



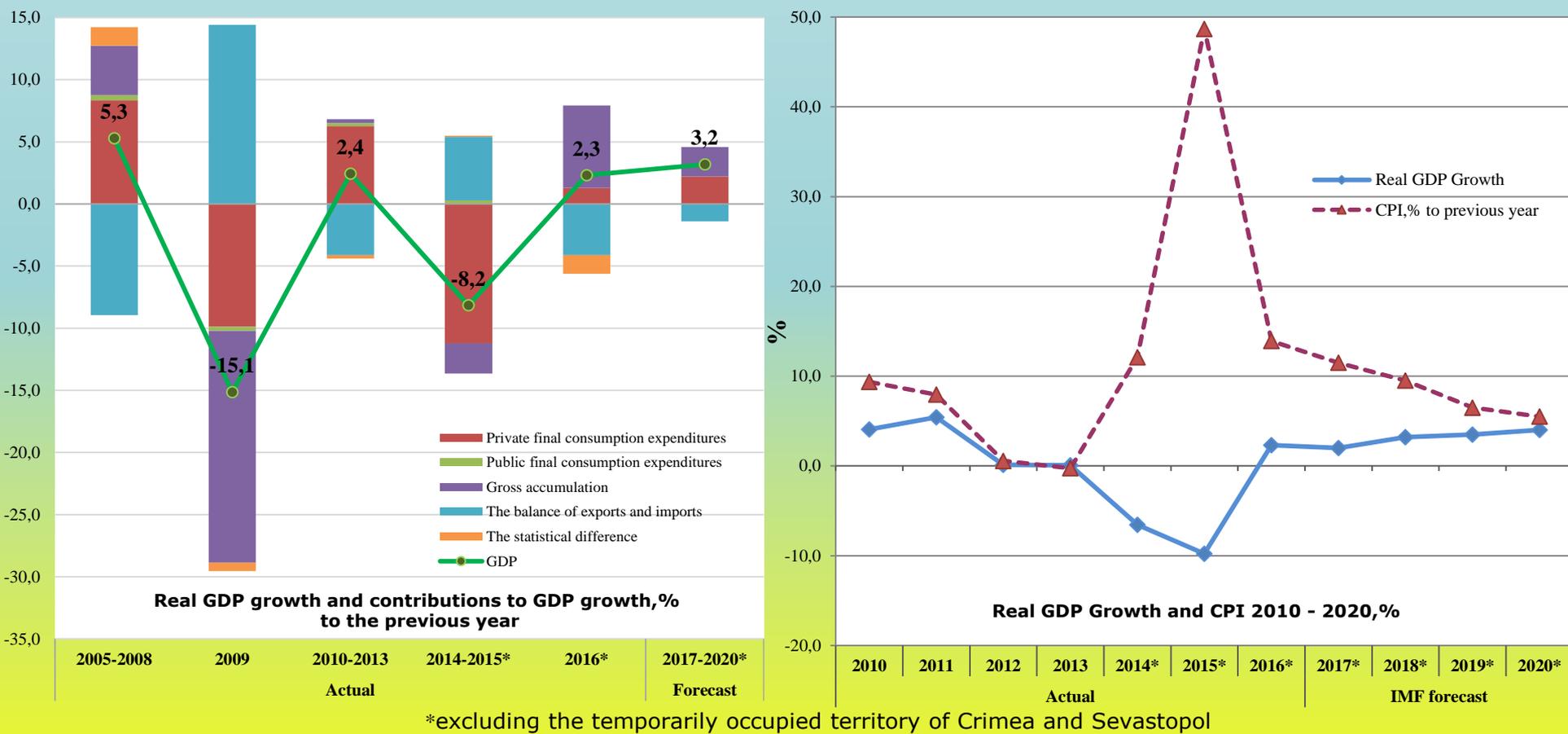
## IMF Recommendations in Ukrainian PFM

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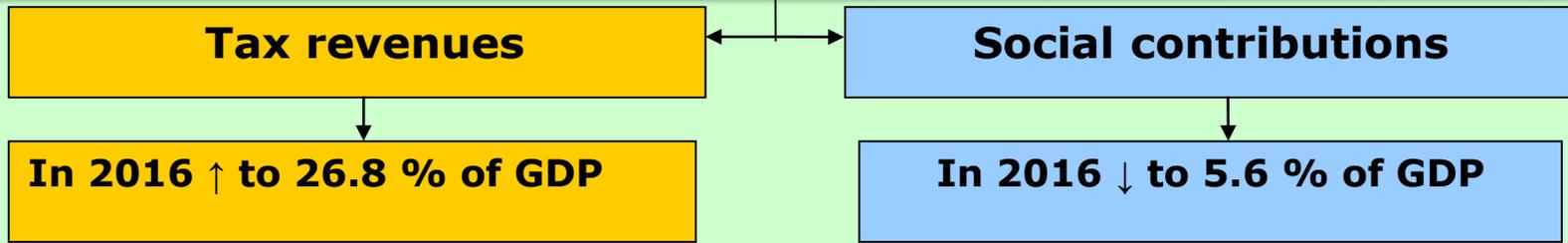
# Ukraine. The dynamics of economic growth

- **Gini index** (2014): 24.1 (improvement of 0.7 compared to 2012)
- **Human Development Index (HDI)** (2015): 0.743 (rank reduced compared to 2012 by 6 positions, 84th position)



Source: Ukraine: 2016 Article IV Consultation and third review under the Extended Arrangement, Requests for a Waiver of Non-Observance of a Performance Criterion, Waiver of Applicability, Rephrasing of Access and Financing Assurances Review-Press Release; Staff Report; and Statement by the Executive Director for Ukraine / International Monetary Fund, April 4, 2017: <http://www.imf.org/en/Publications/CR/Issues/2017/04/04/Ukraine-2016-Article-IV-Consultation-and-third-review-under-the-Extended-Arrangement-44798> - P.13.

# Major components of GG sector's revenues:



Indicators of public and publicly guaranteed debt reached a high level - 81.0% of GDP in 2016. Anticipated reduction as to the level of debt is to 71.6% of GDP in 2020.

GG – General Government

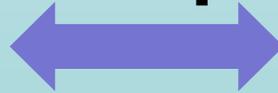
# Medium-term planning – the basis of public finance sustainability

- Setting fiscal targets.
- Designing fiscal rules.
- Medium-term macroeconomic and fiscal forecasting.
- Analysis and management of fiscal risks.
- Medium-term budget planning based on setting medium-term expenditure limits and program-targeted budgeting.

# The information asymmetry avoidance in administrative space of public sector

## IMF Report

### Comments\*



### Recommendations \*

- No integrated information support of financial reporting for all public sector entities (**p. 114**)
