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## FINANCIAL SECTOR DEVELOPMENT PROGRAM (USAID/FINREP-II)



# FY 2014 ANNUAL REPORT

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## LIST OF COMMONLY USED ACRONYMS

ADT	Accounting Development Toolkit
AmCham	American Chamber of Commerce
CabMin	Cabinet of Ministers
CLC	Commercial Law Center
DGF	Deposit Guarantee Fund
EU	European Union
FDIC	Federal Deposit Insurance Corporation
FL	Financial Literacy
FMI	Financial Markets International, Inc.
FSR	State Commission for Regulation of Financial Services Markets
FY14	Fiscal Year 2014
GFB	Global Financial Bridge
GOU	Government of Ukraine
ICRM	Institutional Corruption Risk Management tool
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INFE	International Network on Financial Education
IOPS	International Organization of Pension Supervisors
IOSCO	International Organization of Securities Commissions
ISA	International Standards on Auditing
JSC	Joint-Stock Company
LCIR	Legal Corruption Impact Review
MAS	Mandatory Accumulation Pension System
MEDT	Ministry of Economic Development & Trade
MEP	Monitoring and Evaluation Plan
MOES	Ministry of Education and Science
MOF	Ministry of Finance
MSP	Ministry of Social Policy
NBU	National Bank of Ukraine
NBU-BU	National Bank of Ukraine's Banking University
NGO	National Government Organization
NPF	Non-state Pension Fund
NUPAS	Non-U.S. Pre Award Survey
OECD	Organization for Economic Cooperation and Development
PARD	Professional Association of Registrars & Depositories
PFU	Pension Fund of Ukraine
RFP	Request for Proposal
RPRG	Reanimation Package Reform Group
SSMNC	Securities and Stock Market National Commission
STTA	Short-Term Technical Assistance
UACAA	Ukrainian Association of Certified Accountants & Auditors
UAIB	Ukrainian Association of Investment Business
UFPAA	Ukrainian Federation of Professional Accountants & Auditors
UNCTAD	United Nations Conference on Trade & Development
USG	U.S. Government
VR	Verkhovna Rada
VR-FBC	Verkhovna Rada Finance and Banking Committee
WB	World Bank
WG	Working Group
XBRL	Extensible Business Reporting Language
YIC	Young Investors Competition

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## I. INTRODUCTION AND EXECUTIVE SUMMARY

### A. INTRODUCTION

FINREP-II is a five-year program to increase financial sector stability and restore public trust in financial markets. The program supports the Government of Ukraine (GOU), private sector stakeholders, and civil society. FINREP-II assists two USAID results: IR 2.1 Increased investment availability to the emerging middle class and IR 2.2 Strengthened private sector advocacy and support institutions.

Events in Ukraine in Fiscal Year 2014 (FY14) forged an unprecedented path in the nation's history. An initial peaceful protest against the Yanukovich regime's decision not to sign an Association Agreement with the European Union (EU) became a revolution, created over 100 martyrs, and forced the former President to flee. Russia followed its illegal occupation of Crimea with intervention in Ukraine's eastern provinces, resulting in continuous violence, bloodshed, and slashing vital economic arteries. The threat of an all-out Russian invasion loomed over the country, unsettling the nation's financial, investment, and business climate. The pillage of the banking system by Yanukovich's clan and the resulting pressures this put on the banking system resulted in significantly reduced growth and increased economic uncertainty.

FINREP-II was significantly impacted by these events, along with everything else in Ukraine. Among many other things, the political and economic turmoil created vacancies among senior GOU personnel, budgets cuts, and ever-shifting GOU priorities.

Yet Ukraine has made great strides. The GOU negotiated and began executing a Stand-By Arrangement with the International Monetary Fund (IMF) alongside financial assistance from the World Bank (WB). The GOU also negotiated a loan guarantee program with the U.S. Government (USG) that reduced its interest payments by over \$287 million in five years. While uncertainty remains, the banking system appears stabilized, at least for the time being. Ukraine also carried out peaceful, internationally sanctioned Presidential and Parliamentary elections.

This environment was a challenge for nearly all the fiscal year, but the crisis also created new opportunities. In particular, the political upheavals have engendered belief in the creation of a "new Ukraine" characterized by the rule of law, transparency, and EU and Western-orientation. In financial sector reform, FINREP-II now has counterparts that share our vision and goals. FINREP-II's positioning as a promoter of financial sector reform permitted immediate and timely response to events such as the Deposit Guarantee Fund's (DGF) challenge to respond to inquiries from nervous depositors (reaching 8,000 calls per hour in April), communicating more effectively with them, as well as in providing international short-term technical assistance (STTA) to quickly train newly hired DGF staff on bank resolution and troubled asset management. We are also well-positioned to help GOU counterparts assess and address corruptive practices in their institutions, which we began doing in September.

Despite expected slowdown in program activities, FINREP-II made considerable progress in implementing the FY14 Work Plan, including, as described below, in meeting Monitoring and Evaluation Plan (MEP) and Work Plan objectives, as well as mandatory factors.

**B. PERFORMANCE SUMMARY**

Progress against major Monitoring and Evaluation Plan Benchmarks benchmarks is highlighted below.

**Table 1: Selected Monitoring and Evaluation Targets and Performance**

Monitoring and Evaluation Plan Goals for FY14	FY14 Target	FY14 Actual	% Performance Level
Person hours training completed by financial sector supervisors in international standards	500	1,718	344%
-- Person hours training completed by female financial sector supervisors in international standards	250	1,108	443%
Ukraine has incorporated auditing and reporting standards (WEF-GCR Strength of Auditing and Reporting Standards Index (higher score = greater adoption))	3.8	3.7	97%
Local accounting association meets USAID pre-obligation requirements	1	1	100%
Person hours of training completed by financial sector standards completed by financial sector professionals in international standards	4,000	2,638	66%
-- Person hours of training completed by female financial sector standards completed by financial sector professionals in international standards	2,000	2,144	107%
Derivatives and commodity exchange legislation is finalized (score card)	6	2	33%
Number of material improvements in the DGF that provide better financial safety to retail deposits (Scoring System)	2	2	100%
Number of education specialists successfully trained with USG support	80	165	206%
Implement regional financial literacy pilot course for public schools (# of schools)	250	650	260%
Number of students enrolled in financial literacy program	5,000	18,000	360%
-- Number of female students enrolled in financial literacy program	2,500	9,000	360%
Proportion of students who demonstrated the improvement of knowledge and skills after the financial literacy course (% increase in entry/exit FL knowledge test)	10%	25%	250%

As the table highlights, FINREP-II surpassed most training objectives by significant multiples. Annex 1 contains the complete MEP, which shows this progress, but also notes that we fell short of targets on indicators involving variables beyond our control, e.g., “Financial Market Development and Strengthening based on the World Economic Forum Scorecard.” This is to be expected given the economy’s fragile state.

Table 2 on the following page provides an overview of performance against selected FY14 Work Plan activities. Below, we also provide a brief summary of program accomplishments.

**Emergency and Anti-Corruption Assistance to the New Ukrainian Government**

FINREP-II provided timely responses to ongoing GOU and USAID requests including conceptualizing an anti-corruption program. Actions included communications, bank resolution, and asset management assistance to the DGF; continuous monitoring of

**Table 2: Selected Work Plan Activities and Results**

<b>Work Plan Activity</b>	<b>FY14 Results</b>
<b>1.1.a, Monitor legislation affection the financial sector, 1.1.d, Continue monitoring pension reform legislation and assist regulators</b>	<ul style="list-style-type: none"> <li>✓ Over 39 financial sector laws reviewed; comments on 11 laws submitted, as well as 85 pension laws</li> <li>✓ Developed two key laws on consumer protection</li> </ul>
<b>1.2.b,; Support VR Committee Meetings on policy issues and international experience implementing MAS</b>	<ul style="list-style-type: none"> <li>✓ Assessment of pension issues presented to the VR Committee on Finance and Banking, including Pillar II hearings</li> <li>✓ Proposed changes to strengthen role of NPF Boards</li> <li>✓ Provided GOU with international practices in investing assets of private pension funds</li> <li>✓ Prepared four publications on the global experience in pension reform , including privileged pension systems</li> <li>✓ Assisted the FSR on best practices for mitigating investment risks of private retirement schemes</li> </ul>
<b>1.1.g, Provide National Bank of Ukraine assistance in key areas</b>	<ul style="list-style-type: none"> <li>✓ Input into Banking Strategy 2020</li> <li>✓ Provided STTA for crisis communications</li> </ul>
<b>1.2.a, Assist non-bank regulatory agencies in introducing IOSCO principles, IOPS standards, and OECD principles of regulation and oversight.</b>	<ul style="list-style-type: none"> <li>✓ Assisted SSMNC to update “Corporate Governance Principles” based on OECD</li> <li>✓ Hosted 2 risk management workshops based on OECD</li> </ul>
<b>1.2.d, Support implementation of IFRS and ISA for Non-State Pension Funds</b>	<ul style="list-style-type: none"> <li>✓ Procured 6 sets of IFRS+ISA guidance materials for FSR</li> <li>✓ Initiated development of two training programs on Non-State Pension Fund IFRS implementation</li> </ul>
<b>1.3.a, Assist DGF management in crisis communications and bank resolution practices; 1.3.b, Assist DGF in enhancement of Customer Call Center; 1.3.c, support DGF outreach; 1.3.d, Continue DGF support under MOU with FDIC</b>	<ul style="list-style-type: none"> <li>✓ Initiated call center enhancement</li> <li>✓ Provided STTA for crisis communications</li> <li>✓ Provided STTA on bank resolution and troubled assets</li> <li>✓ Produced and delivered 2 public outreach videos on DGF</li> </ul>
<b>2.1.a, Assist MOE in drafting Law on Derivatives</b>	<ul style="list-style-type: none"> <li>✓ Monitor progress of both laws with stakeholders</li> <li>✓ Formed Working Group on Derivatives Law</li> <li>✓ Developed new Draft Law on Financial Instruments</li> </ul>
<b>2.1.c, Design commodities roadmap for GOU and small and medium agricultural producers</b>	<ul style="list-style-type: none"> <li>✓ Prepared first draft of roadmap</li> <li>✓ Drafted agriculture survey to better understand market and design proper instruments</li> </ul>
<b>3.1.b, Assist the NBU to complete the National Financial Literacy Strategy</b>	<ul style="list-style-type: none"> <li>✓ Conducted Stakeholders Workshop with NBU</li> <li>✓ Sponsored participation of two NBU officials at the Global Policy Research Symposium to Advance Financial Literacy in Paris, France</li> <li>✓ NBU became regular member of OECD/INFE</li> <li>✓ Staff participated in 11 GLAS TV Channel programs on financial literacy, consumer protection, and pension issues, with support of VR</li> </ul>
<b>3.1.c, Promote Consumer protection program; 3.1.f, Conduct research, with input from NGOs on existing judicial practices on financial consumer issues</b>	<ul style="list-style-type: none"> <li>✓ Helped registered two consumer protection laws</li> <li>✓ Conducting analysis of real court cases on consumer protection</li> </ul>
<b>3.3.a, Develop FL Website; 3.3.b, Develop financial literacy brochures, 3.3.c,</b>	<ul style="list-style-type: none"> <li>✓ Held stakeholder workshop on website</li> <li>✓ NBU launched new FL section in their website, with FINREP-II materials and support</li> </ul>
<b>3.3.b, Develop and arrange for distribution a suite of financial literacy brochures focused on teachable moments (e.g. Getting Married, Having a Baby); 3.3.c, Promote other Non-Traditional FL initiatives</b>	<ul style="list-style-type: none"> <li>✓ Expanded “Smart Money” series to four brochures</li> <li>✓ Delivered FL materials to summer camps for children</li> <li>✓ Developed three brochures for the FSR</li> <li>✓ Printed 300,000 copies of brochures for the FSR</li> </ul>
<b>3.3.e, USAID Field Day</b>	<ul style="list-style-type: none"> <li>✓ Participated in 4 USAID Field Day events</li> </ul>
<b>4.g,4.h, Go Women Launch -- Event</b>	<ul style="list-style-type: none"> <li>✓ Held Launch Event with Administrator Shah</li> <li>✓ Issued and in process of negotiating 4 major subcontracts to implement program</li> <li>✓ Conceptualized program with regional authorities in Lviv and Dnipropetrovsk</li> </ul>

fast-breaking events in the financial and banking sectors; coordinating with donors and the GOU on technical assistance needs, and delivering guidance to the State Commission for Regulation of Financial Services Markets (FSR) on dealing with financial regulatory issues in the occupied territory of Crimea, including pension issues. FINREP-II also initiated a program to assess vulnerabilities of selected GOU institutions and mitigate corruption and related practices. Additionally, FINREP-II began work on an assessment of financial sector laws and regulations to further mitigate corruption. We continue to work closely with civil society organizations such as the Reanimation Package Group in these initiatives.

### **Objective 1: Strengthen Supervision and Regulation of the Financial Industry**

FINREP-II coordinated with the IMF, WB, the American Chamber of Commerce (AmCham), the Commercial Law Center (CLC), and other USAID projects such as AgrolInvest and the Fair, Accountable, Independent and Responsible (FAIR) Justice Program in areas such as pensions, financial regulation, consumer protection, corporate governance, and promoting international standards.

FINREP-II reviewed and provided advice on an extensive legislative and regulatory portfolio of over 100 laws and regulations. Our efforts succeeded in rolling back or helping to eliminate incongruous provisions (many related to undoing pension reforms) as well as ensuring that draft legislation was consistent with EU Directives and international best practices (for example, input into a law on “squeeze-out” procedures for Joint Stock Companies (JSC) which protects minority shareholders).

As the primary donor assisting GOU on pension reform, FINREP-II made a significant contribution to assist the GOU prepare for the introduction of the mandatory accumulation pension system (MAS) for hazardous occupations. By switching this category of pensions to an employer-based system, it will be possible for the Pension Fund of Ukraine (PFU) to significantly reduce its deficit. The initiative has strong support from the WB and the IMF. Moreover, the FSR is also better prepared to enhance oversight of pension funds, while the Securities and Stock Market National Commission (SSNMC) has an enhanced understanding of managing risks related to pension fund distribution.

