



# ACADEMY OF FINANCIAL MANAGEMENT



## Improving Public Financing Institutions of Sustainable Development: European Context

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# THE EUROPEAN CONTEXT OF SDGS IMPLEMENTATION

2030 AGENDA



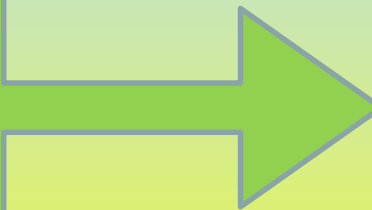
FOR SUSTAINABLE DEVELOPMENT



**SUSTAINABLE  
DEVELOPMENT GOALS**



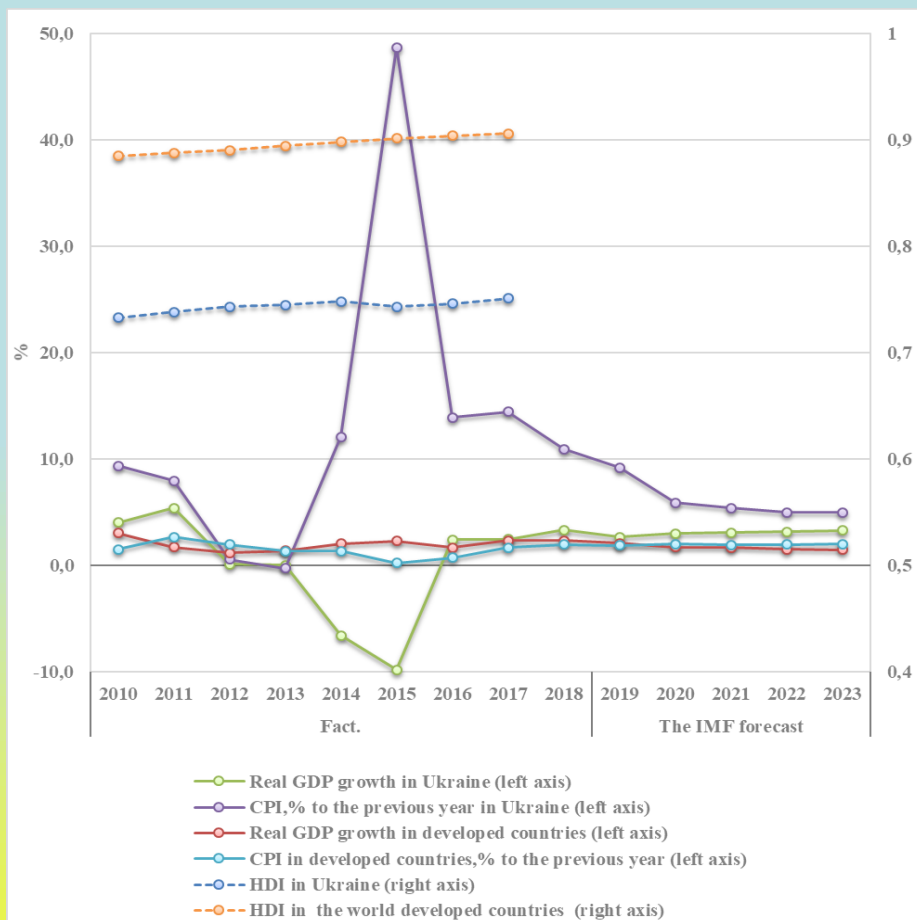
Joint statement by the Council and the representatives of the governments of the EU Member States meeting within the Council, the European Parliament and the Commission, *Brussels, on 7 June 2017*



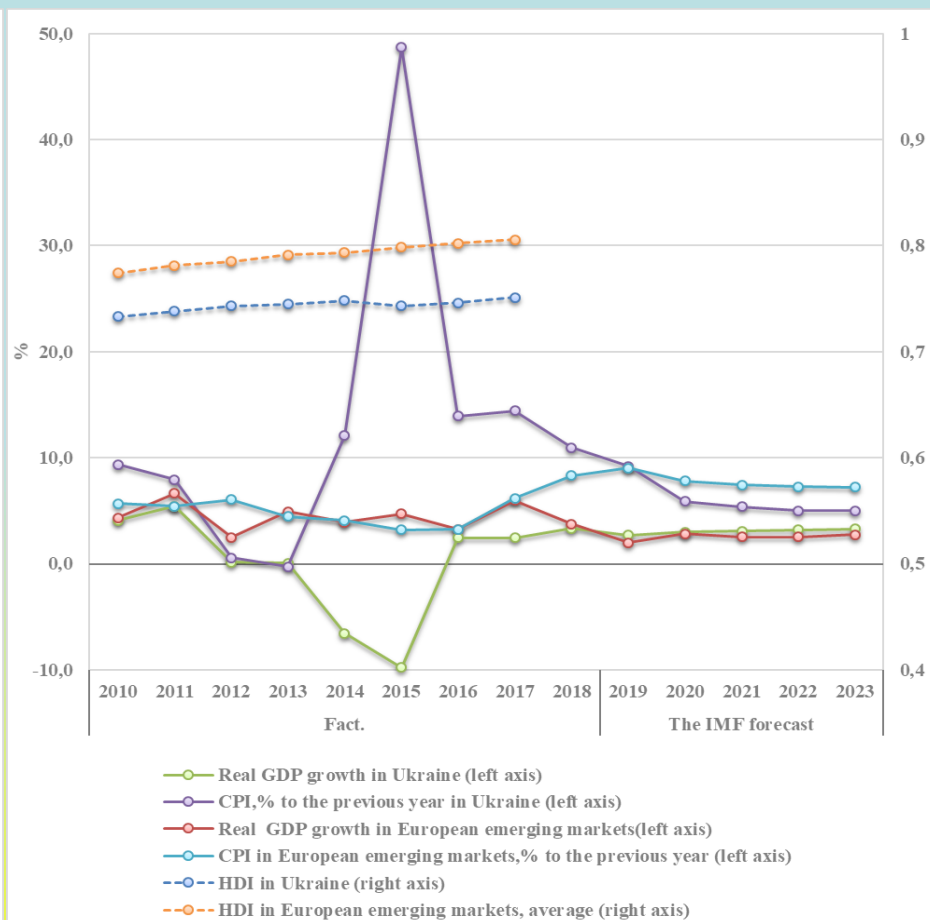
**The European  
Consensus  
on Development**