- No comprehensive implementation plan for accrual accounting in the public sector (**p. 122**)

- Include public enterprises reporting to the financial statements of public sector (**Recommendation 5.2**)
- Prepare consolidated reporting for the entire GG sector (**Recommendation 5.3**)

- Monitoring of compliance with the reporting requirements of the public sector \*\*.
- Creation of integrated information and analytical system "Transparent Budget", implementation of the Law of Ukraine "On public procurement"\*\*\*.
- Development and publication of "Citizens budget"\*\*\*.

\*Ukraine. Technical Assistance Report – Public Financial Management Overview: IMF Country Report N° 16/30 [Electronic resource]. – Access mode: <https://www.imf.org/external/pubs/ft/scr/2016/cr1630.pdf>

\*\* Work is carried out under Ukraine's membership in the Intergovernmental Panel on Standards of Accounting and Reporting of the United Nations Conference on Trade and Development (UNCTAD ISAR)

\*\*\* Strategy of PFM reforming for the years 2017-2020. <http://www.kmu.gov.ua/control/uk/cardnpd?docid=249797370>

# Reforming the fiscal system of Ukraine as recommended by the IMF

- Continuation of fiscal consolidation aimed at constraining fiscal deficit and public debt.
- Implementation of the pension reform to improve the balance of the Pension Fund of Ukraine, and to restrict its funding from the state budget.
- Creation of the tax system which is more effective and conducive to economic growth.
- Reforming state enterprises sector.
- Improving the business climate and fighting corruption.
- Attracting investments and increasing economic potential.