FINREP-II led reforms as the primary donor assisting the GOU on introducing International Financial Reporting Standards (IFRS). IFRS is essential to transparency and mitigating corruption. This year we assisted the Cabinet of Ministers (CabMin) in updating the GOU’s IFRS strategy implementation and provided guidance to the MOF on the 2014 IFRS Action Plan. FINREP-II initiated implementation of the EU mandated electronic IFRS reporting for publicly listed companies through the use of Extensible Business Reporting Language (XBRL). We also supported the Ministry of Finance (MOF) to complete the United Nations Conference on Trade and Development’s (UNCTAD) Accounting Development Toolkit (ADT). The ADT measures a nation’s accounting reform progress and harmonization with IFRS and international best practices. Finally, in conjunction with the SSMNC, we implemented regional IFRS seminars in five cities, training 490 accounting and management professionals on EU Directive 2013/34 on Annual Financial Statements, changes in EU legislation on auditing, and proper valuation of assets under IFRS.

In sum, despite the obstacles encountered during the year, FINREP-II continued progress towards USAID’s objectives of increasing financial sector stability and restoring public trust in financial markets. Especially, we strengthened partnerships with civil society, progressive

members of the Verkhovna Rada (VR), and reformists in the GOU that will lead to significant progress in FY15.

### **Objective 2: Develop Financial and Derivatives Market**

Despite the GOU postponing cooperation on this component for much of the year due to political events, FINREP-II nonetheless advanced in areas that will pay off in FY15.

We completed a first draft of the “Commodities Road Map” which identifies key issues, constraints, and solutions to establishing an agricultural derivatives market. We will undertake a detailed agricultural survey in FY15Q1 to complete this document. The final product will serve as an important launching point for the work to follow in FY15.

FINREP-II also provided extensive comments on both the Draft Laws on Derivatives, as well as the Draft Law on Commodity Exchanges. Neither one of these laws passed, which will benefit Ukraine in the long-term, as the Ministry of Economic Development and Trade (MEDT) did not accept many necessary changes, meaning that the proposed laws would have represented a step backwards). However, private sector stakeholders recognized FINREP-II’s leadership in this area and invited us to join a Working Group (WG) of major exchanges. The WG requested that we lead the drafting of new laws that can gain support in a new VR and the GOU. We agreed that derivatives legislation should fall under a broader “Law on Financial Instruments,” which FINREP-II also took the lead in developing.

### **Objective 3: Increase Financial Literacy of the General Population**

Over 16,000 students from 450 schools across Ukraine took the Financial Literacy (FL) course during the 2013-2014 academic year. For the 2014-2015 year, 235 new schools initiated the course, bringing the total to nearly 700 schools and reaching nearly 20,000 students. They include 35 in Donetsk Oblast. Approximately 55 schools had to drop the course due to budget considerations, but FINREP-II still achieved a net increase of 180 schools.

Course graduates improved their financial literacy knowledge by 55%, according to testing by the National Bank of Ukraine (NBU) Banking University (NBU-BU) and the Institute of Innovative Technologies and Education Content under the Ministry of Education and Science (MOE). A major accomplishment this year was near complete digitalization of the course, transferring materials to an e-learning framework, available online and on a DVD. This innovation will significantly lower the costs of expanding course outreach to millions of Ukrainian youth. It will also make the subject more appealing and interactive.

Despite the NBU’s financial crisis priorities, we also advanced in securing GOU commitment on developing a National Financial Literacy Strategy and a National Financial Literacy Webpage. The NBU assigned a senior official to spearhead this effort, and we expect to finalize this task in FY15.

### **Growth of Women’s Business and Leadership Program (Go Women)**

FINREP-II launched the Go Women program in June, with USAID Administrator Dr. Rajiv Shah as key note speaker. Over 140 participants attended the event, including representatives of leading women- and microenterprise-focused NGOs, local consulting

companies, financial institutions, academia representatives, international donors, as well as GOU representatives.

FINREP-II has nearly completed the process of selecting local partners to lead training and access finance and financial services activities for vulnerable women (women with limited education and skills, single mothers, etc.), as well as nascent and small entrepreneurs farther up the business learning curve. We expect that over 1,500 women will receive training and increased access to financial services in FY15.

In addition, FINREP-II conceptualized and nearly completed negotiating pilot programs with local government authorities in Lviv and Dnipropetrovsk Oblasts, which will feature gender-focused, web-based approaches to delivering services and information on financial literacy, small business development, and access to finance and financial services. The initiative will unite the efforts of these local governments in western and eastern Ukraine under the banner, “Two Regions, One Ukraine.” We also are working with Ukrainian credit unions to expand opportunities for rural women.

While political events slowed down FINREP-II implementation, we are confident that FY15 will be a banner year.

### Looking Forward

We enter FY15 confident of putting together a highly productive year. First, while some FY14 activities did not produce a tangible “impact,” they laid the ground work for significant progress. Examples include work on derivatives and commodities exchange legislation, the derivatives roadmap, and dialogue with private sector stakeholders. This investment to date will contribute to Ukraine being much farther along in establishing effective exchanges and derivatives markets, both essential to making sustainable and significant agricultural growth possible. Establishing the conditions for a vibrant agricultural sector is crucial to move beyond a crisis economy. Assuming political will, we also expect continued progress in FY15 in establishing the mandatory accumulation system for hazardous occupations, which will reduce the pension deficit and contribute to what many have called Ukraine’s number one crisis issue beyond the banking sector: reducing the budget deficit to manageable levels.

In FY15, FINREP-II also expects to play a much more significant role in addressing front line financial issues. The ongoing state of crisis, changes in government and personnel, focus on immediate priorities such as the IMF agreement, and the inability of many GOU counterparts to make decisions often served to limit coordination with donors. In the case of bank resolution and issues related to failed banks, GOU policies regarding confidentiality also curtailed assistance requested by the GOU (including from International Financial Institutions such as the WB). For this reason, it took an extended period of time to reach agreement on Action Plans with the NBU and the MOF.

As we begin FY15, however, the GOU is more settled, coordination with donors is under greater control, and we have reached an understanding with the GOU on specific areas where we will focus our assistance. For example, we have an ambitious agenda with the MOF on bank recapitalization strategy and budget and debt management. These are central economic/financial areas of concern to the GOU. With the DGF, we will implement enhancement of the call center to generate greater confidence among depositors.

Addressing another GOU priority in FY15, we will implement the anti-corruption program, including (1) the Institutional Corruption Risk Management (ICRM) and (2) the Legal Corruption Impact Review (LCIR) tools.

We will also continue to make progress on the FL, where we will complete digitalization of textbooks. Under the Go Women Program, we will provide financial services to no less than 2,000 vulnerable women and entrepreneurs.

### A Year for the History Books

11/21	Cabinet of Ministers resolves to delay signing of EU Association Agreement
11/24	First large peaceful protest of over 150,000
11/29-30	Police use excessive force against at Maidan; actions go viral on social media
12/1	400,000+ people protest at Maidan; establishment of “tent city” and barricades
1/16	Adoption of draconian laws against freedom of speech, assembly, and NGOs
2/18-20	Mass murders in Kyiv, as snipers shoot down protestors
2/21	Yanukovich flees
2/27	Arseniy Yatsenyuk approved as the Prime Minister
3/1	Russian invasion of Crimea
April	Conflict in east begins
April	First of 23 banks placed under temporary administration by DGF; banking crisis looms
4/15	Anti-Terrorists Operation begins in East
April	First devaluation wave - over next 4 months UAH goes from 7.9 to a high nearly 14/\$
April	Ukraine signs \$ 17.1 billion Stand-By Arrangement with IMF
5/16	Ukraine sells \$ 1 billion in Eurobonds backed by a US loan guarantee
5/25	Presidential elections
July 19	Malaysia Airlines Flight 17 shot down over eastern Ukraine, killing 298
10/26	Parliamentary elections result in pro-European majority in VR



Photo by Natasha Kravchuk

## II. PROGRESS BY WORK PLAN ACTIVITY

### A. OVERALL PROGRESS

Despite the political environment, FINREP-II met the majority of MEP targets and completed or initiated most planned FY14 Work Plan activities as scheduled. The program's positioning within Ukraine's financial sector also provided the wherewithal and flexibility to respond to GOU and USAID requests in unplanned areas such as emergency assistance to the DGF, begin concrete anti-corruption initiatives, and provide legal guidance to the FSR on issues such as handling of financial issues in Crimea.

This report is structured along the FY14 Work Plan tasks, providing a commentary and supporting activities for each objective and component.

### B. OBJECTIVE 1: STRENGTHEN SUPERVISION AND REGULATION OF THE FINANCIAL INDUSTRY

This objective encompasses an array of financial sector areas implemented through seven official counterparts as well as other GOU authorities and financial sector stakeholders. These activities are synergistic and aim to establish greater confidence in the financial sector and make it less vulnerable to crises. USAID mandatory factors such as promoting transparency and reducing corruption are key cross-cutting themes in this work, including creating equal opportunities for women and vulnerable citizens.

The political events in Ukraine significantly impacted work under this component, as revolution, Presidential elections, required clarifications of U.S. assistance policy, and continuous changes of key personnel in GOU institutions impeded signing Action Plans with counterparts such as the MOF, FSR, PFU, and the NBU until late in the fiscal year. Nonetheless, chaos also creates opportunities. FINREP-II responded by providing assistance in unforeseen areas such as crisis communications and bank resolution assistance to the DGF and began working with the NBU on a reform agenda incorporated in, but not limited to, the *Banking 2020 Strategy*.

#### Component 1.1: Financial Sector Policy Development and Monitoring

##### *1.1.a: Monitor legislation and events affecting the financial sector.*

FINREP-II reviewed new draft laws in close collaboration with GOU stakeholders, civil society, other USAID projects, and the VR Finance and Banking Committee (VR-FBC). FINREP-II's legal and pension teams also monitored the financial sector-related campaign programs of leading Presidential candidates, as well as positions of new GOU appointees in order to keep USAID abreast of ongoing developments. The table below illustrates FY14 legislation that FINREP-II monitored, reviewed, and proposed amendments for:



FINREP-II works closely with numerous Verkhovna Rada Committees.

<b>Legislation in FY14</b>	<b>Legal Dept.</b>	<b>Pensions</b>	<b>Accounting</b>
Reviewed, Monitored & Commented	33	85	3
Developed by FINREP-II	6	0	0
<b>Subtotal</b>	<b>39</b>	<b>85</b>	<b>3</b>
<b>TOTAL</b>		<b>127</b>	

Anti-Corruption Initiatives

Events in Ukraine elevated anti-corruption issues to the highest level of national attention. Civil society and donor organizations pressed the government to adopt the rule of law and prevent the type of systematic duplicitous practices that have permeated Ukraine’s economy and culture.

While anti-corruption was always a program cross-cutting theme and mandatory factor, FINREP-II responded by working closely with civil society organizations like the Reanimation Package Reform Group (RPRG) and other organizations, participating actively in WGs, and sharing information on areas in the financial sector that needed reform. Working in closely with USAID we dialogued with seven GOU institutions to propose approaches to identify and address corruption practices.



FINREP-II Anti-Corruption Workshop

While the GOU mandated an anti-corruption review of its legal and regulatory structure with passage of the Anti-Corruption Law №224-18, the government does not have a reliable way of implementing such a review. FINREP-II provided the services of two international experts to assess and develop a work plan to implement two internationally recognized anti-corruption tools: (1) the Institutional Corruption Risk Management (ICRM) and (2) Legal Corruption Impact Review (LCIR) tools.

The ICRM examines governmental processes and assesses areas for reform such as procurement systems and licensing procedures. The LCIR identifies and directs removal of corruptive factors from regulations and laws in the financial sector to strengthen the corporate governance framework to secure investor confidence, enhance access to capital markets, and promote growth of the economy.

We interviewed representatives from 15 government, civil society, and private sector organizations, then conducted a workshop attended by 34 governmental and non-governmental stakeholders. FINREP-II received five expressions of interest from GOU institutions that wish to volunteer for the first ICRM pilot initiatives. The Ministry of Justice, which has developed its own anti-corruption assessment tool, also requested FINREP-II assistance in this area. We incorporated these activities in the FY15 Work Plan.

Capital Markets Development and Governance

In FY14, FINREP-II initially focused on harmonizing Ukrainian legislation with that of the EU, in anticipation of the signing of an EU Association Agreement. By December, conditions brought most of these initiatives to a halt. During Q3 and Q4, we resumed work, with an added emphasis on cooperation with civil society and transparency issues. FINREP-II undertook the following actions:

- ✓ We provided significant input into the development of a Draft Law on “squeeze-out” procedures for Joint Stock Companies (JSC). Our comments, the majority of which the VR accepted, focused on consistency with EU Directive 2004/25/EC on Takeover Bids and application of best international practices. The law passed the VR in October 2014. It will help protect minority shareholder rights and increase operational efficiency through better corporate governance by majority shareholders.
- ✓ FINREP-II collaborated with the WB to successfully remove several problematic sections of a draft law on Corporate Governance in JSCs before its second reading. This law aims to ease private placements, to provide for a remote voting procedure for shareholder meetings, and improve information disclosure.
- ✓ We advised the WB on corporate governance issues, especially prejudicial practices by the SSMNC. Coordination with the WB increases our mutual leverage, especially as the WB developed and implemented a policy loan in 2014 with an appropriate conditionality related to corporate governance.
- ✓ Throughout the year, FINREP-II provided recommendations to the Professional Association of Registrars & Depositors (PARD) to help analyze ten draft laws and regulations pertaining to the SSMNC. Legislation focused mainly on prudential supervision concepts related to proper risk management, investor protections, and to promote international best practices that reduce systemic risk. These laws help to ensure the solvency of securities traders.
- ✓ FINREP-II partnered with GOU reformers, the private sector, civil society, and other stakeholders to provide amendments to legislation that was deemed antithetical to international best practices and EU Directives. Examples include:
  - Amendments to legislation related to foreclosures on debtors that had taken out foreign currency denominated loans, pointing out how these laws would severely impact the banking and financial system.
  - Joined AmCham and the Ukrainian Association of Investment Business (UAIB) provided recommendations to the MOF and suggested potential changes to a new tax initiative that would have negatively affected investment funds.
  - Partnered with PARD and UAIB to highlight the serious deficiencies of a law defining “qualified investors” which misinterpreted EU concepts.
- ✓ FINREP-II collaborated actively with the RPRG, which formed after the creation of the transitional government in March. In particular, we prepared comments and suggestions to the RPRG’s Draft Tax Reform Concept. FINREP-II emphasized the need for immediate tax system reform but also worked to ensure that the reforms were reasonable and supported good business practices and growth.