# REAL GDP GROWTH, HUMAN DEVELOPMENT INDEX (HDI) AND CONSUMER PRICE INDEX (CPI) FOR 2010-2023



**Ukraine and World Developed Countries**



**Ukraine and European Emerging Markets**

# UKRAINE. SUSTAINABLE DEVELOPMENT GOALS

## Priorities

- No poverty
- Good health and well-being
- Quality education
- Decent work and economic growth
- Industry innovation and infrastructure
- Sustainable cities and communities
- Peace Justice and strong institutions

**Art 36.** The EU and its Member States will work to promote:

- Progressive taxation and redistributive public policies
- Better sharing the benefits of growth
- Creation of wealth and decent jobs
- Improved access to factors of production - land, finance and human capital



2018	(Indicator/ rating)
Gini Index	25,0
Human development index (HDI)	0,751 / 88
The Global Competitiveness Index (5th pillar: Higher education and training)	5,1 / 35
Doing business Index	65,75 / 76
Global Innovation Index	38,52 / 35

# PUBLIC FINANCE MANAGEMENT

## Ukraine's cooperation with the EU and the IMF

### EU-Ukraine Association Agreement (Articles 346, 347)

#### Public finance management:

- Should be based on international standards
- Is aimed at providing a reliable internal control and external audit
- Should comply with the principles of accountability, transparency, economy, efficiency and effectiveness

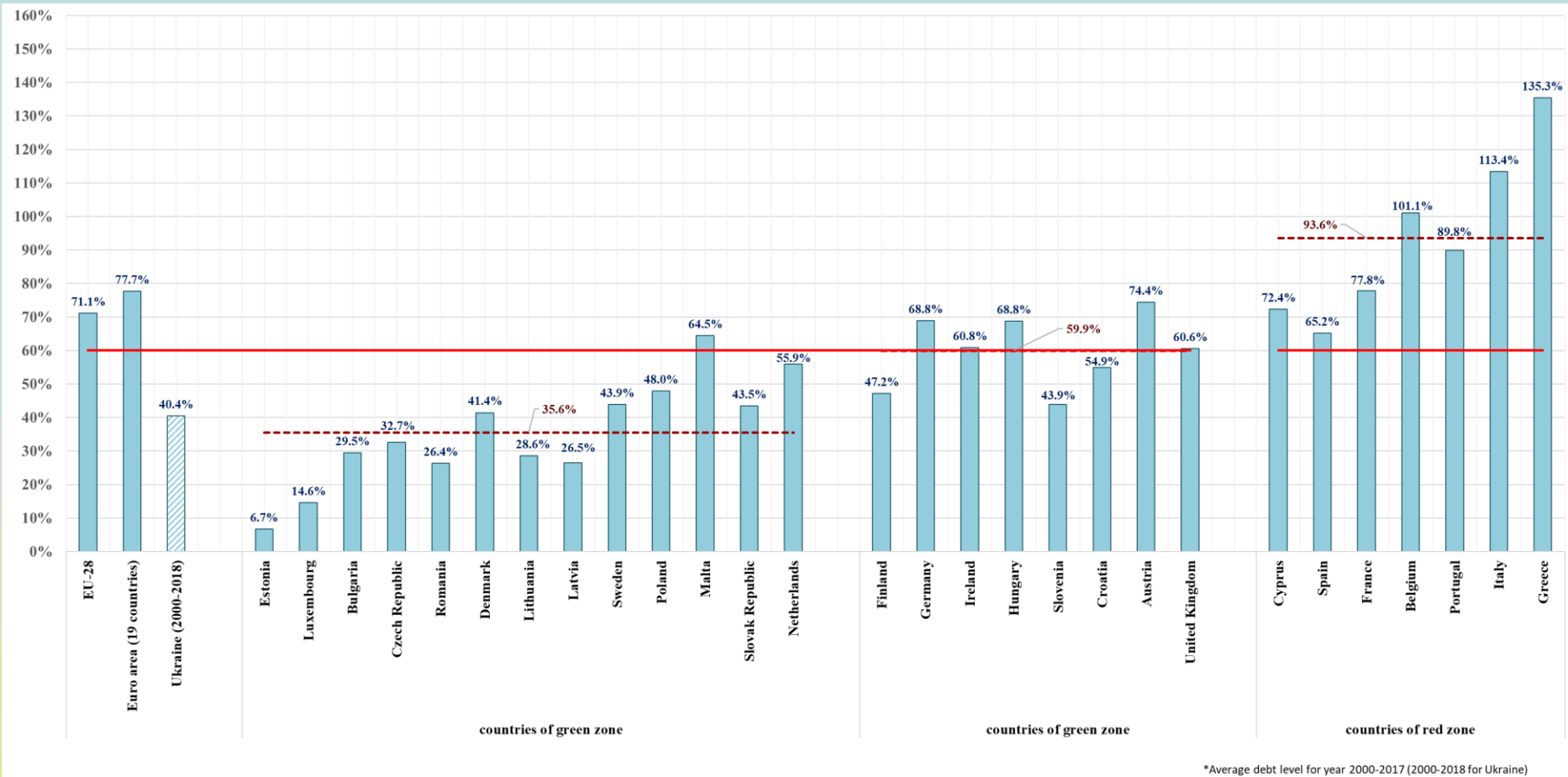
#### Introduction of best practices related to:

- Development of medium-term budget planning
- Improvement of the program-target method
- Enhancing budget programs effectiveness, their targeting SDGs

### Memorandum Ukraine – IMF (2018)

- Introduction of wider fiscal reforms aimed at economic growth
- Medium-term budget planning
- Further fiscal consolidation to ensure debt sustainability in the medium term
- Reforming the sector of large state-owned enterprises
- Support of a flexible exchange rate and tight monetary position
- Fight against corruption

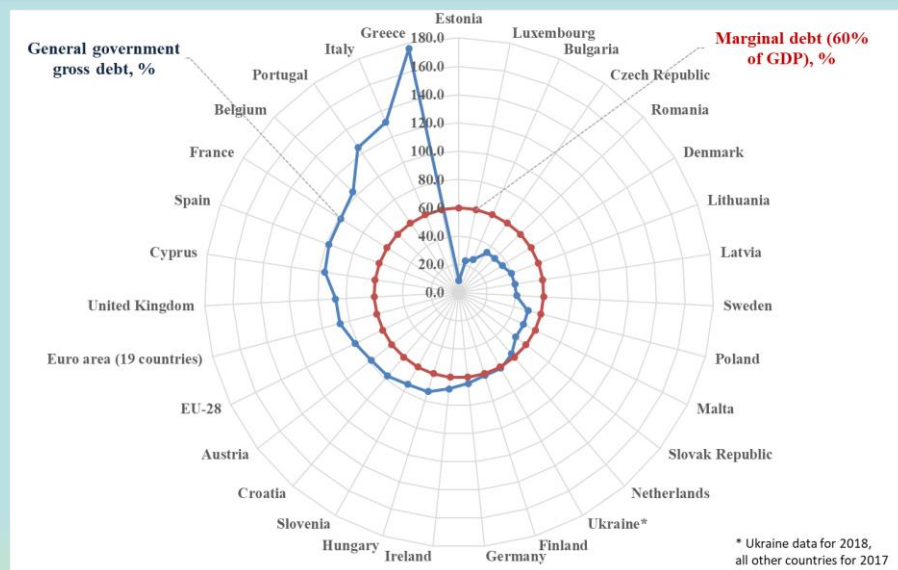
# THE AVERAGE DEBT LEVEL OF THE GENERAL GOVERNMENT SECTOR IN THE EU AND UKRAINE \*, % OF GDP



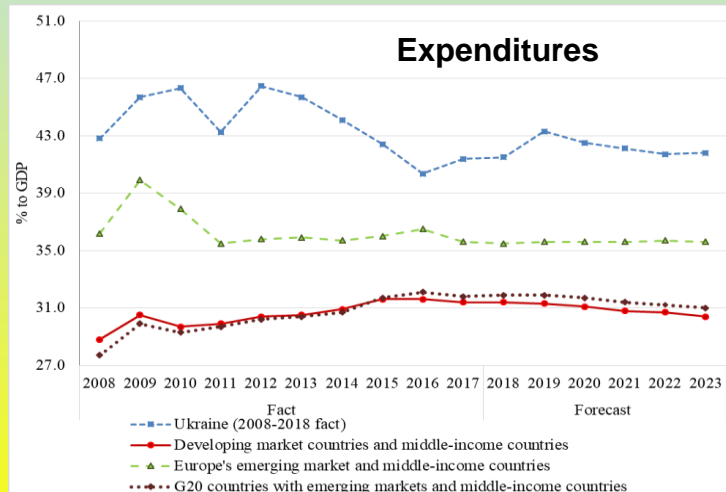
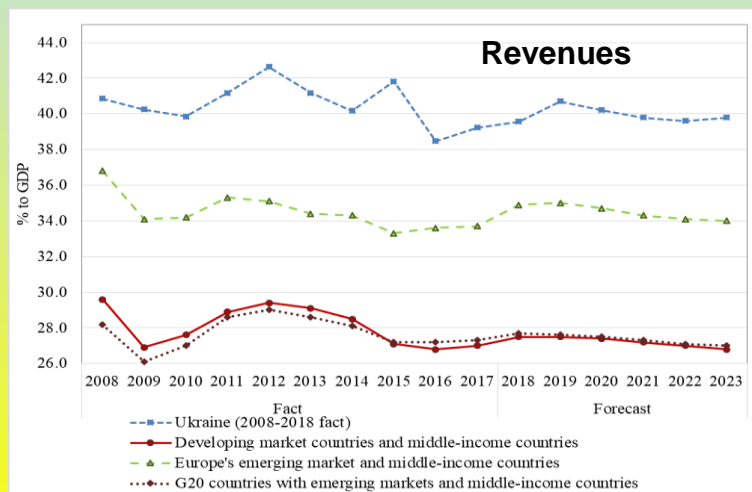
\*Average debt level for year 2000-2017 (2000-2018 for Ukraine)