# Reforming the pension system of Ukraine

**The deficit of the Pension Fund of Ukraine, 2016: 140 billion UAH (6% of GDP)**

## **A COMPLEX OF REFORM MEASURES**

- Limiting the expenditures of the Pension Fund.
- Enhancing revenues of the Pension Fund by broadening the tax base of single social contribution.
- The increase in the effective length of service needed for retirement.
- The introduction of accumulation pension system.
- Providing guarantees of getting pensions correlative with contributions, adequate in real terms.

# Progress in implementation of land reform

# Key problems and features of the national model

•The longest land reform in the world

25 years

15 years

•The moratorium has been in force for

•The moratorium continued

8 times

**Prohibited**

- sell and pledge shares;
- change the purpose of use;
- include to the authorized capital

**under the moratorium**

**Allowed**

- lease the shares;
- exchange for the share of land of equal value;
- leave the share as a legacy.

The discrepancy between the views of stakeholders on the introduction of the land market model

Politicization of the area of reforming

Lack of communication among stakeholders

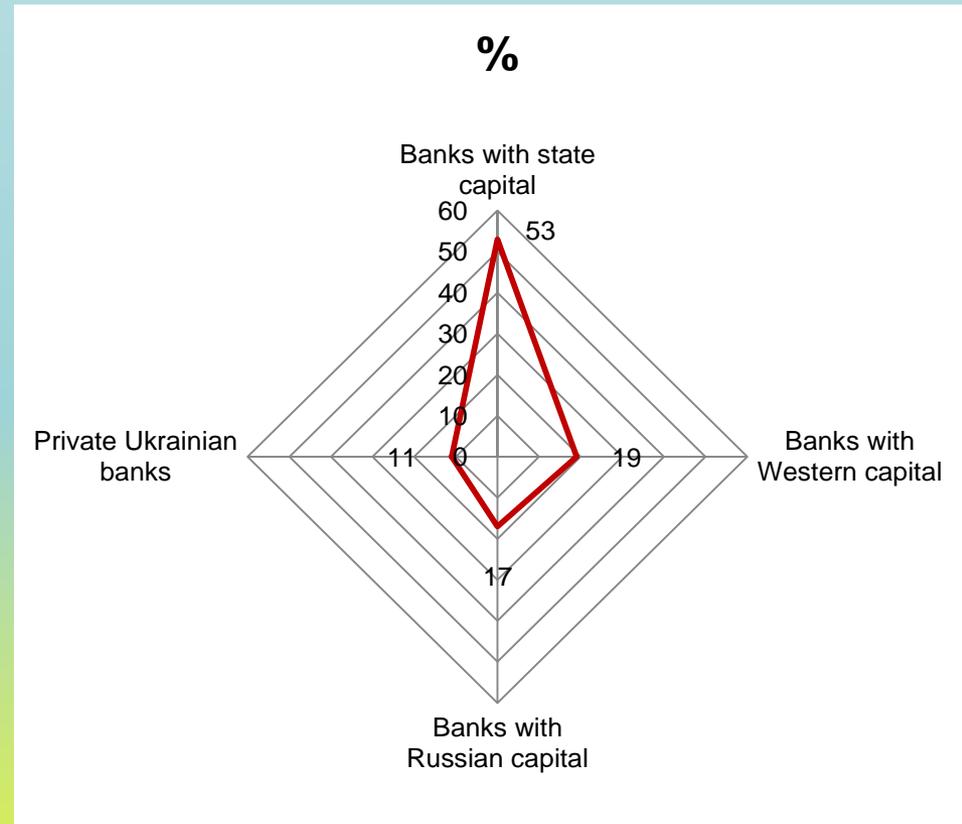
# Directions of the monetary and credit policy of Ukraine

- Providing institutional capacity and independence of the National bank of Ukraine, focusing on achieving the objectives of price and financial stability.
- Inflation targeting: 8, 6 and 5 percent in 2017, 2018 and 2019 respectively.
- Accumulating international reserves under the IMF program, followed by a gradual weakening of the currency restrictions.