**1.1.c: Continue monitoring of legislation and events related to pension reform.**

Throughout FY14, FINREP-II monitored approximately 85 pension laws and regulations in various stages of consideration by the GOU since 2012. Many of these are attempts by populists to roll back the 2011 reforms which are crucial to the fiscal position of the PFU. In day-to-day dialogue with the VR and CabMin officials, as well as through presentations by international experts, FINREP-II continued to point out the fiscal consequences of undoing these reforms. Major areas cooperation included:

- ✓ Working with the FSR on legislative initiatives to strengthen Non-State Pension Funds (NPF).
- ✓ Input into the draft Law to protect pensioners in Crimea. We delivered STTA on the global experience in pension payments to beneficiaries permanently living abroad.
- ✓ We provided comments on several laws dealing with the insurance industry, focused on preventing abuses by insurance companies in accumulating contributions or preventing fraudulent practices involving pension assets, and promoting the rights of pension system participants.

**Impacting Financial Sector Legislation**

FINREP-II's work in reviewing legislation is much more than simple monitoring. Dialogue with stakeholders and donors often leads to measurable impact in the financial sector. First, on a regular basis we highlight why a particular piece of legislation may be harmful. Or provide the expertise to identify inconsistencies with EU Directives or international best practices. Or introduce articles that may make legislation better. In many key areas such as pensions, consumer protection, and financial risk management, GOU stakeholders highly value FINREP-II's observations. Second, FINREP-II's positions often attract the attention of other donors, which leads to a unified voice for change and, in the case of the International Financial Institutions, significantly strengthens our position. Finally, monitoring in areas such as pension reform keeps legislators aware of the fiscal consequences of their actions. FINREP-II does not win every battle. For different reasons, our advice does not always carry the day. Still, it's a quiet fight in which we engage every day. Examples of monitoring impact include:

- ✓ Helping to revise non-EU compliant derivatives and commodity exchange legislation; providing reformers with new draft legislation to be reviewed in 2015.
- ✓ Drafting and collaboration with Rada reformers of two major financial consumer protection laws.
- ✓ Providing reformers with analytical support to beat back changes to pension reforms already implemented
- ✓ Passing of EU compliant minority protection legislation in Joint Stock Companies.

**1.1.d: Assist regulators' implementation of international provisions related to pension reform.**

Throughout FY14, FINREP-II advised the FSR on international best practices on the operation of NPFs, implementation of prudential supervision, improvement of corporate governance, and reporting on Pillar III. Many activities stemmed from legislative monitoring outlined in 1.1.c and cooperation with the FSR on many technical areas where Pillar II and Pillar III administration and regulation overlap.

In Q4, FINREP-II also began preparing an analytical review of the pension system and projections for the future, based on different scenarios of further reforms in the short-, medium-, and long-term prospects. We will complete the review in FY15Q1.

**1.1.e: Support development of two local accounting associations for USAID direct grant support.**

FINREP-II assessed and improved the capabilities of the Ukrainian Federation of Professional Accountants and Auditors (UFPAA) and the Ukrainian Association of Certified Accountants and Auditors (UACAA). Activities included:

- ✓ Completing an Organizational Capacity Assessment for both Non-Governmental Organizations (NGO).
- ✓ Conducting two-day workshops for each, followed by coaching sessions and mini-trainings on monitoring and evaluation. We also delivered methodological and informational materials, books, online resources, and articles regarding NGO Capacity Building, including highlighting additional training opportunities such as USAID's UNITER Project's NGO Marketplace, which provides free access to additional training, coaching and consultancy.
- ✓ Contracting a local audit firm, EBS, to conduct a preliminary assessment of both NGOs' capacity to work directly with USAID. EBS trained both NGOs to pass the Non-US Organization Pre-Award Survey (NUPAS). EBS delivered preliminary assessments in March, providing both accounting associations with recommendations.

**1.1.f: Provide the Ministry of Finance assistance in key areas as requested (e.g., public debt management, target debt indicators, FX management).**

FINREP-II responded quickly to MOF assistance requests. Nonetheless, political developments and apparently an overburdened MOF bureaucracy delayed responses and the signing of an Action Plan, which did not take place until September 2014. We developed scopes of work for international STTA identified in the Action Plan, including the MOF's needs in developing long-term budget cycles and utilizing economic indicators to adjust the state budget. We expect significant progress in FY15 under this component.

**1.1.g: Provide National Bank of Ukraine assistance in key areas (e.g., FX Management, Communications, Research).**

FINREP-II played a lead role in assisting the NBU's newly created Department of Banking System Strategy and Reform to develop its *Banking Strategy 2020*. FINREP-II experts actively participated in two of the WGs established at a senior stakeholder workshop in May, including serving as secretariat of the creditor and consumer protection technical group. We also provided comments on the draft strategy. Working closely with the Head of the Strategy Department, we met regularly to provide assistance in several key areas:



FINREP-II engaging stakeholders at a joint NBU-American Chamber of Commerce meeting to develop the NBU's *Banking Strategy 2020*

- ✓ With Microsoft and the NBU, we prepared functional requirements for a website to manage input on laws and regulations stemming from the reform process.
- ✓ We initiated work on the assembly of a legal team of leading Ukrainian and international law firms to assist the NBU in conceptualizing and drafting the laws and regulations necessary to implement the reform process.

The NBU also requested technical assistance to improve their crisis communications strategy and to develop their communications capacity. FINREP-II provided the services of an international crisis communications expert to develop training tailored for the NBU's communications structure. The consultant conducted 11 training sessions on crisis communications for over 160 NBU personnel. He also delivered a one-on-one training session on crisis communication to the NBU Governor.

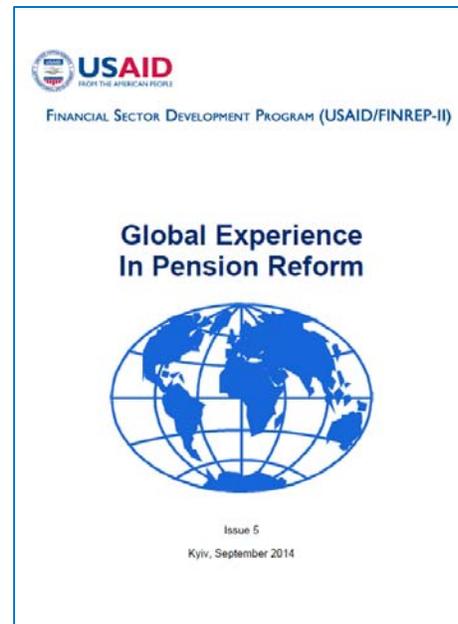
## Component 1.2: Application of International Norms and Principles

### ***1.2.a: Assist non-bank regulatory agencies (primarily the SSMNC and FSR), in introducing IOSCO principles, IOPS standards, and OECD principles of regulation and oversight.***

FINREP-II addressed these principles through various program components. This included incorporating International Organization of Securities Commissions (IOSCO) principles in the two major derivatives laws (see Component 2, below), International Organization of Pension Supervisors (IOPS) principles in implementing pension reform, and Organization for Economic Cooperation and Development (OECD) principles in pension reform.

#### **Corporate Governance**

FINREP-II worked with the SSMNC's Corporate Governance Board to review and update the new draft version of the SSMNC's "Corporate Governance Principles." The FINREP-II proposals accepted by the SSMNC included changing its approach to enforcement by clarifying key principles. The SSMNC also agreed to involve local exchanges in monitoring.



#### **Pensions**

FINREP-II assisted the FSR in introducing and applying international standards and OECD regulation and supervision principles over the NPFs. This included:

- ✓ Analysis for GOU stakeholders of major pension developments in OECD and non-OECD countries over the period from February 1 to May 31, 2014.
- ✓ Co-sponsoring and providing expert participation in the UAIB conference on "Investment Business: Overcoming the Crises." FINREP-II presented "Challenges for the

Accumulation Pension System of Ukraine” as part of our public outreach on Pillar II. Over 110 market participants attended.

- ✓ FINREP-II organized the “International Practice of Mitigating Investment Risks in Private Retirement Schemes” workshop highlighting OECD principles of pension assets investment. Over 60 people attended, including representatives from the Presidential Administration, CabMin, VR-FBC, MEDT, MOF, Ministry of Social Policy (MSP), PFU, NBU, FSR, and SSMNC.

- ✓ FINREP-II organized a three-day seminar on “Risk Management” for regulators from the SSMNC and FSR and trained 22 stakeholders from five financial sector organizations.

**1.2.b: Support VR Committee Meetings on policy issues and international experiences on a Mandatory Accumulation System (MAS) Implementation.**

We prepared informational materials and policy papers for a hearing in October 2013 at the VR Committee on Pensioners’, Veterans’ and Disabled Persons’ Affairs. Our materials were in great demand, with many participants requesting electronic versions. For these efforts, FINREP-II received a letter of thanks for this support from the VR Committee Chairman.

**1.2.c: Assist MOF in developing policies for effective implementation of International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA).**

USAID-FINREP-II is the leading donor assisting Ukraine to implement IFRS. The project works with three counterparts: the MOF, as the accounting standards setter; the SSMNC, as the regulator of publicly-traded companies; and the FSR as the regulator of NPFs and other financial service providers. FY14 accomplishments include:

- ✓ Assisting the CabMin in updating the GOU IFRS strategy implementation.
- ✓ Supporting two MOF officials to attend the 30th Anniversary Session of UNCTAD’s Intergovernmental Group of Experts on International Standards of Accounting and

**Promoting Gender Equality in the Accounting Profession**

If accounting tells the story a business, attendance at FINREP-II regional seminars on IFRS and auditing revealed that Ukrainian women currently represent a significant portion of financial story-tellers in Ukraine. Women comprised 87% of the attendees in our five seminars. This outstanding turnout allowed FINREP-II to surpass its PMP target for training females on international standards for accounting in FY14.

The seminars again proved popular with local financial sector professionals. In all, we trained 490 accountants, auditors, regulators, and financial managers, of which 405 were women.

The accounting profession in Ukraine has a history of attracting a larger share of women than men. Yet attendance by women at these trainings has not always reflected their overall numbers. The trend this year with women approaching 90% of attendees supported women’s empowerment. FINREP-II used the high volume of female professionals at the accounting seminars to promote the Go Women Program as well. Many of these women are leaders and members of professional associations and civil society, and they provide accounting services to charities and small businesses in addition to their public company and audit firm employers. Involving women accountants in Go Women reinforces the message that USAID supports women in business and helps spread awareness of FINREP-II initiatives aimed at helping women in their personal and professional development.

Reporting in Geneva, Switzerland. We also financed the participation of Maksim Libanov, SSMNC Director of Analysis, Strategy and Legislation Development at a WB conference for financial sector regulators in Vienna, Austria.

- ✓ Developing an implementation plan with the MOF for national rollout of XBRL for electronic reporting. FINREP-II translated the 2013 amendments to the XBRL Taxonomy (the list of unique IFRS terms) in Q1.
- ✓ Conducting a “consistency review” comparing the updated XBRL Taxonomy to the IFRS Glossary of Key Terms. FINREP-II recommended 238 amendments to the Glossary and the MOF’s Expert Review committee accepted all proposed changes.
- ✓ Supporting the MOF to complete UNCTAD’s ADT. The ADT measures a nation’s accounting reform progress and harmonization with international best practices.
- ✓ Preparing a Concept Paper on USAID assistance for IFRS implementation and accounting reform. The paper outlined key short-, medium- and long-term priorities.
- ✓ We collaborated with the SSMNC Advisory Board on Accounting and Auditing to develop legal amendments to update their internal regulations.

Public outreach and training

FINREP-II cooperated with the SSMNC and UFPAA to develop regional IFRS seminars in Kyiv, Dnipropetrovsk, Odessa, Kirovograd, and Kharkiv that hosted 490 accounting and management professionals. The seminars address amendments to IFRS, an overview of EU Directive 2013/34 on Annual Financial Statements, changes in EU legislation on auditing, and proper valuation of assets under IFRS.

**Table 3: IFRS Seminar Participation**

<b>SSMNC/UFPAA Seminars on IFRS Reporting &amp; Auditing</b>				
<b>Location</b>	<b>Date</b>	<b>Males</b>	<b>Females</b>	<b>Total</b>
Kyiv	July 18	26	126	<b>152</b>
Dnipropetrovsk	September 15	23	84	<b>107</b>
Odessa	September 19	18	87	<b>105</b>
Kirovograd	September 22	1	28	<b>29</b>
Kharkiv	September 26	17	80	<b>97</b>
<b>Total Participants</b>		<b>85</b>	<b>405</b>	<b>490</b>

- ✓ FINREP-II continued to host two 45-minute instructional videos of previous SSMNC seminars on IFRS via its YouTube channel. During FY14, the videos received a combined 1,183 views.

**1.2.d: Support implementation of IFRS and ISA for Non-State Pension Funds.**

FINREP-II supported the FSR to implement IFRS for Ukraine’s Pillar III, or the complementary and voluntary private pension system managed by NPFs. Regulations

required NPFs to begin accounting under IFRS in 2013, and their first annual IFRS financial reports were filed in April 2014.

- ✓ We procured six of copies of official IFRS guidance and ISA publications. The materials provide a reference point and training materials for FSR regulators.
- ✓ FINREP-II selected a local accounting firm, De Visu, to begin developing guidance and training on the differences between IFRS and Ukrainian Accounting Standards, as well as recommend changes to FSR regulations to ensure compliance with IFRS.

### Component 1.3: Reform of the Deposit Insurance System

Events since January and the subsequent crisis and pressures on the banking system brought the DGF's role to the forefront of national attention. We engaged the DGF in many areas to meet immediate crisis communication needs and address bank resolution issues.

#### **1.3.a: Assist DGF management in crisis communications and bank resolution practices, as requested, including inter-agency coordination with NBU and MOF.**



DGF brochures “Questions and Answers About the Deposit Guarantee System” and “What Should a Depositor Do if A Bank Fails developed by FINREP-II.

- ✓ A FINREP-II consultant undertook a four-week assignment to provide crisis communications training to the DGF. He worked closely with the DGF's communications staff, delivering nine demand-driven training seminars on topics ranging from developing systems and strategies for DGF press releases, to examining special policies and procedures that address “emergency” or “crisis” communications between the DGF and other Ukrainian state bank regulatory agencies. The consultant also advised senior management on issues related to the DGF's over-burdened call center and proper messaging techniques for senior management.
- ✓ Two international consultants undertook assignments to address DGF regulatory and operational concerns, as well as bank resolution and bad asset management issues. Assistance included:
  - Highlighting best practices on disposition strategies for distressed assets.
  - Training 17 newly-hired DGF staff on bank resolution and troubled asset management. In particular, DGF requested training on Federal Deposit Insurance Corporation (FDIC) best practices on marketing of banks and troubled assets.
  - Recommending improvements to the DGF's staffing and organizational structure.
  - Advising the DGF on developing early warning systems for troubled banks in coordination with the NBU or independently. This included bringing basic bank assessment tools to the DGF's attention.

