

Managing public finances effectively and transparently

Reformed institutions and modern structures create transparency and trust – fostering sustainable development



The challenge: mixed success in the reform process

Ukraine is one of the poorest countries in Europe. By moving closer to the European Union (EU), the country aims to bring about change and prosperity. In 2014, Ukraine concluded an Association Agreement with the EU. This forms the basis for a reform agenda for the Ukrainian Government that will set in motion a wide-ranging transformation process in the years to come. A reform of the public finance system is designed to facilitate more effective management of the national budget with the help of European and international standards. A tax reform will mobilise state resources for sustainable development. As part of the 2030 Agenda, Ukraine is also fighting corruption and improving the efficiency of its public administration.

Although there have been some remarkable achievements in the reform process, the public finance system continues to face immense challenges. The State Fiscal Service, Ministry of Finance, Parliament, and Accounting Chamber of Ukraine need to modernise their workflows and make them more transparent.

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The tax authority focuses too little on citizens' needs. The Ministry of Finance is having difficulties coordinating the budget process with the tax authority and the specialist ministries. Corruption is a recurrent problem at all levels. Personnel in the public sector are demotivated by a lack of appreciation in society, low salaries and limited career opportunities.

Our approach: transparent and effective institutions

On behalf of the German Government, GIZ is supporting the Ukrainian Ministry of Finance with initiating and implementing reforms in order to make the public finance system transparent, efficient and accountable. Here, particular attention is paid to training the staff who work in the institutions involved. International experts share their experience with the Ukrainian partners, for instance through training courses on excise duty and value-added tax law. The seminars and consultations are driving forward efforts to align legislation with the European regulations.

The Ministry of Finance and specialist ministries are modernising their budget management by introducing and implementing EU standards in their financial planning.



The course „Management of Public Finance“ enables creative discussions

The Accounting Chamber is receiving support with auditing public revenue and expenditure independently and in accordance with international standards. For example, it provides the members of the parliamentary budget committee with the information they require to fulfil their supervisory function.

The State Fiscal Service is also undergoing reform. By focusing more on service provision and strengthening its auditing procedures, it aims to improve citizens' and companies' fiscal discipline and make tax evasion more difficult. To increase transparency, the project also involves stakeholders from civil society and promotes innovative digital solutions. In addition, the partners are receiving advice on strengthening their communication practices in order to make successes visible and counteract reform fatigue.



Dialogue between Parliament and the Accounting Chamber of Ukraine strengthens cooperation

Our results: three platforms for greater transparency

With support from GIZ, the three internet platforms *ProZorro*, *ProZorro.Sale* and *E-Data* have been expanded, and the financial system has been benefiting from this since 2016. *E-Data* allows everyone in Ukraine to view data on the use of state budget funds. 20,000 people access this service every day. *ProZorro* makes public tenders transparent for citizens. Since it was launched, the number of bidders for tenders has increased by 50 per cent, corruption and embezzlement of funds has become more difficult, and the Ukrainian Government has saved more than EUR 1.6 billion in just two years. Via the third platform, *ProZorro.Sale*, around EUR 260,000 was earned in one and a half years through the transparent sale of state assets.

The Open Budget Index, which compares the transparency and accountability obligations of national budgets, gave Ukraine just 46 out of 100 points in 2015. In 2017, Ukraine was assigned 54 points. The system for managing public revenue has also become more efficient. Acknowledging the significant improvement that has been made in Ukraine in the area of tax compliance, the World Bank raised the country in its global ranking from position 164 in 2014 to 43 in 2018.



Digitalisation in public finance opens markets and creates transparency



Oksana Markarova: „E-Data is a key component of the reform“

Oksana Markarova was appointed acting Minister of Finance for Ukraine in June 2018. She appreciates the *E-Data* internet platform, which allows everyone to see how public funds are used in the country. She sees the system as a success:

„E-Data is a key component of the public finance reform. The web portal was launched just two years ago and, in 2017, all relevant institutions were officially required to report through it. Data from the portal is referenced increasingly frequently – not just by the media, but also by the national anticorruption bureau, in government investigations, and by the law enforcement agencies. E-Data shows how we are spending public money and thus ensures transparency in the public budget – the most critical aspect of the reform process so far. We are extremely pleased that E-Data involves a wide range of social activists as well as numerous donors who are continuing to develop the portal and finance training courses, which will ultimately motivate even more people to use it.“

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