\* The average level of the debt for 2000-2017 (for Ukraine 2000-2018)

# DEBT, REVENUES AND EXPENDITURES OF THE GG SECTOR OF UKRAINE, % OF GDP



**Total debt**



# THE EU AND ITS MEMBER STATES WILL STRENGTHEN THEIR PARTNERSHIP WITH:

- The United Nations
- The International Monetary Fund
- The World Bank Group
- Regional development banks
- G7, G20, the OECD
- Other regional and multilateral institutions

Stronger engagement of the private sector will be needed, using innovative financial instruments to help attract more private finance for sustainable development

*(including energy, transport and water infrastructure, support for small and medium enterprises, social sectors and environment)*



# IMPROVING FINANCIAL SECTOR POLICY OF THE NATIONAL ECONOMY

## EU-Ukraine - Association Agreement:

cooperation in the area of financial services (Title V, Chapter 12)

## Ukraine's cooperation with the IMF:

- Further financial rehabilitation of the banking system
- Regulation of transactions with related parties
- Supervision and regulation

- Fourth EU Directive 2015/849 of the European Parliament and Council of 20 May 2015 "On the prevention of the use of the financial system for money laundering and terrorist financing"
- EU Regulation 2015/847 of the European Parliament and Council of 20 May 2015 "On information accompanying remittances"
- Standards of the Financial Action Task Force on Money Laundering (FATF)

Draft Law on Prevention and Counteraction of the Legalization (Laundering) of the Proceeds of Crime, Terrorist Financing and Financing the Proliferation of Weapons of Mass Destruction of December 19, 2018, No. 9417

**Risk-oriented approach to combating money laundering**

# STRUCTURE OF THE BANKING SECTOR BY THE KEY MARKETS AS OF 01.01.2019

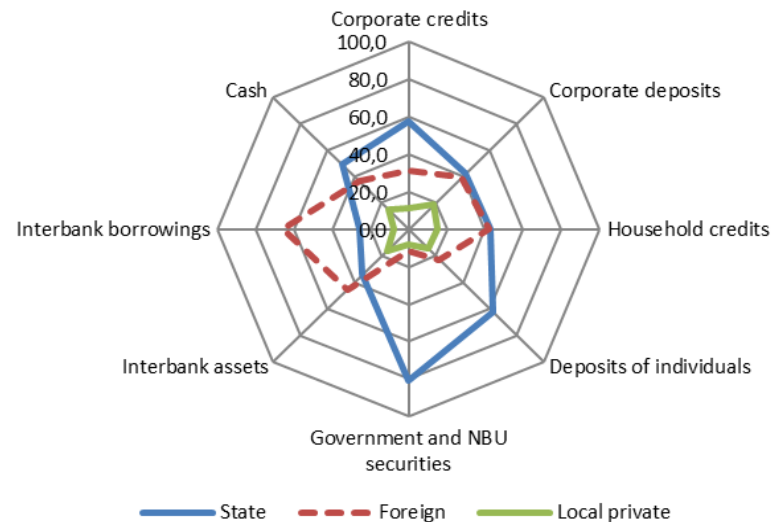
**1. 77 banks**, including 37 with foreign capital and 22 affiliated branches with 100% foreign capital **have licenses and carry out transactions**

**2. Foreign banks** in Ukraine are **represented by affiliated branches of** Austrian, French, Italian, German, Swedish, Polish, Greek, Cypriot, Hungarian, Dutch, American, Turkish, Kazakh, Russian banks

**3. After the crisis of 2014-2015**, the regulator **withdrew from the market 90 banks** mainly with domestic capital (54% of the number of legal entities)

**4. Over 2018**, the **banking system** for the first time after 4 years of loss-making activity **received a profit of 21.7 billion UAH**

## Share of state, foreign and local private banks by the key markets (%)



# RECOVERY AFTER THE CRISIS: THE COMPARISON OF BANCO POPULAR (SPAIN) AND PRIVATBANK

## • SIMILAR FEATURES:

1. System banking crisis
2. Systemically important banks (national scale)
3. Funds withdrawn by depositors
4. Bail-in of creditors and litigation related to bail-in
5. No objection to External resolution

## • PRINCIPAL DIFFERENCES:

1. Cause of default
2. Decision-making speed
3. Cascade of defaults (bank borrowers)
4. Handling problem assets
5. State budget expenditures
6. Re-privatization
7. Repercussions

**PRIVATBANK: an increase in government debt due to emission of T-bills of 155.3 billion (\$ 6 billion) + future interest payments of 184 billion (\$ 12 billion)**

# HARMONIZATION OF UKRAINIAN TAX LEGISLATION WITH THE EU NORMS:

## Conceptual framework for tax policy coordination in the EU



- Economic and monetary union and harmonization of national and fiscal policies
- Compliance of EU directives and treaties on taxation with the main principles of inclusive growth policy
- Coordination of taxation with the main principles of the market economy development; transfer pricing regulation
- Support of the competitiveness of EU economic agents in the world
- Stability, predictability, effective administration