- Reviewing and commenting on four key laws and related regulations impacting banking resolution.
- Providing recommendations on collection strategies to maximize the recovery for the benefit of the provisional administration/conservatorship or receivership estate.

FINREP-II is also providing the services of an experienced Ukrainian lawyer to research legal and regulatory issues dealing with bank resolution, recommend changes to DGF regulations, and prepare amendments for the DGF law.

**1.3.b: Enhancement of DGF Call Center.**

We supported the DGF to enhance its call center, which received over 8,000 calls per hour in February. FINREP-II selected a subcontractor to implement this task, which will complete the call center enhancements in early FY15.

**1.3.c: Support DGF outreach to banks, depositors, and the general public on its operations leading to greater confidence in the banking system.**

- ✓ FINREP-II helped the DGF produce informational TV spots. FINREP-II delivered two, one-minute public outreach videos entitled “Family Savings Protected” and “If You Know How to Make Money, Learn How to Save It.” These videos inform depositors about the deposit guarantee system, contribute to increased trust in the banking system, and promote increased awareness of the deposit guarantee system. The DGF arranged to have each video broadcast an average of twice per day across 41 national and regional TV stations for one month, resulting in an estimated 4,920 televised broadcasts. An additional 62 DGF-member banks hosted the video on their website and on closed-loop marketing videos played during business hours in client areas.
- ✓ We supported the DGF to undertake two roundtables in Kyiv and eight regional roundtables (in Simferopol, Odessa, Lviv, Ternopil, Kharkiv, Donetsk, Dnipropetrovsk, and Zaporizhzhye) in Q1. FINREP-II contracted a regional network of press clubs (The Center for Ukrainian Reforms in Education) to organize these roundtables to ensure wide media coverage. FINREP-II and the DGF later decided to postpone additional regional presentations until FY15, given the financial crisis.
- ✓ FINREP-II delivered three brochures for the DGF entitled: 1) “The Deposit Guarantee System in Ukraine”; 2) “Questions and Answers About the Deposit Guarantee System”; and 3) “What Should a Depositor Do if A Bank Fails? How and When Does the Deposit Guarantee Fund Make Deposit Payouts?” We printed 150,000 copies of each of the first two brochures. The DGF will print copies of the third brochure in FY15.

**1.3.d: Continue support to DGF under MOU with FDIC.**

FINREP-II liaised between the DGF and the U.S. FDIC, resulting in an agreement to provide training in Q2 from three experts with strong FDIC experience in bank resolution, handling of troubled assets, and information technologies of processing data from the bank credit information system. (See component 1.3.a. above).

**Component 1.4: Pension Reform – Pillar II Support (USAID Approval Required)**

Pending appropriate conditions and USAID approval, our work continues to focus primarily on disseminating international best practices on Pillar II and related pension programs. In FY14, much of our work in this area focused on the system for hazardous occupations which would separate this special category from the pay-as-you-go system. This initiative will significantly reduce the pension fund deficit and provide a truer picture of Ukraine's pension liabilities.

**1.4.a: Support to the MSP and PFU on international best practices related to Pillar II programs and assist in analysis of the mandatory accumulation system for hazardous occupations.**

The implementation of the mandatory pension system for hazardous occupations, supported by the WB and the IMF, will present Ukraine with a small test case on Pillar II implementation which FINREP-II will closely follow. Cooperation included:

- ✓ Participation in WGs under the MSP to better understand GOU needs for Pillar II implementation and to deliver FINREP-II analysis and expertise.
- ✓ Presentation of “Accumulation Pension Systems Operation. Lessons from Other Countries” on the risks of mandatory accumulation pension systems at a workshop of the Trade Unions Federation of Ukraine in November 2013.
- ✓ Authoring three articles on Pillar II implementation in Q1 for the Pension Courier Newspaper: *Pillar II: Is the System Ready?* (N. Goryuk), *Effect from Pension Reform Will Grow* (N. Goryuk), and an interview given by Greg McTaggart on Pillar II implementation issues.
- ✓ Commentary on the draft law on “Introduction of Mandatory Occupational Pension System for Special Categories of Occupations Dealing with Hazards to Life.”
- ✓ Providing extensive commentaries on international experiences in pension reform, especially related to mandatory accumulations systems.

### **Pension Reform – Pillar II for Hazardous Occupations**

FINREP-II support of a mandatory accumulation pension system for employees in hazardous occupations is another major contribution to erase the PFU's deficit and significantly strengthen Ukraine's fiscal situation at a critical time in the country's history.

Employees in hazardous occupations by law can retire earlier, often qualify for special benefit packages, and receive benefits for much longer periods of time. Occupations include the military, coal and other miners, construction workers, police officers, and chemists. This category represents one of the principal reasons for the Pillar I pension system's large deficit. In most EU and other Western countries, however, these special categories are not accounted for solely in the regular pension system. They also receive separate pensions through their employers, thus the government does not contribute significantly to the early retirement and benefits pension plans.

FINREP-II worked throughout FY14 with the MSP, PFU, VR, and other pension system stakeholders to develop this draft law that separates workers in hazardous occupations from Pillar I and provides for the introduction of a mandatory accumulation pension system (a mini-Pillar II) for individuals employed these areas. Employers will make the majority of contributions under this new system and its implementation will begin reducing Pillar I expenditures after only five years. Actuarial calculations estimate that this new system will eventually provide **a savings of over UAH 71 billion per year for the Pillar I pension system after fifteen years, thus guaranteeing its stability and sustainability.**

FINREP-II proposals to the draft law included highlighting international practices, expanding employee categories to be covered, and establishing the right of participants to contribute into this system on their own or in addition to their employer's contributions to increase their future benefit packages.

## **C. OBJECTIVE 2: DEVELOP FINANCIAL AND DERIVATIVES MARKETS**

The creation of an effective agricultural commodity exchange will have a powerful economic and social effect, directly influencing Ukraine's export capacity and the livelihoods of approximately 55,000 agricultural producers.

### **Component 2.1: Enabling the Environment**

FINREP-II's strategy focused on creating an enabling policy and regulatory environment conducive to a modern derivatives market. Especially in Q1, this entailed development of the Derivatives and Commodity Exchange Laws. The Maidan protests and subsequent events brought this legislative work to a standstill after January. Nonetheless, in conjunction with private sector and industry stakeholders, we continued our efforts, once again taking up the initiative in Q4.

#### **2.1.a: Assist the MEDT with the Draft Law on Derivatives.**

FINREP-II provided extensive comments and suggested revisions to the MEDT's Draft Law on Derivatives in Q1. In Q2, the CabMin postponed this work. After months of inactivity, the GOU published a new draft law at the beginning of Q4 which still included serious deficiencies. FINREP-II response included:

- ✓ Helping to form a private stakeholder WG to review the new Draft Law and provide guidance for the derivatives market in general.
- ✓ In line with EU Markets in the Financial Instruments Directive and based on discussions within the WG, developing a new “Financial Instruments Law” which incorporates provisions for regulation of both the securities and the derivatives market. As the EU mandates, the SSMNC will be the single regulator for all derivative instruments other than money market derivatives. Other ministries should have only limited powers for endorsement of specifications for commodity derivative contracts. The WG will work with the GOU to present the new law to the VR in FY 15.

“The Working Group comprised of the most active and progressive exchanges in Ukraine and FINREP-II is essential to developing a modern Commodity Exchange Market and related laws. This work will provide for establishment of a true commodity exchange market in Ukraine, for its development on new foundations in line with international best practices. The work is essential, if the commodity exchange market is indeed to be a transparent and efficient mechanism for the private sector and the state.” Tatiana Lemishevskaya, Deputy Director of the Association of Exchange and Electronic Platforms



<http://blog.liga.net/>  
<http://blog.ubr.ua/>

### **2.1.b: Prepare Draft Law on Commodities Exchange in compliance with international standards.**

Similar to the Derivatives Law, work in FY14 focused initially in providing extensive comments to weak draft legislation introduced by the MEDT. We performed the following work on the new Commodity Exchange Law:

- ✓ In Q1, FINREP-II submitted to the MEDT a Conceptual Framework for the Commodity Exchange Market Regulation, presenting the international experience in establishing and regulating commodity exchange markets in seven countries, including five in Europe. It also highlighted conflicting provisions from the MEDT’s Draft Law on Commodity Exchange Market with the EU and international best practices.
- ✓ Provided the MEDT with a new version of the draft law “On Commodity Exchange Market” after the CabMin rejected the previous version developed by the MEDT.
- ✓ FINREP-II’s WG sent the MEDT a new draft law “On Commodity Exchange Market” compliant with international standards of commodities market regulations.

Work in this area came to a halt as the October 2014 Parliamentary elections approached. FINREP-II will once again initiate this work in late November 2015.

### **2.1.c: Design commodities roadmap for GOU and small- and medium-sized agricultural producers.**

FINREP-II initiated the “roadmap” in Q1, led by an international expert. In December, we delivered a draft of the road map to USAID, which still needs to be strengthened with a detailed survey of agricultural practices, including market integration, price transmission, and logistics among producers, corporate farms, warehouses, shippers, exporters, brokers, and financial intermediaries. In Q2, FINREP-II designed the survey but postponed

implementation due to political events. The survey will be conducted in FY15-Q1/Q2 and the roadmap completed subsequently.

**D. OBJECTIVE 3: INCREASE FINANCIAL LITERACY OF THE GENERAL POPULATION**

Sound economic governance is impossible without a financially literate population. Citizens require a basic understanding of the financial system and its instruments in order to apply them on a daily basis, engage authorities on the fairness and adequacy of financial laws and regulations, and protect their savings and investments.

**Component 3.1: Policy Dialogue in Financial Literacy**

**3.1.a: Continue public dialogue on FL via articles, VR Programs, etc.**

FINREP-II engaged in public dialogue and outreach on the importance of FL, often as a cross-cutting issue (for example, in discussing the “Go Women” program, regional events with the DGF, etc.). More specifically:

- ✓ FINREP-II, jointly with the NBU, conducted a workshop on “Developing a Nationally Coordinated Approach to Financial Literacy.” Approximately 40 stakeholders attended.
- ✓ The electronic edition of *Financial Advisor* published an article by Legal Department Head Yuliya Vitka, informing consumers of unregulated financial services and typical schemes used by risky financial services.
- ✓ With the VR-FBC, FINREP-II experts participated in 11 GLAS TV Channel TV programs. Interviews focused on financial security, financial pyramids, consumer loans, and banking deposits. The VR-FBC’s Chairman highly praised the program’s content and the electronic *Financial Advisor* publication requested that FINREP-II and GLAS TV Channel transcribe the programs for inclusion in their publications.
- ✓ The electronic edition of *Financial Advisor* published an article by Legal Department Head Yuliya Vitka, informing consumers of risks associated with the use of financial services when purchasing group-owned property.

**3.1.b: Assist NBU to complete the National Financial Literacy Strategy**

FINREP-II continued dialogue with and support to the NBU on the National Financial Literacy strategy. Events in Ukraine significantly reduced program activities in Q2 and Q3. By the end of the year, however, work on the strategy started again, with the NBU naming a senior official committed to finalizing the strategy in FY15. Activities included:

- ✓ FINREP-II and the NBU co-hosted a workshop on “Developing a Nationally Coordinated Approach to Financial Literacy.” Thirty-seven stakeholders attended.



- ✓ The NBU named FINREP-II a key official partner on FL when the NBU launched a new section on its website devoted to FL issues. The NBU also posted several FINREP-II books and brochures on this site, alongside other useful resources.
- ✓ The NBU became a regular member of the OECD International Network on Financial Education (INFE). FINREP-II played a leading role in this accomplishment.
- ✓ The NBU’s *Banking Strategy 2020* included FL as a key pillar.

“Financial Advisor” journal  
FINREP-II’s Head of Le



**3.1.c: Promote Consumer Protection Program**

The EU Association Agreement requires the GOU to implement the EU Directive on Consumer Credit within three years from the signing of the Agreement. Despite the difficult political situation, FINREP-II and our stakeholders made progress in this area.

- ✓ FINREP-II served as a key advisor to the MEDT in finalizing the Action Plan on Financial Consumer Protection for 2012-2017.
- ✓ Beginning in Q1, FINREP-II helped develop two draft laws which fill important gaps between different consumer protection and financial services legislation. We worked with nine VR representatives from different political parties to register the laws. We consider submission of these Draft Laws to be an interim but significant success. After the new VR election in early FY15, we will continue to promote passage of the draft laws.
- ✓ FINREP-II assisted the FSR in developing the brochure, “To a Consumer of Non-Banking Services.” It addresses key consumer protection issues when selecting a financial service, specifically in terms of consumers’ rights and obligations. In May, the FSR hosted a presentation/press conference on the brochure, which the FSR widely disseminated it to the public. FINREP-II printed 3,000 brochures.

**Public Outreach**

- ✓ In FY14, GLAS TV Channel recorded eight TV programs with the Head of FINREP-II’s Legal Department to promote our financial consumer protection program.
- ✓ *Financial Advisor* published two articles by FINREP-II Legal Department Head Yuliya Vitka on “Financial Pyramids” and “Administration of Sales in Groups: Possible Risks for Consumers.”
- ✓ Throughout the year, FINREP-II experts gave interviews to the media and participated in numerous workshops on consumer protection issues.

**3.1.d: Support study tours and international conferences on financial literacy at the OECD.**

- ✓ FINREP-II sponsored two NBU representatives at the OECD Global Policy Research Symposium to Advance Financial Literacy held in Paris, France.
- ✓ Two representatives of the NBU's International Relations Department and two FINREP-II members participated in an international conference on "Global and European Trends in Financial Education" in Istanbul, Turkey.

***3.1.e: Initiate preparation to select a local organization promoting financial awareness and build its capacity to be ready for direct grant support from USAID.***

FINREP-II efforts to identify local NGOs for general FL training coincided closely with our NGO capacity review under the GW Program (see Section GW.b below).

***3.1.f: Conduct research, with input from NGOs, on existing judicial practices or resolution of financial consumer disputes.***

FINREP-II contracted Ukrainian legal experts to conduct research on judicial practices related to consumer protection. Their work focused on: (1) research of real court cases with consumers involving financial institutions such as banks, credit unions, insurance companies, and investment companies; and (2) preparing a consolidated report of judicial practices with recommendations on needed legislative improvements. We will complete this research in FY15-Q1.

