

Latest on Ukraine Reforms

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Background

Before 2014, Ukraine was beset by loopholes benefitting vested interests and breeding corruption. Many of these gaps have now been closed by deregulating different sectors and introducing transparency, thereby eschewing avenues for corrupt practices. However, the process is far from over, with a number of areas such as healthcare, pension and land-ownership slated for reform this year and the next. And while the steps to date have already stabilised Ukraine's public finances, closed gaps for corruption and improved technical standards, the benefits of many of them are yet to trickle down to the Ukrainian society.

Macro-economic indicators¹

- Nominal GDP at the end of 2016 is over 50% higher than GDP at the start of 2014. In 2017, GDP grew to 2.3% compared to negative 9.8% in 2015.
- After the Deep and Comprehensive Free Trade Agreement with the EU, exports to the EU grew by 21% in the first 4 months of 2017, compared to the same period in 2016. According to [independent assessments](#), technical implementation of DCFTA is showing good progress.
- The EU's share of Ukraine's total trade grew from 31.7% in 2014 to 41.9% in late 2016 – however, the redirection is also occurring due to the Russia-imposed trade embargoes.
- The rate of inflation decreased from 43.3% in 2015 to 12.4% in 2016.
- Real wages have risen by 8.8% in 2016. The minimum wage increased two-fold in 2017.
- The number of taxes has been reduced from 22 to 11 and in 2017 budget revenues are expected to grow by 20.3% to UAH 731 billion (app. 26 billion euro) as compared to 2016.
- 16,000 Soviet standards were repealed. In 2015, Foreign Direct Investment grew by 36% compared to 2014 and in 2016, it grew again by 16%, reaching € 3.9 billion.
- Public expenditures have been drastically cut: as a result, government budget deficit as a % of GDP went from 11.1% in 2014 to 2.1% in 2016.
- Russia's share of total natural gas imports fell from 92.5% to 0% over the past three years.
- Ukraine climbed from the 112th spot in the World Bank report on 'Doing business' in 2012 to 80th place in 2017. It climbed to 28th place at the end of 2016 from 68th place at the start of 2014 in the [Open Data Index](#), a tool to state of openness of government's data publication. Similarly, [according to the European Business Association](#), during the first half of 2017, the Investment Attractiveness index reached 3.15 out of possible 5, which is the highest result in last six years.

¹ National Council for Reform. 2017. "Reform Progress Monitoring 2016". Available on the [World Wide Web](#).

Preventing corruption

- An electronic asset declaration system was launched last year, obliging all **Ukrainian public officials to publicly disclose their income and assets**. Going beyond many European countries, it increases officials' accountability and introduces criminal liability for incomplete or false declarations. 1.4 million declarations were registered by May 11th, 2017.
- **The ProZorro system helped reduce corruption in public procurement and saved €775 million**. It was recognized among the best open government initiatives in the world.
- **The government liberalised gas prices and eliminated subsidies in the energy sector** by closing the gap between prices for industrial and domestic consumers – previously a major source of corruption.
- Ukraine's banking sector was cleaned up and stabilized, including the PrivatBank (until December 2016, the largest privately-owned bank). **Since 2014, 81 unprofitable banks were closed and others were recapitalized**.
- Kyiv has improved the governance of many state-owned companies. As such, **Naftogaz went from receiving a 5,5% GDP subsidy in 2014 to becoming a net budget contributor in 2016**. It is expected to channel more than € 442 million to the budget in 2017. In addition, 345 state-owned companies were approved for privatisation.

Fighting corruption

- New institutions to fight corruption have been established. As of January 2017, **the Special Anti-Corruption Prosecutor's Office (SAPO) and the new National Anti-Corruption Bureau (NABU) have carried out 264 investigations involving more than €2.9 billion**.
- Courts have already handed down 12 convictions. Top officials are starting to be investigated, including the Head of State Fiscal Service and several MPs have been stripped of their immunity. **The judicial system is being reformed by a law passed in June 2016, which puts more scrutiny on judge's appointments**.
- A comprehensive reform of the security sector is underway. **A new patrol police of 12,700 officers is deployed throughout the country**, replacing the notoriously corrupt traffic police. **Surveys suggest that public trust in the new police increased from 6% to 80%**.
- Reforms carried out with respect to the Supreme Court, with an open process for candidate selection. A special anti-corruption court is to be set up in 2017.

Following Anders Fogh Rasmussen's appointment as external adviser to the President of Ukraine, Petro Poroshenko, Rasmussen Global has initiated an ambitious project on Ukraine. The overall aim is to keep Ukraine on the international agenda while at the same time keeping reform on Kyiv's agenda. It does so by providing strategic advice to the President and his government, all-the-while engaging with key decision and opinion makers in Western capitals to shape a better understanding of the reform efforts and challenges in Ukraine.