## EU-Ukraine Association Agreement: Cooperation in the area of taxation (art. 349-355)



- Fiscal management on the principles of transparency, information exchange, fair tax competition
- Improvement and development of the tax system and tax authorities of Ukraine (enhancement of collection and control capacities with emphasis on VAT refund procedures, tax fraud control, tax evasion)
- Exchange of experience and harmonization of policies to combat tax fraud
- Gradual approximation to the tax structure defined in the EU acquis

# UKRAINE JOINED THE OECD INITIATIVE – ACTION PLAN ON BASE EROSION AND PROFIT SHIFTING (BEPS)

**OECD**

**Ukraine**

**Four mandatory steps are proposed:**

Step 5 "Improvement of Tax Abuse Measures"

Step 6: Prevention of Abuse of Privileges Under the Bilateral Agreements

Step 14 "Improving the Mutual Coordination Procedure through Dispute Resolution"

**Step 13 "Recommendations on Transfer Pricing Documentation and Country Disclosure"**

Amendments to the Tax Code of Ukraine (Draft Law "On Amendments to the Tax Code of Ukraine for the Implementation of the BEPS Plan")

**Transfer pricing documentation (TP) and Country-by-Country Reporting**

In Ukraine the requirements for submission of transfer pricing documentation and the report on controlled transactions are regulated by the Tax Code of Ukraine (version of the Law dated November 23, 2018, No. 2628-VIII)

**Levels of reporting: global, national,  
simplified, country-by-country reporting**

# MONITORING SDGS IMPLEMENTATION

## *Indicators for monitoring the implementation of SDG:*

- Ecology (goals 6, 7, 13, 14, 15)
- Social welfare (goals 1,2,3,4,5,10,16)
- Economic growth (goals 8, 11, 12)
- Industry development (goal 9)
- Partnership (goal 17)

## **Information support - non-financial reporting of entities**



### **Public sector**

*Requires institutional prerequisites of the implementation, namely:*

- Amendments to the budget legislation of Ukraine
- Updating the list of effective indicators of budget programs
- Designing the non-financial reporting standards for budgetary institutions