**The Importance of Consumer Protection in the New Ukraine**

In June, hundreds of angry protesters gathered in front of the VR to lynch an effigy of “blood-sucking bankers,” a symbolic act that delivered a clear message: their rights will no longer take a backseat to big business and corruption. Ukrainians consumers face high interest rates, hidden fees, and excessive charges that they do not always understand. With limited financial literacy, they often entered into foreign currency denominated loan agreements without a proper conceptual understanding of the transactions.

The June protest reflects the linkages between demands for transparency in the financial sector, consumer protection, financial literacy, and Ukraine’s political future. Ukrainians will measure the country’s progress towards a European future through every day issues, such as consumer protection. In FY14, FINREP-II played a leading role in working with nine representatives of the Rada’s Finance and Banking Committee from different parties in developing two new laws that will significantly increase financial consumer protection and confidence.

FINREP-II also designed the Draft Laws in compliance with EU standards, which is required under the EU Association Agreement.

The FINREP-II Draft Laws address major problems associated with protections at all stages of a consumer’s relationship to a financial product. This includes:

<p><b><i>Understanding costs of a financial product</i></b></p>  <p>Financial institutions must make clear the true costs of loans and other financial products</p>	 <p>Truth-in-lending advertisement that includes the actual Annual Percentage Rate (APR) and standardized pre-contractual information sheet that includes all fees.</p>
<p><b><i>Acquiring a financial product</i></b></p>  <p>Buying a financial product which is inappropriate or excessively risky given the consumer’s circumstances</p>	 <p>Requirement that the lending institutions assess the creditworthiness of the potential borrower and not provide loans or financial products that are inappropriate for that consumer. It includes significant penalties for not doing so.</p>
<p><b><i>Holding of financial product</i></b></p>  <p>Risk of changes and adverse events depending on the duration of the financial product</p>	 <p>Must provide information on proper notifications, Right of withdrawal, Right of early repayment, Debt restructuring</p>
<p><b><i>Default by one of the parties</i></b></p>  <p>Adequate liability and redress mechanisms</p>	 <p>Liability of consumers, Penalties for financial institutions, Redress mechanisms, Proper state enforcement</p>

Photo courtesy of [Преступности.НЕТ](#)

### 3.2: Financial Literacy in Schools

#### 3.2.a: FL Course and Train-the-Trainer Program.

FINREP-II and our counterparts continually develop new training methods and outreach activities to ensure excellent content for the Course.

- ✓ FINREP-II, the NBU-BU, and the MOE Institute of Innovative Technology and Content of Education held an “All-Ukrainian Financial Literacy Course Workshop” in Q1 focused on training regional trainer. Participants included 27 educators (methodologists) and seven FL teachers.



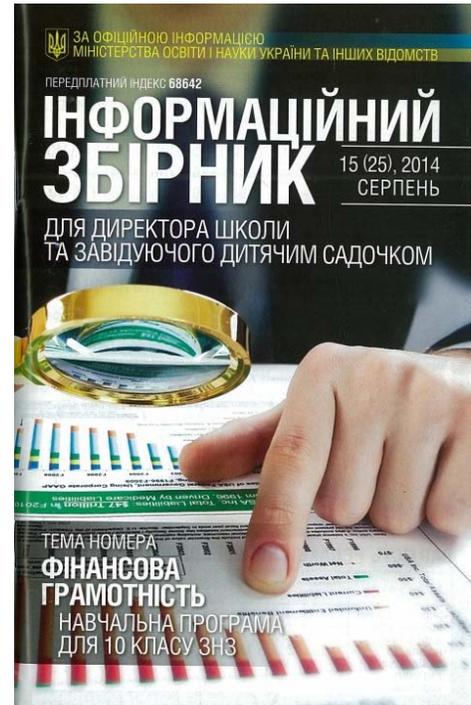
Financial literacy students at Dnipropetrovsk Secondary School #16 . FINREP-II and USAID representatives visited the school and sat in on classes

- ✓ Throughout FY14, FINREP-II continued weekly training-related communication with teachers, informing them of the latest news in FL and updates.

- ✓ We arranged for FL course teachers to participate in the NBU’s “All-Ukrainian Financial Literacy Week” initiative, where teachers received web-based lectures on the importance of budgeting and savings for different age groups, including pensioners, young couples, and college and high school students.
- ✓ FINREP-II coordinated activities with FL course teachers in conjunction with the Child and Youth Finance International’s Global Money Week initiative in Kyiv. Global Money Week activities included competitions, quizzes, games, guest lecturers, creating wall newspapers, and tours of money museums and banks.
- ✓ FINREP-II partnered with MetLife Alico insurance company to conduct a FL seminar for economics and FL course teachers at the Lviv Training and Education Center as part of an educational training program for comprehensive school teachers. A coach from MetLife Alico delivered a lecture about the Ukrainian pension system and about the differences between banking and life insurance products to 35 teachers.
- ✓ In Q4, FINREP-II held a second “All-Ukrainian Financial Literacy Course” workshop, organized jointly with the MOE, the Institute, the NBU, and the NBU-BU. Over 44 teachers, methodologists, and other stakeholders attended. During the three-day workshop international experts Dr. John Brock and Dr. Jane Lopus presented interactive methods of teaching financial literacy. FINREP-II also debuted the new digital textbook (see Component 3.2.b).

### Financial Literacy Course

- ✓ Over 14,000 students from 450 schools participated in the FL course during the 2013-2014 academic year. The number of students participating in the FL Course for the 2014-2015 academic year rose to 19,000 from 650 schools
- ✓ The MOE designated the FL course as one of the optional specialized economics subjects. In the future, students will have to choose two subjects from among applied economics, basics of taxation, financial literacy, and entrepreneurship.
- ✓ FINREP-II delivered 4,300 textbooks, 6,000 workbooks, and 400 teacher's manuals to cover the new schools enrolled in the program at the beginning of FY14.
- ✓ We collaborated with the NBU-BU to update course materials for the next academic school year to reflect changes in Ukrainian legislation.
- ✓ FINREP-II and the NBU-BU developed a 30-question FL knowledge test to measure financial literacy improvement among students taking the course. Approximately 269 schools, or almost 6,000 students took the tests and returned results. FINREP-II and the MOE Institute also conducted control monitoring of testing in selected schools in Lviv, Bila Tserkva, Zhytomyr, Chernivtsi, Khmelnytskyi, Vinnytsia, and Dnipropetrovsk. On average, FL students scored 70 points on their tests. Unfortunately, a baseline entry test was not conducted this year. However, based on entry scores of 45 points in last year's program, and assuming a similar entry knowledge year-to-year, we assume a 55% improvement in FL knowledge by taking the Course.
- ✓ The MOE highlighted the FL Course in its monthly *Informational Digest*, dedicating its August issue to a 62 page article on "Financial Literacy: Educational Program for 10th Grades of Comprehensive Educational Institutions." The MOE delivered Informational Digest to every school principal in over 19,000 schools across the country, informing them of the benefits of the FL Course.



Cover of the August issue of the Ministry of Education and Science's Informational Digest devoted to the Financial Literacy Course

### Young Investors Competition

In Q2 and Q3, FINREP-II supported the Ukrainian Exchange in conducting the Young Investors Competition (YIC), an investment contest among students taking the FL course. The competition aims to teach students about investing in stocks through a stock market simulation game. Each team of students receives a virtual UAH 100,000 to invest in stocks of 25 Ukrainian companies listed on the Ukrainian Exchange website. This year, 179 teams from 111 schools competed from in 22 regions of Ukraine, up from only 45 teams in FY13.

### Save! Video Contest

We assisted the NBU to organize a video contest entitled “Save!” among the students participating in the FL course as part of International Savings Day celebrations. The contest deepened participating students’ understanding of savings. Sixteen teams from 10 regions participated. FINREP-II and the NBU co-hosted an award ceremony in the Money Museum of the NBU. As a special prize for the winners, the NBU organized tours around the NBU Money Museum and the State Treasury of Ukraine. Annex 4 contains links to the winning videos.

### **Stock Exchange Universiade-2014**

FINREP-II supported the Ukrainian Exchange Stock Exchange in implementing Universiade, an online trading championship held among University students of Ukraine, aimed at providing students with the opportunity to practice their skills and knowledge through real stock exchange trading. The SSMNC, the Stock Market Infrastructure Development Agency of Ukraine, and other brokerage firms also supported the event. Over 150 students from 36 universities participated in the competition. FINREP-II co-hosted in an award ceremony for the winners.



University students that competed in Universiade-2014

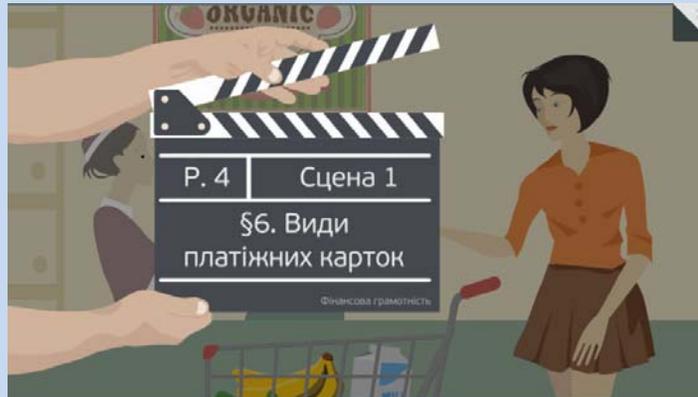
### ***3.2.b: Conceptualize and prepare content for the digitalization of the Financial Literacy Course’s materials. 3.2.c USAID/DC Approval of IT Program for FL Course. 3.2.d: FL Course Material Digitalized.***

To meet the overwhelming demand for the FL course in a cost effective manner, FINREP-II nearly completed digitalizing course content.

- ✓ In Q1, we helped establish a WG on digitalization consisting of 14 NBU-BU professors and 11 FL Course teachers who developed draft materials for 30 lessons of the digital FL Course textbook.
- ✓ We issued a Request for Proposals (RFP) and selected a Ukrainian firm, Rozumnyky, to develop the interactive digital FL textbook, and the Scope of Work for functional and technical specifications of the digital textbook on its website. FINREP-II worked with Rozumnyky to create the digital textbook and presented the new textbook at the All-Ukrainian Financial Literacy Course workshop in Q4.
- ✓ We will submit the final version of the digital textbook to USAID for approval in FY15-Q1. After USAID approval, FINREP-II will supply all schools teaching the FL course with digital textbooks in FY15.

## Innovation, Science and Technology Brings Excitement to Financial Literacy

To meet the overwhelming demand for Financial Literacy Course materials, FINREP-II partnered with the NBU Banking University to digitalize the course textbook and cost-effectively deliver the course to students throughout Ukraine. In September 2014, we culminated a year of hard work and cooperation when we introduced the digitalized materials at the “All-Ukrainian Financial Literacy Course Workshop.”



Animation from Digital Textbook on Use of Payment Cards

Digitalization is essential to keep up with demand. Each year, the number of schools increases. In January 2012, the program began with 13 schools. By September 2013, the number of schools grew to 450 reaching approximately 16,000 students. Digitalization aims to transfer materials to an e-learning platform, available online and on a DVD, and to make the subject more appealing and interactive for both students and teachers.

FINREP-II began this effort when, in mid-2013, three IBM experts traveled to Kyiv as part of the IBM Corporate Service Corps Program to advise FINREP-II and the NBU Banking University on relevant technical solutions to digitalize the course. The IBM team delivered a prototype of an interactive teaching program with the versatility to function online for distance learning and as a stand-alone program for a classroom setting. The digital textbook’s functions include an electronic version of the textbook, video and audio materials, and knowledge control in the form of games and quizzes.

This year, FINREP-II and the Banking University established a Working Group on digitalization, consisting of the course’s pilot teachers and authors of the Course textbooks from the Banking University faculty in Kyiv, Lviv, Kharkiv, and Cherkasy. The teachers and authors worked together in pairs to develop interactive materials. The teams developed materials for all 30 lessons, with each lesson containing unique animations, interactive assignments, multiple choice tests, useful web links, and materials for additional reading. A Ukrainian IT company, Rozumnyky, created a software platform and digitalized the textbook.

“I think this is a wonderful initiative. Information technologies are rapidly developing, and I am sure that for teenagers learning financial literacy on their laptops and tablets will be incredibly interesting and exciting,” says Iryna Synya, Methodologist from Lviv.

In the 2014-2015 academic year, 19,000 students from 650 schools will study the Course using the interactive textbook. In the future, we expect each of the 19,900 Ukrainian high schools to use the interactive FL Course materials, encouraging younger generations of Ukrainians to make smart financial decisions and live up to their financial dreams.

**3.3: Financial Literacy For All – Non-Formal Methods**

**3.3.a: Develop FL Website.**

During the year, we engaged stakeholders in discussions on a national FL website, with the purpose of discussing international best practices and generating consensus.

- ✓ FINREP-II hosted two national FL website roundtables. The roundtables, led by FINREP-II International FL Expert



FINREP-II and WB roundtable on the National Financial Literacy Website

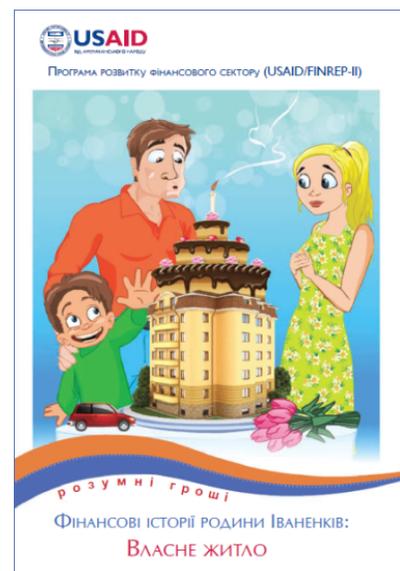
Shaun Mundy. The first, co-hosted with the WB, took place early in the fiscal year, after which progress came to a halt due to Ukraine’s crisis. FINREP-II and the NBU renewed work with a second workshop in September 2014. Over 60 participants attended both workshops.

- ✓ FINREP-II developed a detailed draft Action Plan on the development of a national FL website that identifies actions, a timeline, and resources necessary to launch a trial version of the website by the end of 2014. Due to political events, the NBU suspended work on the website’s development; however, we reinitiated work late in the fiscal year and aim to have the website finished in FY15.

