resources
- Transition from joint activities to production sharing agreements in extracting of natural resources
 - To amend the legislation on production sharing agreements **first half of 2015**
- To ensure a speedy and efficient procedure for the claim against Gazprom in the Arbitration Institute of the Stockholm Chamber of Commerce regarding conditions of contracts for the supply and transit of natural gas **the first half of 2016**
- To introduce a mixed model of taxation in the energy sector to comply with international standards **2015**
- To improve energy efficiency through implementation of alternative energy projects (Clean Energy)
- To construct and reconstruct the housing by new energy efficiency standards (to prepare new state construction norms and energy efficiency standards)





THE NEW SOCIAL POLICY

Abolition of the Soviet system of social benefits, transformation of healthcare and education, growth of income matched with economic growth

SOCIAL CHANGES

- A fair pension system, abolition of special pensions, introduction of single pension accrual principle **first half of 2015**
 - Taxation of high pensions
 - To launch private pension insurance, to create conditions to establish a cumulative pension insurance system
 - The new legislation on compulsory state pension insurance **first half of 2015**
- Elimination of inefficient social benefits. Transition to targeted benefits and their monetization. Amending 25 relevant legal acts **2016**
- To merge the state social insurance funds and ensure transparency of their operations **2015**
 - The new legislation on compulsory state pension insurance to protect from temporary disability
 - The new legislation on compulsory state pension insurance to protect from accidents at work
 - To reduce expenses for fund management by € 30 million
- The reform of labour legislation **2015**
 - A new Labour code
- Social protection, employment and reintegration of internally displaced persons

IMPROVING EDUCATION QUALITY

- To implement the recently adopted legislation on higher education **2016**
 - New rules of accreditation and licensing
 - Independent system of assessment of higher education quality
 - Financial independence of higher educational institutions
 - To match the state financing of students with real needs of the labour market
- Reform of pre-school, after-school, secondary, technical and vocational education to comply with EU standards **first half of 2015**
 - New legislation on education and on vocational education
- Integration of science and education, creation of technological and scientific parks, transition to project-based research funding **first half of 2015**
 - To pass the legislation on scientific and technological activity



THE NEW SOCIAL POLICY

HEALTH CARE REFORM

- Elimination of corruption schemes in procurements in the health system, the transfer of the function of public procurements from the Health Ministry to other structures, including to international organizations **2015-2016**
 - Procurement of vaccines and special medicines through the international organizations of the United Nations system and other international funds
 - Direct contracts with the manufacturers of medicines
- Transformation and upgrade of the hospital network. Creation of a unified three-tier system (local hospitals - regional hospitals - national reference centres) **2017**
 - To pass the legislation on medical care institutions and on medical services
 - Legislation on public-private partnerships
- Deregulation of the pharmaceutical market, a significant decrease in the number of licenses and permits **2015-2016**
 - Recognition of the registration of medicines licensed in the EU, USA, Canada, Australia, Japan, with subsequent reciprocity
 - The new legislation on medicines
- To pass the legislation on the health insurance **2015-2016**

THE NEW CULTURAL POLICY

- To adopt and implement a strategy of the Ukrainian humanitarian policy **2015**
- To support the Ukrainian cultural product. To pass the legislation on national cultural product **by 2015**
- To attract new sources for financing the cultural sector **2015-2016**

THE NEW POLICY FOR YOUTH AND SPORTS

- To adopt and implement the concept of youth policy **2015**
- To revive the patriotic education **on the constant basis**



THE NEW POLICY OF INTERNATIONAL ASSISTANCE

External financial assistance is possible
only with rapid and decisive implementation of reforms

- To implement co-operation and support programs with the IMF, the World Bank, EBRD, EIB and other IFIs
- To hold an international donor conference and to approve the 2015-2017 international recovery plan for Ukraine
- To establish a single Government coordination structure for donors and international technical assistance
- To attract assistance from the UN, the G7 and the EU to protect internally displaced persons, the Ukrainian citizens in Donetsk and Luhansk regions and in the Crimea, including the Crimean Tatars

The Programme of the Government of Ukraine
was drafted on the basis of the Coalition agreement,
which is an integral part of this Program, and it is aimed at the implementation
of the Association Agreement between Ukraine, on the one hand,
and the European Union, the European Atomic Energy Community
and their member States, on the other hand

December 11, 2014

Kyiv, Ukraine