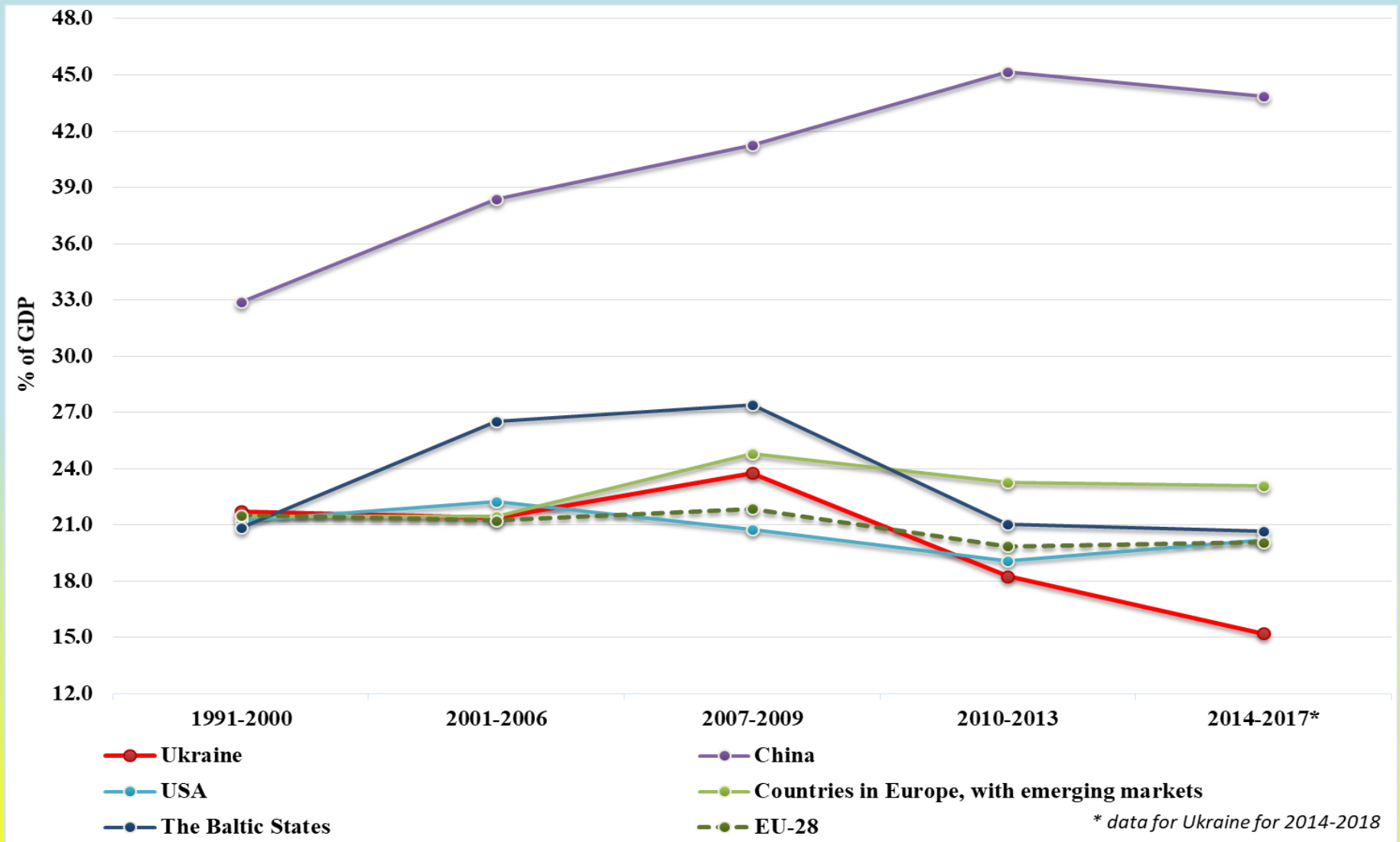


### **Corporate sector**

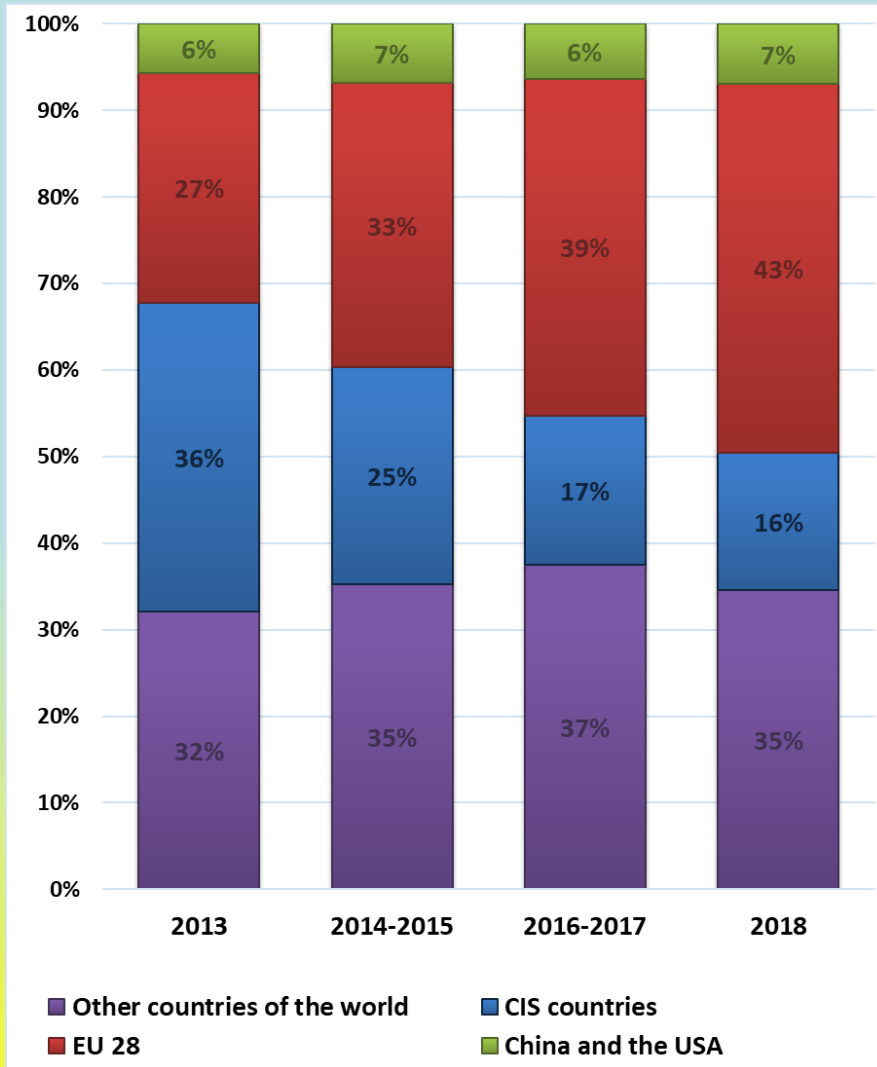
*Introduced:*

- Implemented the EU legislative requirements to the national legislation of Ukraine
- Developed methodological support for the preparation of non-financial reporting, including Sustainability Reporting
- Fulfillment of obligations regarding the agreement on the implementation of the action plan to combat the blurring of the tax base and withdrawal of profits from taxation (BEPS, Base Erosion and Profit Shifting)