**3.3.b: Develop and arrange for distribution a suite of financial literacy brochures focused on teachable moments.**

FINREP-II dedicated resources the entire year to expand the availability of Ukrainian materials that promote FL and educate consumers on their rights.

- ✓ FINREP-II continued developing the brochure series entitled “Smart Money. Financial Stories of the Ivanenko Family,” aimed at helping people improve their money management skills, especially during transformational life events like getting married or having a baby. This year we produced the fourth comic book of the series entitled “Buying a Home.”
- ✓ The NBU published many FINREP-II materials the newly-launched FL section of its website.



- ✓ We provided the Vinnytsia NGO Vis with 500 copies of the “Making a Family Budget” brochures for FL training programs targeted at unemployed adults, students, and women with disabilities.
- ✓ FINREP-II also provided materials to university students attending the “FinCo 2014” financial conference held in Q2.
- ✓ FINREP-II provided the Narodna Dovira Credit Union in Kherson with 50 copies each of two “Smart Money: the Financial Stories of the Ivanenko Family” brochures “Getting Married” and “Savings” for the participants of their Q3 regional business school project.
- ✓ We provided the NBU-BU with 100 copies of the *Ivanenko Family Series*. The NBU-BU organizes FL classes in summer camps.

Smart Money Comic  
“Buying a Home”

Details of the public outreach and materials are described in Annex 4.

**3.3.c: Promote other non-traditional FL initiatives.**

FINREP-II compliments its direct access to thousands of students by aiming other initiatives at adults, financial services consumers, and young Ukrainians that study at schools that do not offer the FL Course.

- ✓ FINREP-II assisted the FSR in preparing and printing the brochure “To the Consumer of Non-Banking Financial Services.” The brochure provides consumers with basic information on non-banking financial services, helps them make informed decisions, and explains how to better assess the level of their own risks and their future liabilities.
- ✓ On the occasion of World Consumer Rights Day, FINREP-II created a 7-question test on financial services consumers’ rights and notified 450 FL Course teachers of the test via weekly emails. One third of the teachers downloaded the test and the National Network on Financial Education, an organization that promotes financial education through its 20 members across Ukraine, also shared the test.
- ✓ FINREP-II began cooperating with the USAID RESPOND Project in Q2 to include an economic empowerment component to their program to help people achieve better health impact results. RESPOND and FINREP-II joined efforts to reach target women and adolescents to improve both their health and financial awareness.
- ✓ FINREP-II representatives participated in and promoted the 2014 Financial Literacy Summit live webcast “Providing Financial Literacy Resources to the Unbanked and Under-banked” during Q3. Visa and the Federal Reserve Bank of Chicago co-hosted the



FINREP-II staff at the USAID Field Day in LVIV

summit. Personal finance advisors from around the globe discussed strategies, objectives and challenges to reaching the unbanked and under-banked. Members of President Obama's Advisory Council on Financial Capability for Young Americans discussed their views on providing FL resources to the unbanked and under-banked.

- ✓ We conducted a demonstration workshop in Q3 on the “Methodology for Conducting Activity-Based Personal Finance Management Training.” The workshop introduced innovative interactive teaching methodologies to NGOs. Thirty-five participants attended from NGOs, the NBU, the SSMNC, and the DGF. Financial education experts Dr. John Brock and Dr. Jane Lopus ran the workshop.



USAID and FINREP-II staff at the USAID Field Day in Dnipropetrovsk

- ✓ We began research on the possibility of mobile application development for FL initiatives. One Ukrainian company offered its assistance to FINREP-II to develop a mobile app for our FL activities. We will consider this option in FY15.

**3.3.e: USAID Field Days.**

FINREP-II participated in four USAID Field Day events during FY14 in Zaporizhzhye, Lviv, Dnipropetrovsk, and Kirovograd. FINREP-II featured the FL program, including participation by local teachers and students. We also highlighted the Go Women Program. During each event we enhanced interest by holding contests for people of different age groups.

**E. GO WOMEN PROGRAM**

Political events impacted Go Women start-up. In January, the lead person we selected resigned to focus on Maidan-related legal work. Through March, the draconian and Russian-modeled NGO law promulgated by the VR and the Yanukovich regime (requiring the registration as foreign agents for any NGO receiving funds from international sources) froze contacts with potential partners. Finally, the unfolding banking crisis required a strategy review and reassessment. Nonetheless, as described below we begin FY15 with considerable momentum which will permit us to make up lost ground. In FY15, we expect to provide training and increased access to financial services for over 2,000 women.



The USAID Administrator Dr. Rajiv Shah delivers the keynote speech during the Go Women launch

**GW.a, b, c.: d Start-up activities (hiring leads, undertaking institutional and financial assessments, meeting with potential partners)**

FINREP-II completed these start-up activities, including the hiring of a Go Women Coordinator who started in July. We conducted financial and institutional assessments and meetings with over ten partners, permitting us to reassess the strategy and develop a revised approach approved by USAID.

**GW.d: Assessment of Global Financial Bridge Tool.**

FINREP-II began evaluating how the Global Financial Bridge (GFB) tool can be customized to meet GW Program needs and demands, and determine what other support or training tools might be required to meet GW Program needs. In Q2, GFB experts conducted an online session to introduce the tool to FINREP-II's staff. We transcribed and translated the GFB video's content into Ukrainian and will produce a video for local partners when access to finance services training begins in FY15.

**GW.e: Issue RFP(s) or other implementing mechanism and select partners for Go Women training.**

FINREP-II issued two draft RFPs to procure Go Women training and access to finance services. The first is for vulnerable women (Tier 1) with little financial background. The second targets women higher up the entrepreneurship curve (Tier 2) who require more specialized business assistance and access to finance. FINREP-II received an unprecedented 49 proposals between the two RFPs (24 and 25 proposals for Tiers 1 and 2, respectively). The tender committee for the Tier 1 RFP selected two NGOs in September. In September, we also ranked the top 10 bidders under the Tier 2 RFP. Training under both RFPs will begin in FY15-Q1.

**GW.f: Issue RFP and select partners for Go Women Communications program.**

This activity will be undertaken in FY15.

**GW.g: Go Women Launch Event.**

In June, we formally launched the program with an event that brought together potential partners such as leading NGOs, local consulting companies, financial institutions, academia representatives, international donors, as well as GOU representatives. Over 140 participants attended the event to learn more about GW objectives and to show support for the initiative. USAID Administrator Dr. Rajiv Shah attended as the event's keynote speaker. Ukrainian Parliamentarian and women's leader Kseniya Lyapina also addressed the audience.



USAID Administrator Dr. Rajiv Shah and USAID/Ukraine Mission Director E. Jed Barton contribute stitching to Ukraine's world record setting embroidered map during the Go Women Launch Event. Over 50,000 people have added a stitch to the map.

**Other Activities**

- ✓ Based on unsolicited proposals, FINREP-II initiated a dialogue with the Lviv City Council and Dnipropetrovsk Oblast Council to develop local web-portals for women entrepreneurs and future entrepreneurs. We expect to implement these innovative activities in FY15-Q1.
- ✓ FINREP-II made initial contact with and began discussions with Lviv Bank, one of the more progressive banks in Ukraine and a potential partner for the GW Program’s Access to Financial Services outreach. Areas of cooperation discussed with Lviv Bank include:
  - Development of a new bank credit product for women entrepreneurs on cash management and payment services, which will allow women entrepreneurs to have access to finance and teach them on how to develop their business.
  - Support of a training initiative on financial literacy for women leaders.
  - Presenting the GFB tool to Lviv Bank for its assessment and implementation.
  - FINREP-II issuing a call to Credit Unions to collaborate with GW to improve access to financial services for Women. We received interest from 10 credit unions. Discussions with the credit unions will begin in FY15-Q1.

**F. COMMUNICATIONS AND PUBLIC OUTREACH**

FINREP-II implements a proactive communications and outreach program through various instruments, including social media and our website, print articles, and interviews. Details of the public outreach are described in Annex 4.

**F.1 Website**

<b>Pageviews</b>	63,678
<b>Visits</b>	26,847 from 105 countries TOP-3 countries: Ukraine (92.16%), US (2.13%), Russia (0.67%)
<b>Top 5 Searched Terms</b>	financial literacy (in Ukrainian), finrep, non-state pension system (in Ukrainian), mortgage glossary (in Ukrainian), financial literacy textbook (in Ukrainian)
<b>Top 5 Popular Content (by pageviews)</b>	Financial Literacy in Schools (in Ukrainian), News (in Ukrainian), Pension Legislation and Regulatory (in Ukrainian), Financial literacy for All (in Ukrainian), Financial Literacy and Consumer Protection Overview (in Ukrainian)

**F.2 Social Media**

FINREP-II used Facebook and YouTube to promote and disseminate information on our activities. During FY14, we posted 36 videos on YouTube. This includes recordings of the FINREP-II FL workshop, TV News stories on FINREP-II activities, remarks by the USAID Administrator Shah at the Go Women launch event, the DGF videos, and winning videos of the SAVE! Competition. We regularly update the Facebook page (77 posts during the year) and use it as an additional communication tool for Program activities.

### F.3 Interviews and Public Events

Throughout the year, the FINREP-II team participated in communications and outreach events, including articles for the media on pensions, consumer protection, and other subjects. Annex 4 provides details of events, interviews, publications, and other activities.

### F.4 FOCUS

FINREP-II continued weekly production of *FOCUS*, its online publication on the latest in GOU debt offerings. *FOCUS* is closely followed by capital market participants and financial sector stakeholders. *FOCUS* gained increased interest during Ukraine's economic crisis. Subscribership grew by 15.3% during FY14. The 51 issues attracted 550 additional downloads through the FINREP-II website. Two organizations that report on GOU debt, cBonds and Fixygen, also provide copies of *FOCUS* to their readers.

### G. MANDATORY FACTORS

USAID's mandatory factors such as gender, transparency/anti-corruption, and sustainability are important cross-cutting themes throughout FINREP-II activities which took on increased importance in FY14.

#### *Focus Zooms In on Key Issue*

*FOCUS* kept international stakeholders informed on the latest developments in Ukraine's debt and FX markets. The political crisis resulted in an about face for Ukraine's external financings, as the new government reversed the former administration's use of Russian financing through Eurobonds and the transitional government turned to the IMF and capital markets.

During the crisis, FINREP-II conducted a reader survey to determine key topics of interest and, especially to consider a shift or expansion in *FOCUS*' content. Results revealed that readers did not want different information; they wanted more access to the data *FOCUS* offered. Several market participants thanked us for concentrating on guaranteed sovereign debt. This allows market participants to anticipate volatility in the exchange rate because the MOF must use the market to purchase FX in order to service its debt.

- ✓ Promoting women's empowerment is a major FINREP-II objective across all program components. The FL program in schools proved especially successful in empowering young women throughout Ukraine to take charge of their financial futures, with females comprising more than 50% of participants. The Go Women event launch significantly increased our exposure in this area, especially given the participation of USAID Administrator Shah. During the year, we also approached other donors such as the International Finance Corporation and the WB on gender-related and promotion issues. As highlighted in Section 1.2.c, FINREP-II's training efforts also strengthened the capacity of female accountants and financial sector regulators.
- ✓ Fostering transparency is a cross-cutting theme, e.g., financial reporting, financial consumer protection, pension reform, and FL. The EuroMaidan movement has catalyzed greater commitment and attention to fostering greater transparency and preventing corruption. In FY14, Anti-Corruption became a specific FINREP-II objective as described in section 1.1.a.
- ✓ Linkages and coordination with other USAID programs has been an important dimension of FINREP-II's work. For example, we engaged USAID's Agroinvest program to coordinate work on derivatives and agricultural markets, to cooperate on issues related to financial literacy for rural women, as well as access to finance through credit unions

and a new DCA program. We continued working with the CLC on numerous laws and corporate governance issues to create synergies between the programs. We also expanded efforts to other USG programs and institutions such as the Department of Treasury and the FDIC (both related to assistance to the DGF). We found a new partner in USAID's RESPOND Project to expand financial literacy and economic opportunities for women throughout Ukraine considered at high risk of contracting HIV.

- ✓ Sustainability and strengthening local capacity are important cross-cutting themes. In providing support to all GOU institutions, FINREP-II programs always aim to support building local capacity. This year we prepared a local accounting NGO to eventually assume FINREP-II's role in assisting the GOU in financial reporting issues. Sustainability and strengthening local capacity are also embedded in assistance to GOU entities such as the DGF, especially on bank resolution and communications management. Enhancing local capacity is an important Go Women program objective.

### **III. ADMINISTRATION / PROGRAM ISSUES AND LOOKING AHEAD**

#### **A. ADMINISTRATIVE ISSUES**

USAID/Ukraine conducted a review of FINREP-II procurement and personnel policies during Q2. USAID did not identify any major problems but pointed out a number of areas where we can make improvements. The field team and FMI HQ completed a response to address recommendations, which we submitted to USAID in October 2014.

#### **B. PROGRAM ISSUES**

##### **B.1 Ukraine in Crisis**

We have described throughout this document the impact of Ukraine's political and economic crisis on program activities. It is simply a fact to which we have to adapt. Following Parliamentary elections in October, we hope that the program returns to a greater sense of normalcy. Nonetheless, we will work closely with USAID and counterparts to adapt to changing circumstances.

#### **C. LESSONS LEARNED**

1. Dealing with adversity and crisis. We learned that working in a crisis environment such as Ukraine's during much of this year requires a great deal of flexibility and adaptation. Plans carefully constructed suddenly became outdated as conditions changed and counterparts, such as the MOF, internalized technical assistance needs. This was at times frustrating. We also had to move quickly into new areas such as more focused anti-corruption work and explore other opportunities as they arose. In sum, much perseverance and patience is required in this environment.
2. FINREP-II's role in keeping USAID informed of quickly changing events and conditions. FINREP-II played an active role in keeping USAID informed on the latest developments on the financial sector. This included changes in GOU personnel and political figures, the financial system, and numerous other issues that emerged nearly on a daily basis. We will be structuring our operations to provide even better responses to USAID in FY15 and beyond.
3. Work with Civil Society. Although we have previously dealt with non-government bodies, FINREP-II is primarily a government-to-government program. In this historic transitional period in Ukraine, however, we engaged this year considerably more with civil society than in the past, e.g., on anti-corruption work with the Reanimation Package Reform Group, with numerous NGOs on Go Women, and with the accounting NGOs that we are supporting. This trend is likely to continue and FINREP-II will adapt accordingly.

