

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

In 2014, Ukraine concluded an Association Agreement with the EU. By establishing closer ties with Europe, the country aims to bring about change and create greater prosperity. For the Ukrainian Government, this forms the basis for a reform agenda that will set in motion a wide-ranging transformation process. A nationwide reform of the public finance system is designed to facilitate more transparent and effective management of the country's national budget in line with European and international standards and to mobilise government revenue for sustainable development. As part of its strategy to implement the 2030 Agenda, Ukraine is also fighting corruption and improving the efficiency of its public administration.

Although there have been significant achievements in the reform process over recent years, the public finance system still faces major challenges. The Ministry of Finance has been only partially successful in its steering and coordination role. A new parliament was constituted in August 2019 and has since tried to push ahead with important reforms. Yet, there is only slow progress in fighting corruption.



The course „Management of Public Finance“ enables creative discussions



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Ukraine has not yet completed the required legal changes to fundamental taxes such as value-added tax and excise tax to align them with EU law. Equally, there is little public awareness and acknowledgment of the role of the Accounting Chamber, Ukraine's independent supreme audit institution, serving as external financial oversight body on state level. A number of independent transparency platforms have been successfully launched but still rely on external support and are not yet fully sustainable.

Our approach: Transparent and effective institutions

GIZ has been commissioned by the German Government to support the Ukrainian Ministry of Finance to initiate and implement the reforms needed to make the public finance system transparent, effective and accountable. This requires both politico-economic and normative changes at the Ministry of Finance and the other public finance institutions, such as the Accounting Chamber and State Tax Service (STS). Improvements in human resource management and in the communication skills of individual staff have a positive impact on the institutions' overall management capacity. Courses are arranged for employees of STS to extend their knowledge of EU and international tax standards and thus facilitate the implementation of those standards, especially in the areas of excise and value-added tax. GIZ advises the Accounting Chamber on strategic planning, communication and knowledge management so that it can build on its role as an independent oversight body.

To increase transparency, the project also promotes innovative digital solutions and actively involves stakeholders from civil society and the wider population. Ukrainian citizens are enabled to raise their voice in shaping public-sector financial reforms in the country. In turn, this dialogue fosters greater acceptance and trust in the Ukrainian Government. Some of the transparency initiatives, which were launched by non-governmental organisations, are now firmly embedded in the public administration and are making a substantial contribution in the fight against corruption. In this project phase these initiatives will be further supported and developed to extend their reach.

Equality of opportunity is a key focus in every area of the project, and women role models are deliberately placed in high-profile positions.



Dialogue between Parliament and the Accounting Chamber of Ukraine strengthens cooperation

Our results: Three platforms for greater transparency

The three online platforms ProZorro, ProZorro.Sale and E-Data have been improving the public finance system since 2016 and, with GIZ support, have now been expanded. E-Data allows everyone in Ukraine to view data on the use of state budget funds. Every day, 20,000 people access this service. 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. The Ukrainian Government is saving around EUR 1.12 billion yearly. Thanks to the third platform, ProZorro.Sale, around EUR 260,000 was generated in eighteen months from transparent sales of state assets. All these transparency platforms are attracting a rapidly growing number of users and now cover even more government bodies and budgets.

In 2018, the Institute of International Finance named Ukraine as the emerging-market country that had made the greatest progress in the area of data transparency and investor relations. There has been a major improvement in the effectiveness of Ukraine's public finance system. The Ministry of Finance has presented a medium-term financial plan, and, for the first time, the Ukrainian parliament adopted the 2018 and 2019 budgets on schedule.



Digitalisation in public finance opens markets and creates transparency



Oksana Markarova: „E-data is a key element of the reform process“

Oksana Markarova was appointed acting Minister of Finance for Ukraine in June 2018 and confirmed in office after the parliamentary elections in 2019. She is a big fan of the E-Data online platform, which allows everyone to see how public funds are used in the country. 'The platform has been a great success,' she observes.

„E-Data is a key element of the reform process in our public finance system. The online platform was launched in 2016, and as early as 2017 all relevant institutions were officially required to report through it. Data from the portal is referenced more and more often – not just by the media, but also by the National Anti-Corruption Bureau and other 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 delighted that E-Data involves a wide range of social activists and a large number of donors who keep developing the portal and fund training courses. Ultimately, that will motivate even more people to use it.“

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