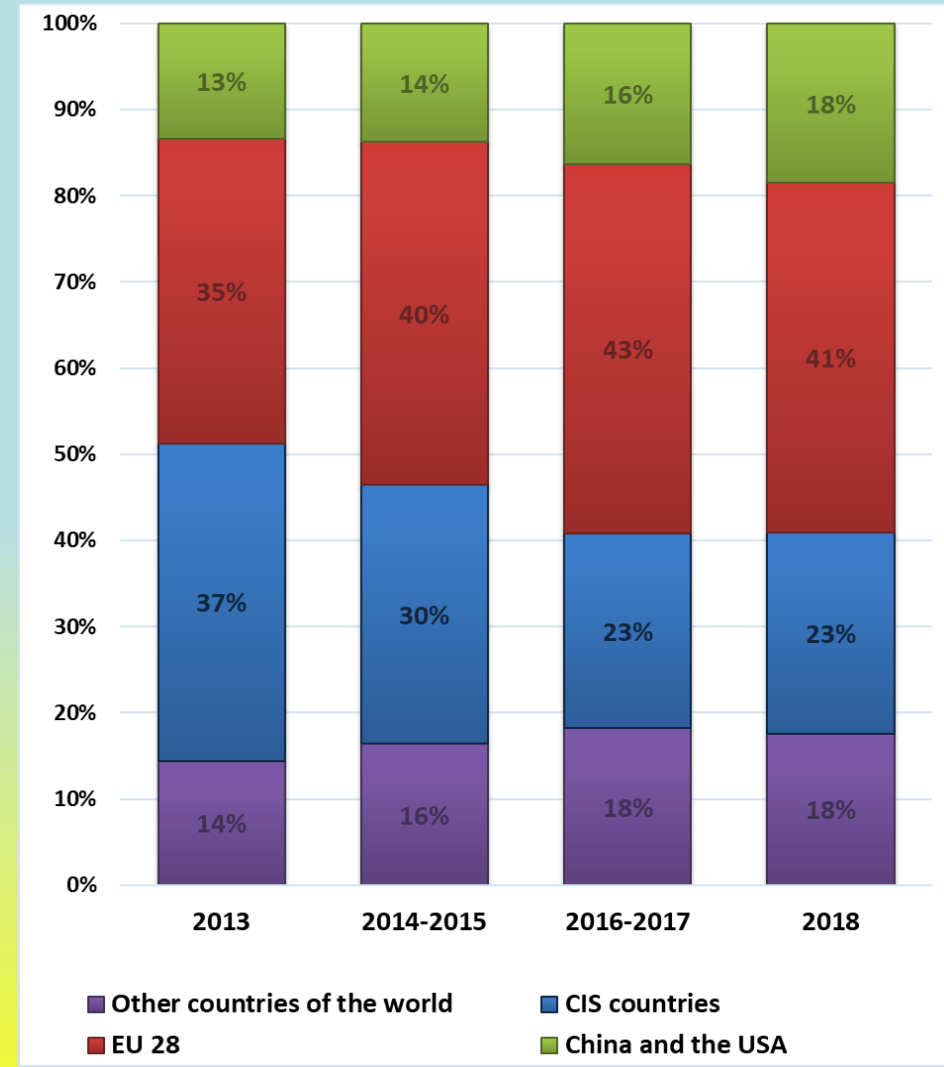
# INDICATOR OF THE SHARE OF GROSS FIXED CAPITAL FORMATION, % OF GDP (AVERAGE FOR THE PERIOD)