#### **D. MAJOR ACTIVITIES PLANNED FOR FY15**

##### **Component No. 1: Strengthen Supervision and Regulation of the Financial Industry**

In FY15, FINREP-II also expects to play a much more significant role in addressing front line financial issues. The ongoing state of crisis, changes in government and personnel, focus on immediate priorities such as the IMF agreement, and the inability of many GOU counterparts to make decisions often served to limit coordination with donors. In the case of

bank resolution and issues related to failed banks, GOU policies regarding confidentiality also curtailed assistance requested by the GOU (including from International Financial Institutions such as the WB). For this reason, it took an extended period of time to reach agreement on Action Plans with the NBU and the MOF.

As we begin FY15, however, the GOU is more settled, coordination with donors is under greater control, and we have reached an understanding with the GOU on specific areas where we will focus our assistance. For example, we have an ambitious agenda with the MOF on bank recapitalization strategy and budget and debt management. These are central economic/financial areas of concern to the GOU. With the DGF, we will implement enhancement of the call center to generate greater confidence among depositors. We expect to play a significant role in assisting the GOU to establish a separate mandatory pension fund for hazardous occupations, and thus address an instrumental budget issue. Of course we will continue our work on monitoring and impacting legislation as well as work on IFRS.

### **Component No. 2: Develop the Financial Derivatives Markets**

We expect to make substantial progress toward the establishment of a dynamic derivatives and commodity market in Ukraine. In FY15 we will finalize the commodities roadmap, including conducting a survey of small- and medium-sized agricultural producers across Ukraine.

Most important, we will galvanize GOU and stakeholder support for development and passage of the Draft Law on Financial Instruments that incorporates derivatives, as well as a Commodity Exchange Law that incorporates IOSCO principles and best international practices.

### **Component No. 3: Financial Literacy for the General Population**

We will complete digitalization of the FL Course textbook and work with NBU-BU, MOE, municipalities, and the private sector to expand the total number of schools teaching the FL Course next academic school year. We will also complete work with the NBU on development of a national FL strategy and the national FL website.

In consumer protection, our major goals are the passage of consumer protection laws in coordination with members of the VR-FBC as well as to enhance judicial practices on financial consumer protection.

### **Go Women**

We will aggressively implement the program in FY15, targeting over 2,000 women to receive increased access to financial services and knowhow, especially to vulnerable women. We will implement no less than ten regional initiatives with NGOs, municipalities, credit unions, and civil society organizations.

**IV. FINANCIAL REPORT**

The table below summarizes FINREP-II’s budget and accruals during FY13 and FY14.

As illustrated in Table 5, FINREP-II’s accruals in FY14-Q4 were the highest for any quarter to date. In general, accruals/expenditures increased by quarter during the year, except in Q2 when political events heavily impacted our activities. We expect a steady increase in accruals in FY15.

**Table 4: FY14 Accruals**

Category	Total Budgeted		Total Accrued FY2013		Total Accrued FY2014	
	Days	Dollars	Days	Dollars	Days	Dollars
<b>I. Labor</b>						
<b>Long-Term</b>						
Expats	1,160	766,659	186.00	118,110	229.50	145,733
CCNs	8,900	1,552,397	1,355.75	258,499	1,787.38	348,371
<b>Short-Term</b>						
US Expats	898	518,676	175.00	111,125	327.00	200,454
CCNs	2,474	337,512	42.38	4,033	401.34	52,985
TCNs	196	60,125	67.25	42,704	122.63	77,867
<b>Home Office</b>	378	184,051	99.13	43,483	85.26	43,865
<b>Go Women Program</b>	1,070	215,400			86.91	14,193
<b>Total Labor</b>	<b>15,076</b>	<b>3,634,820</b>	<b>1,925.50</b>	<b>577,954</b>	<b>3,040.01</b>	<b>883,467</b>
<b>II. Total Travel</b>		828,840		205,703		197,246
<b>III. Total Other Direct Costs</b>		4,764,344		538,363		885,143
<b>IV. Total Subcontractor (ODCs)</b>		508,898		34,588		44,058
<b>V. Total Indirect Costs</b>		3,237,752		494,174		756,479
<b>VI. TOTAL COSTS</b>		12,974,654		1,850,783		2,766,393
<b>VII. FIXED FEE</b>		648,733		92,539		138,320
<b>TOTAL COST PLUS FIXED FEE</b>		<b>13,623,387</b>		<b>1,943,322</b>		<b>2,904,713</b>

**Table 5  
Expenditures/Accruals By Quarter**



**V. ANNEXES**

- Annex 1** Monitoring and Evaluation Plan, including FY14 Targets and Actual Results
- Annex 2** FY14 Work Plan
- Annex 3** List of Major Deliverables During FY14
- Annex 4** Communications / Public Outreach Highlights
- Annex 5** Photo Gallery of FINREP-II Activities During FY14

## **Annex 1**

# **Monitoring and Evaluation Plan**



## FINANCIAL SECTOR DEVELOPMENT PROGRAM (USAID/FINREP-II)

Updated October 20, 2014

### Monitoring and Evaluation Plan

	Indicator (Indicator Definition & Unit of Measure)	Baseline	FY13 Target	FY13 Actual	FY14 Target	FY14 Actual	FY15 Target	FY16 Target	FY17 Target	Cumulative End-of-Project Target (if applicable)	Data Source	Frequency of Collection & Responsible Individual
Standard Foreign Assistance Indicators Strategic Objective 4. Economic Growth Program Area: 4.2 Trade and Investment <ul style="list-style-type: none"> <li>Program Element: 4.2.1. Trade and Investment Enabling Environment</li> <li>Program Element: 4.2.2. Trade and Investment Capacity</li> </ul>			Program Area: 4.3 Financial Sector <ul style="list-style-type: none"> <li>Program Element: 4.3.1. Financial Sector Enabling Environment</li> <li>Program Element: 4.3.2 Financial Sector Capacity</li> </ul> Program Area: 4.7 Economic Opportunity <ul style="list-style-type: none"> <li>Program Element: 4.7.3 Strengthen Microenterprise Productivity</li> </ul>									
<b>USAID Overall Project Progress and Performance</b>												<b>Stetsenko</b>
Improvement of Ukraine's investment climate and its attractiveness to investors.	European Business Association (EBA) Investment Attractiveness Index <b>Unit:</b> 1-5 EBA scale, with 1 being "very poor"	2.18	2.2	2.39	2.3	2.74	2.5	2.8	3.0		EBA	Quarterly
Improvement of the financial regulatory environment.	The Economist Intelligence Unit (EIU) Financial Regulatory System Index <b>Unit:</b> 1-5 EIU scale, with 1 being "very poor," 5 "very good," and 3 "fair"	1.3	1.3	1.5 TBC	1.5	n/a <sup>1</sup>	1.7	2.0	3.0		EIU	Annually
Regulatory environment is more conducive to starting and operating a local firm.	The Protecting Investors Index (WB Doing Business Report) <b>Unit:</b> Country ranking, from 1-183	111	110	128	105	n/a <sup>2</sup>	100	95	90		WB	Annually
Development of non-bank financial institutions.	EBRD non-bank financial institutions reform index (EBRD Transition Report) <b>Unit:</b> 1-4+ EBRD scale, with 1 being "little progress," and 4+ being "the standards of an industrialized market economy"	2+	2+	2+	3-	n/a <sup>2</sup>	3	3+	4		EBRD	Annually
Deposit Interest Rate lowered.	Weighted average cost of local currency term deposits <b>Unit:</b> Deposit Interest Rate (NBU)	9.4%	9.4%	10.1%	9.1%	11.68%	9%	7%	6.5%		NBU	Annually
Financial market development and strengthening.	World Economic Forum (WEF) Financial Market Development Index (WEF Global Competitiveness Report) <b>Unit:</b> 1-7 WEF scale, with 1 being "very poor"	3.4	3.4	4.1	3.6	n/a <sup>2</sup>	3.9	4.0	4.6		WEF-GCR	Annually

<sup>1</sup> FINREP-II does not have a current subscription to access the EIU Financial Regulatory System Index

<sup>2</sup> The information is not publicly available yet.

	Indicator (Indicator Definition & Unit of Measure)	Baseline	FY13 Target	FY13 Actual	FY14 Target	FY14 Actual	FY15 Target	FY16 Target	FY17 Target	Cumulative End-of-Project Target (if applicable)	Data Source	Frequency of Collection & Responsible Individual
<b>PROJECT OBJECTIVE 1: Strengthen Supervision and Regulation of the Financial Industry</b>												
<b>Component 1.1.a-c: Financial Sector Policy Development and Monitoring</b>												<b>Stetsenko</b>
a. Financial sector supervisors are trained in international principles and standards in the areas of securities market and investor protection, pension funds and corporate governance.	Person hours of training completed by financial sector supervisors in international standards <b>Unit:</b> # of person hours of training completed by financial sector supervisors	0	200	512	500	1,718 <sup>3</sup>	600	400	200	1,900	FINREP II	Annually
	Person hours of training completed by female financial sector supervisors in international standards <b>Unit:</b> # of person hours of training completed by female financial sector supervisors	0	100	136	250	1,108 <sup>3</sup>	300	200	100	950		
b. The GOU uses independent analyses and public-private dialogue to adopt more sustainable financial sector policies.	EIU Sovereign Debt Risk Model <b>Unit:</b> EIU score, 0-100, with lower scores meaning lower risks	67	67	69 TBC	65	n/a <sup>1</sup>	62	58	50		EIU	Annually
c. A local organization is capable of performing sound analyses of important financial sector developments, government debt management, and relevant pension issues by the end of Year Three.	Local organization can conduct the financial sector monitoring functions and meets USAID pre-obligation requirements <b>Unit:</b> Y/N	N	N	N	N	N	Y	Y	Y	Y	FINREP II	Annually
<b>Component 1.1.f: Financial Sector Policy Development and Monitoring</b>												<b>Tatarinova</b>
f. A local accounting association successfully promotes IFRS nationwide and meets USAID pre-obligation requirements by the end of Year Two.	Local accounting associations meets USAID pre-obligation requirements <b>Unit:</b> Y/N	N	N	N	Y	Y <sup>4</sup>	Y	Y	Y	Y	FINREP II	Annually
<b>Component 1.2: Application of International Norms and Principles</b>												<b>Hill</b>
a. IFRS reporting is rolled out nationwide to increase Ukraine's financial transparency.	Person hours of training completed by financial sector professionals in international standards <b>Unit:</b> # of person hours of training completed by financial sector professionals	0	2,000	2,320	4,000	2,638 <sup>5</sup>	6,000	-	-	12,000	FINREP II	Annually
	Person hours of training completed by female financial sector professionals in international standards <b>Unit:</b> # of person hours of training completed by female financial sector professionals	0	1,000	1,578	2,000	2,144	3,000	-	-	6,000		

<sup>3</sup> Very cooperative atmosphere with GOU on crisis communications, risk management, and anti-corruption. We offered many trainings to our counterparts.

<sup>4</sup> FINREP-II has prepared one accounting association to the point that it should receive a score of 3.0 or higher on the NUPAS scale (Adequate to Strong capacity).

<sup>5</sup> Due to the political crisis and delay in signing Action Plan with the MOF, we could only organize five of our eight training events planned for FY14.

	Indicator (Indicator Definition & Unit of Measure)	Baseline	FY13 Target	FY13 Actual	FY14 Target	FY14 Actual	FY15 Target	FY16 Target	FY17 Target	Cumulative End-of-Project Target (if applicable)	Data Source	Frequency of Collection & Responsible Individual
b. Ukraine has incorporated auditing and reporting standards.	WEF-GCR Strength of Auditing and Reporting Standards Index <b>Unit:</b> WEF-GCR score (higher scores are associated with greater adoption)	3.5	3.5	3.7	3.8	3.7	4.0	4.5	5.0		WEF-GCR	Annually
<b>Component 1.3: Reform of the Deposit Insurance System (this task will require coordination with the World Bank)</b>												
a. Improved DGF provides better financial safety to retail depositors covered by the GOU deposit insurance program in Ukraine.	Number of material improvements in the DGF that provide better financial safety to retail depositors <b>Unit:</b> # of material improvements (see scorecard of DGF Institutional Development Readiness - Attachment 1, baseline is 10 – FINREP end-of-project target)	10	3	3	2	2	2	2	1	20	DGF, FINREP II	Annually
<b>Component 1.4: Pension Reform – Pillar II Support (Implementation of this Component will require a separate approval from USAID)</b>												
a. Pillar II mandatory accumulation system is launched and provide full disclosure on a regular basis.	Pillar II mandatory accumulation system is launched <b>Unit:</b> Y/N	N	N	N	N	N	Y	Y	Y		MSP, PFU	Annually
b. Increased share of assets of private pension funds to GDP.	Percentage increase of share of private pension funds to GDP <b>Unit:</b> Assets of private pension funds to GDP ratio	0.01%	0.01%	0.12%	0.5%	0.14%	1%	3%	5%		FSR	Annually
<b>PROJECT OBJECTIVE 2: Develop Financial and Derivatives Markets</b>												
<b>Component 2.1: Enabling environment</b>												
a. Derivatives and commodity exchange legislation framework is finalized, including regulations and oversight responsibilities and is compliant with the international investment framework.	Number of material improvements in the derivatives and commodity exchange legislation framework <b>Unit:</b> # of material improvements (see scorecard of Derivatives and Commodity Exchange legislation readiness – Attachment 2)	0	2	2	6	2 <sup>6</sup>	6	3	2	19	SSMNC, MOE, NBU, Rada, FINREP II	Annually
b. Ukraine’s policymakers, civil society and private firms formulated and adjusted derivatives trade policy to help businesses take advantage of opportunities that result from freer trade and investment.	Person hours of training completed in trade and investment capacity building supported by USG assistance <b>Unit:</b> # of person hours of training completed by participants	0	0	0	0	0	300	800	400	1,500	FINREP II	Annually
	Person hours of training completed in trade and investment capacity building supported by USG assistance – female <b>Unit:</b> # of person hours of training completed by female participants	0	0	0	0	0	150	400	200	750	FINREP II	Annually
c. Ukraine’s private sector increasingly uses stock market instruments and modern risk management systems and practices.	Stock market capitalization as % of GDP <b>Unit:</b> Stock market capitalization to GDP ratio	28.6%	30%	9.3%	35%	15%	45%	55%	100%		SSMNC, MOA, MOE, CE, SE	Annually
	Dollar value of Ukrainian-traded commodity contracts <b>Unit:</b> \$ value of Ukrainian-traded commodity contracts	0	0	0	\$0.2 bln	0	\$0.5 bln	\$1.5 bln	\$2 bln			

<sup>6</sup> Cooperation with the MEDT and stakeholders on this component could not move forward between December and June. We made significant progress in Q4.