# Concentration of assets and risks in banks with state capital:

- 59.4% of individual funds;
- 46.3% of legal entities' funds;
- 52.5% of assets;
- 48.1% of loans to legal entities;
- 29.2% of loans to individuals;
- 76.6% of government securities;
- 48.9% of liquidity (cash, correspondent accounts in other banks and the NBU)
- 74% of all payment cards;
- 77% of sales terminals;
- 60% of number of office branches .

# Distribution of bank assets by capital origin



# **Creation of a strong regulatory framework for securities' markets and non-bank financial institutions and banks**

- Increase in powers, independence and institutional capacity of National Securities and Stock Market Commission.
- Reforming the internal structure and procedures of National Securities and Stock Market Commission.
- Redistribution of functions between regulators (National Bank of Ukraine, National Securities and Stock Market Commission, The National Commission for State Regulation of Financial Services Markets).
- Improvement in functioning of financial markets, increase in transparency and quality of information disclosure.

# Strategic directions of Ukraine's Tax System development

(Defined by The Strategy of reforming public finance management system for 2017-2020)

**Objective:** To build a modern fair tax system that ensures equality of taxpayers under the law and to achieve the strategic goals of sustainable economic development.

## *Main assignments and ways of their solution:*

- Improving stability and predictability of the tax system.
- Improving the quality and efficiency of tax administration.
- Expansion of the tax base.
- Increasing tax compliance by taxpayers.
- Improving customs administration system and encouraging law-obeyed entities engaged in foreign economic activity.

# Directions for further improvement of tax administration

- Improving the quality and efficiency of tax administration.
- Expanding the tax base and strengthening tax control.
- Increasing tax compliance by taxpayers.
- Strengthening the institutional capacity of the State Fiscal Service.

Source: Strategy of PFM reforming for the years 2017-2020, p. 8-9, Section II. The general fiscal discipline in the medium term;, p.1 Tax system. Revenues;

Source: Memorandum on Economic and Financial Policies of Ukraine's cooperation with the IMF dated 2 March 2017, p. 15-17, paragraph D, point 20

# Management of public investments

## Tasks for 2017-2020:

- implementation of the strategic planning of public investments;
- unification of approaches to the evaluation and selection of proposals as to financing investment projects;
- improvement of the organizational aspects and transparency of projects' realization;
- effective centralized system of public investments' management coordination and quick and objective evaluation of projects;
- institutionalization of project management.

Source: Strategy of PFM reforming for 2017-2020 years. Part IV. Effective implementation of the budget. P. 2. Management of public investment. (P 32-33)

# Improving the efficiency of the fight against corruption in the legalization (laundering) of crime proceeds

- Introduced requirements of banks as to monitoring suspicious transactions and enhanced practical measures on counteraction against legalization (laundering) of proceeds from crime or financing terrorism and proliferation of mass destruction weapons.
- Generalized typological studies for 2016, 2015, 2014, emphasized the most common trends and schemes of money laundering and terrorist financing, related to corruption.
- It is planned to adopt amendments to the regulatory framework to ensure the three-tier system of reporting.
- Strengthened operational potential and integrity of State Financial Monitoring Service of Ukraine and introduced its quarterly publishing of statistics on cases submitted to National Anti-Corruption Bureau of Ukraine.

# Strategy of public finance management system reforming for 2017-2020

## Priorities

- Observing the general fiscal discipline in the medium term
- Improving the efficiency of resource allocation
- Ensuring effective execution of the state budget
- Increasing transparency and accountability in PFM

**Objective:**  
building a  
modern and  
efficient  
public  
finance  
management  
system

# Memorandum on Economic and Financial Policy IMF-Ukraine

## Directions

- Maintaining a cautious monetary policy, lowering inflation
- Further fiscal consolidation to ensure debt sustainability in the medium term
- Accelerating structural reforms with a view to reform state enterprises sector, fight corruption, attract investments, economic potential growth

# THANK YOU FOR ATTENTION



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