# GEOGRAPHIC STRUCTURE OF FOREIGN TRADE IN GOODS OF UKRAINE



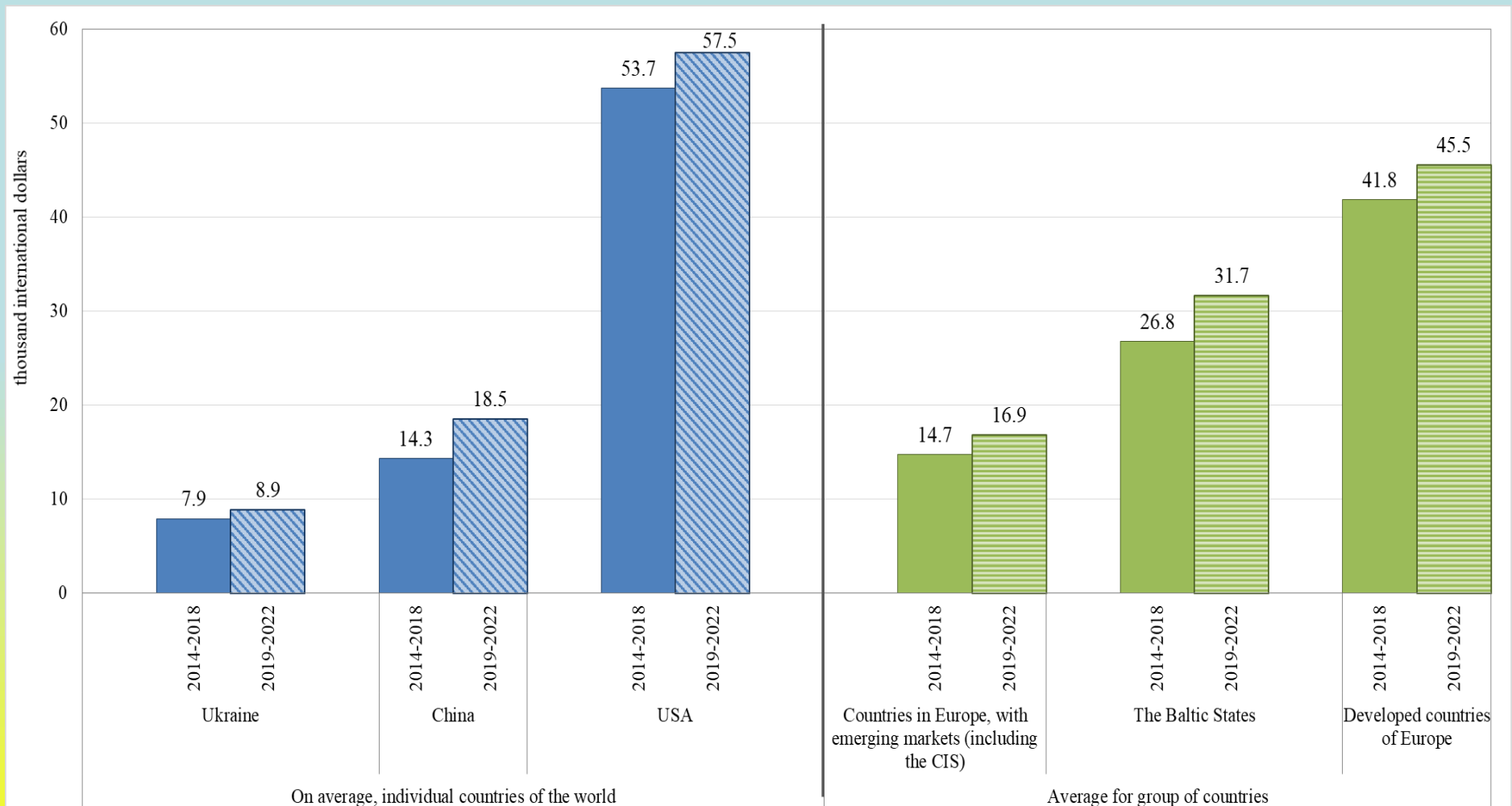
**Export of goods**



**Import of goods**



# GDP PER CAPITA BY PURCHASING POWER PARITY (PPP, AT CONSTANT PRICES, THS. INTERNATIONAL DOLLARS)



# QUESTION 1

WHAT DID YOUR STATE DO WITH THE «**TOXIC**» CREDIT PORTFOLIO OF **SYSTEMICALLY IMPORTANT BANKS** DURING THE FINANCIAL CRISIS?

- A. Toxic assets were acquired by a state-owned asset management company
- B. Toxic assets were written off
- C. Problem loans were restructured
- D. Toxic assets were sold at a discount on the market

# QUESTION 2

**HOW SUCCESSFUL IN YOUR COUNTRY WAS THE EXPERIENCE OF A STATE-OWNED PROBLEM ASSET MANAGEMENT COMPANY?**

- A. In general, successful. State funds for the redemption of assets have been fully recovered
- B. Rather unsuccessful. Much of the assets were not realized due to impairment, loss-making activity, ineffective management
- C. It has been difficult to estimate so far, since the term of closure of the PAMC has not yet come
- D. Such a company was not set up in our country, but I think it would be appropriate

# QUESTION 3

WHAT **STRUCTURE OF THE TRANSFER PRICING DOCUMENTATION AND COUNTRY-BY-COUNTRY REPORTING** WITHIN THE FRAMEWORK OF ACTION 13 OF THE BEPS ACTION PLAN «*GUIDANCE ON TRANSFER PRICING DOCUMENTATION AND COUNTRY-BY-COUNTRY REPORTING*» HAS BEEN **IMPLEMENTED IN YOUR COUNTRY?**

- A. Master file
- B. Master file, local file
- C. Master file, local file, country-by-country reporting
- D. Other

# QUESTION 4

WHAT ARE THE **APPROACHES TO INTRODUCING IPSAS INTO NATIONAL PUBLIC SECTOR ACCOUNTING SYSTEMS** IN YOUR COUNTRIES (*COUNTRIES WITH TRANSITIVE ECONOMIES*)?

- A. *Direct implementation of the IPSAS*, i.e. direct use of international standards, with the full application of the accrual method
- B. *Direct implementation of IPSAS*, i.e. direct use of international standards, with the partial application of the accrual method
- C. *Direct implementation of the IPSAS*, i.e. direct use of international standards, with the use of the cash method
- D. The application of IPSASs as a basis for the development of national accounting standards in the public sector, with the full application of the accrual method
- E. The application of IPSASs as a basis for the development of national accounting standards in the public sector, with the partial application of the accrual method
- F. The application of IPSASs as a basis for the development of national accounting standards in the public sector, using the cash method

# IN PREPARING THE REPORT, THE OUTCOMES OF RESEARCH WORK CARRIED OUT IN ACCORDANCE WITH RESEARCH WORK OF THE ACADEMY OF FINANCIAL MANAGEMENT:

Development of the concept of fiscal rules and their institutional and normative implementation into the system of medium-term budget planning in Ukraine	0118U000287*
Formation of a Fiscal Risk Management System in Ukraine: Theory, Methodology, Practice	0118U000285
Theoretical-methodological and scientific-practical principles of standardization and stimulation of research work	0118U000277
Trends and mechanisms of national economies innovatization in the conditions of globalization	0118U000286
Strategic directions management of attracted resources of international financial institutions in the conditions of a new economic reality	0118U000280
Strengthening the role of state banks in ensuring the development of the real sector of the Ukrainian economy	0118U000284
Transformation of the simplified taxation system in the context of European approaches to state support for small and microbusiness	0118U000281
Harmonization of the legal and regulatory framework for accounting and reporting of budget funds managers (higher education institutions) with international accounting standards in the public sector	0118U000279
Settlement of conceptual and terminological differences and improvement of corporate reporting in the context of European integration	0118U000282
Organization of internal control and internal audit of budget expenditures for the provision (production) of educational services by higher educational institutions	0118U000283
Management of budget expenditures (expenses) for higher education services: methodology, organization, information and analytical support	0118U000278
Mechanisms of financing and fiscal stimulation of attracting investment in science and education	0117U000600
Scientific and methodical principles of comparative analysis of the system of quantitative and qualitative indicators of research and development (R&D) in accordance with international and national standards	0117U000601

\* State registration numbers

# THANK YOU FOR YOUR ATTENTION!



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