	Indicator (Indicator Definition & Unit of Measure)	Baseline	FY13 Target	FY13 Actual	FY14 Target	FY14 Actual	FY15 Target	FY16 Target	FY17 Target	Cumulative End-of-Project Target (if applicable)	Data Source	Frequency of Collection & Responsible Individual
d. Improved the efficiency of the judicial system in resolving a commercial dispute	Cost of enforcing contracts as % of claim <b>Unit:</b> Doing Business data on cost to claim ratio	41%	40%	44%	37%	46.3%	34%	30%	25%		MOJ	Annually
e. Ukraine's regulatory authorities, commercial courts judges and private sector representatives demonstrate better understanding and consistent application of appropriate dispute settlement and enforcement techniques and procedures required to trade goods across borders in order to build confidence in using derivatives and commodity exchanges and to improve compliance with international trade and investment agreements	Training program for financial sector regulators is designed <b>Unit:</b> Y/N	N	N	N	N	N	Y	Y	Y		FINREP II	Annually
	Person hours of training completed by financial sector regulators in trade and investment enabling environment <b>Unit:</b> # of person hours of training completed by financial sector regulators	0	0	0	0	0	400	400	200	1,000		
	Training program for judiciary is designed <b>Unit:</b> Y/N	N	N	N	N	N	N	Y	Y			
	Person hours of training completed by judiciary in trade and investment enabling environment <b>Unit:</b> # of person hours of training completed by judiciary	0	0	0	0	0	0	200	200	400		
	Training program for private sector representatives is designed <b>Unit:</b> Y/N	N	N	N	N	N	Y	Y	Y			
	Person hours of training completed by private sector representatives in trade and investment enabling environment <b>Unit:</b> # of person hours of training completed by private sector	0	0	0	0	0	600	1000	400	2,000		
<b>Component 2.2: Financial Instruments</b>												<b>Stetsenko</b>
a. New financial investment products are tested and introduced to market participants.	Number of new financial instruments tested and introduced to market participants <b>Unit:</b> # of instruments	0	0	0	0	0	1	2	2	5	SSMNC, NBU, FINREP II	Annually
b. Ukraine's small farmers, producers, bankers and traders/brokers trained in risk management systems and practices to ensure commodity futures exchange trading is financially sound, transparent and efficient.	Number of small/medium farmers trained in risk management systems and practices <b>Unit:</b> # of small farmers trained	0	0	0	0	0	250	250	250	750	FINREP II	Annually
	Number of producers trained in risk management systems and practices <b>Unit:</b> # of producers trained	0	0	0	0	0	50	75	50	175		
	Number of bankers trained in risk management systems and practices <b>Unit:</b> # of bankers trained	0	0	0	0	0	20	20	10	50		
	Number of traders/brokers trained in risk management systems and practices <b>Unit:</b> # of traders/brokers trained	0	0	0	0	0	10	10	10	30		
<b>PROJECT OBJECTIVE 3: Increase Financial Literacy of the General Population</b>												
<b>Component 3.1: Policy Dialogue on Financial Literacy (in close cooperation with the World Bank)</b>												<b>Stetsenko</b>
a. Increased level of public confidence in financial institutions.	Bank's NPLs as % of total loans <b>Unit:</b> Nonperforming loans to total loans ratio	15.3%	15%	14.1%	13%	10.8%	10%	8%	7%		NBU	Annually
	Credit as % of GDP <b>Unit:</b> Credit to GDP ratio	73.8%	75%	49.5%	80%	65%	85%	90%	100%			

	Indicator (Indicator Definition & Unit of Measure)	Baseline	FY13 Target	FY13 Actual	FY14 Target	FY14 Actual	FY15 Target	FY16 Target	FY17 Target	Cumulative End-of-Project Target (if applicable)	Data Source	Frequency of Collection & Responsible Individual
	Interest rate spread <b>Unit:</b> Interest rate spread percentage	-3.9%	3.8%	5.4%	3.6%	3.54%	3%	2.8%	2.5%			
	Total private sector loans to total deposits <b>Unit:</b> Total private sector loans to total deposits ratio	163.7 %	170%	135%	175%	150%	180%	185%	190%			
b. A local NGO successfully promotes financial awareness nationwide and meets USAID pre-obligation requirements by the end of Year Three.	Local organization can promote financial awareness nationwide and meets USAID pre-obligation requirements <b>Unit:</b> Y/N	N	N	N	N	N	Y	Y	Y	Y	FINREP II	Annually
<b>Component 3.2: Financial Literacy in Schools</b>												<b>Lozitskaya</b>
a. The financial literacy component is successfully integrated in school curricula and graduate/postgraduate programs for public school teachers is rolled out.	Train-the Trainers program for public school teachers is designed and implemented <b>Unit:</b> Y/N	N	N	Y	Y	Y	Y	Y	Y		MES, NBU/BU, FINREP II	Annually
	Number of education specialists successfully trained with USG support <b>Unit:</b> # of teachers trained	30	40	37	80	165 <sup>7</sup>	200	100	80	500		
	Implement regional financial literacy pilot course for public schools <b>Unit:</b> # of public schools involved	15	80	421	250	650 <sup>8</sup>	1,000	4,000	4,000	9,345		
	National financial literacy course roll-out plan is prepared <b>Unit:</b> Y/N	N	N	Y	N	Y	Y	Y	Y			
	National financial literacy course is digitalized <b>Unit:</b> Y/N	N	N	N	Y	Y	Y	Y	Y			
	Number of students enrolled in financial literacy program and/or equivalent non-school based settings <b>Unit:</b> # of student trained	500	2,500	14,000	5,000	18,000 <sup>8</sup>	20,000	80,000	80,000	188,000		
	Number of female students enrolled in financial literacy program and/or equivalent non-school based settings <b>Unit:</b> # of females student trained	250	1,250	7,280	2,500	9,000 <sup>8</sup>	10,000	40,000	40,000	94,000		
	Number of textbooks and other teaching materials prepared with USG assistance <b>Unit:</b> # of textbook prepared	3	0	1	4	4	4	3	3	14		
b. Graduates demonstrate increased level of financial literacy and awareness after completing financial literacy course.	Proportion of student who demonstrated the improvement of knowledge and skills after the financial literacy course <b>Unit:</b> % increase of entry/exit FL knowledge test	0%	7%	20%	10%	25%	20%	25%	25%		FINREP II	Annually

<sup>7</sup> We conducted two All-Ukrainian Financial Literacy Workshops during FY14 (October 2013 and September 2014).

<sup>8</sup> The FL Course remained in a uniquely popular position as several GOU institutions added FL as a component of their public outreach, creating greater demand for the course.

	Indicator (Indicator Definition & Unit of Measure)	Baseline	FY13 Target	FY13 Actual	FY14 Target	FY14 Actual	FY15 Target	FY16 Target	FY17 Target	Cumulative End-of-Project Target (if applicable)	Data Source	Frequency of Collection & Responsible Individual
	Proportion of female student who demonstrated the improvement of knowledge and skills after the financial literacy course <b>Unit:</b> % increase of entry/exit FL knowledge test of female Students	0%	7%	20%	10%	25%	20%	25%	25%			
<b>Component 3.3: Financial Literacy For All – Non-Formal Methods</b>											<b>Lozitskaya</b>	
a. Public financial literacy has increased nationwide.	Number of financial literacy learning materials prepared <b>Unit:</b> # of learning materials prepared	0	5	7	10	22 <sup>9</sup>	10	10	5	40	FINREP II	Annually
	Number of financial literacy initiatives facilitated and launched <b>Unit:</b> # of financial literacy initiatives facilitated and launched	0	0	7	2	22 <sup>9</sup>	2	2	2	8		
b. A Central Financial Literacy Web-Based Portal launched and serves the collaboration space among all stakeholders and is maintained on a sustainable basis by a local organization.	A Central Financial Literacy Web-Based Portal launched <b>Unit:</b> Y/N	N	N	N	Y	N	Y	Y	Y		FINREP II	Annually
<b>GO WOMEN</b>											<b>Iliina</b>	
a. Select through competitive process (subcontracts) Ukrainian institutions to implement activities for vulnerable women and women entrepreneurs	Women-focused NGOs and civil society organizations trained and better able to service women	TBD	0	0	0	0	+4	+6	+5	+15	FINREP-II	Annually
b. Implementation of partner training, business development, and access to financial services programs	Number of women with increased access to financial services	TBD	0	0	0	0	+1,500	+2,000	+1,500	+5,000	FINREP-II	Annually
d. Assess and introduce Global Financial Bridge Tool	NGOs and financial institutions trained on Global Bridge Financial Tool	TBD	0	0	0	0	+2	+6	+4	+12	FINREP-II	Annually
e. Program in place to provide outreach, education on gender issues. Articles, interviews, roundtables	Proportion of surveyed population reporting increased agreement with the concept that females and males should have equal access to economic opportunities	TBD	n/a <sup>10</sup>	n/a <sup>10</sup>	n/a <sup>10</sup>	n/a <sup>10</sup>	TBD	TBD	TBD	TBD	FINREP-II	Annually
f. Over 100 potential leaders brought together to discuss gender issues. Support for existing and new networks	Successful women positioned to become leaders across Ukraine	TBD	0	0	0	0	+30	+60	+30	+120	FINREP-II	Annually
g. Establish and implement alliances with banks, credit unions to improve access to financial services	Financial services provided to qualified females by partner financial institutions (USD, million)	TBD	0	0	0	0	+5	+3	+1	10	FINREP-II	Annually

<sup>9</sup> We experienced a higher demand from GOU counterparts for FL assistance, and we accommodated all of them during FY14.

<sup>10</sup> Not applicable – No activity planned for reporting period.

<u>Attachment 1: Scorecard of DGF Institutional Development Readiness</u>		<u>Attachment 2: Scorecard on Derivatives and Commodity Exchange legislation readiness</u>	
1.DGF training & twinning program with FDIC and other counterparts under the MoU launched in the US and Ukraine	1+1 points	1.Discussion on commodities derivatives market launched	1 point
2.DGF new organizational structure introduced	1 point	2.The road map for derivatives/commodities market regulatory and oversight regime developed	1 point
3.DGF public communication strategy developed	1 point	3.The licensing requirements for derivatives/commodities market participants established	1 point
4.DGF public communication materials developed	1point	4.Standard/model contracts for different classes of derivatives/commodities drafted	1 point
5.DGF Public communication department is equipped and trained	1+1 point	5.Policies and practices to minimize the costs of enforcing the contracts developed	1 point
6. DGF internal procedures and regulations developed/updated	1 point	6.Drafts Derivatives and Commodity Exchange Laws developed	1+1 points
7.DGF new business planning, financial management and reporting procedures introduced/updated	1 point	7.Drafts Derivatives and Commodity Exchange Laws approved by the Cabinet of Ministers and submitted to the Rada	1+1 points
8.DGF IT technology improved/updated	1 point	8.Draft Derivatives and Commodity Exchange Laws approved by the Rada Committee	1+1 points
<b>TOTAL POINTS/IMPROVEMENTS</b>	<b>10</b>	9.Draft Derivatives and Commodity Exchange Laws passed first reading	1+1 points
		10.Derivatives and Commodity Exchange Laws became effective	1+1 points
		11.Regulatory acts to implement the Derivatives and Commodity Exchange Laws developed	1+1 points
		12.Education campaign for judiciary of dispute settlement and fair adjudication process in commodity/derivatives trading launched	1 point
		13.Public education and training program for producers and market professional on effective risk management system launched	1 point
		<b>TOTAL POINTS/IMPROVEMENTS</b>	<b>19</b>

## **Annex 2**

### **FY14 Work Plan**



# FINANCIAL SECTOR DEVELOPMENT PROGRAM (USAID/FINREP-II)

Updated April 29, 2014

## Work Plan/Project 2nd Year October 2013 to September 2014

Activity Description	2013			2014									Counterpart/ Coordinate	Staff	Deliverable	Key Benchmarks for Category
	10	11	12	1	2	3	4	5	6	7	8	9				
<b>Administrative</b>																
1. Project Development of Annual Work Plan with beneficiaries/recipients													SSMNC, FSR, MSP, PFU, DGF, MOF, NBU	COP, DCP	Annual Action Plan Signed	Completed timely and submitted
2. Weekly Highlights													USAID Mission	Lozitskaya, COP	Weekly Report on Project Activities	Completed timely and submitted
3. Annual Work Plan and PMP	x						x						USAID Mission	COP, DCP, FMI	Work Plan and PMP	Completed timely and Submitted
4. Quarterly Report /Annual Report	x			x			x					x	USAID Mission	COP, DCP, FMI	Quarterly Report	Completed timely and Submitted
<b>PROJECT OBJECTIVE 1: Strengthen Supervision and Regulation of the Financial Industry (HIGH PROIITY)</b>																
<b>Component 1.1: Financial Sector Policy Development and Monitoring (Coordinated with the WB)</b>																
a. Monitor Legislation and Events Affecting Financial Sector.													USAID Mission IMF	COP Vitka /Strakhova	Informational Memo(s) prepared	Completed timely and delivered
b. Conduct mapping of the Ukrainian think tanks (TTs) and select TTs capable conducting research & analysis of important financial sector developments.													Ukrainian Citizens Press, Counterpart in the GoU (to identify topics)	COP, Stetsenko, Tatarinova	TTs selected with USAID consent Contract with NGOs to prepare articles LoA for capacity building signed	TTs to conduct research identified TTs contracted to conduct research LoA for Capacity Building support signed
c. Continue monitoring of legislation and events related to pension reform													USAID Mission MSP, PFU	COP,DCP Goryuk	Memorandum prepared on key legislation	Memorandum prepared timely with appropriate recommendations
d Assist regulators implementation of international provisions related to pension reform.													SSMSC, FSR, MSP, PFU.	COP,DCP, Strahota, Goryuk	Legislation and regulation(s) drafted on key issues e.g. pricing methods, valuation methods, etc.	Legislation drafted timely with recommendations based on EU and /or international standards
e. Support development of two local accounting associations for USAID direct grant support.													Federation of Accountants and Association of Accountants	COP, Tatarinova , Hill	Development Work Completed Timely	Accounting NGO selected and strengthened.

Activity Description	2013			2014									Counterpart/ Coordinate	Staff	Deliverable	Key Benchmarks for Category
	10	11	12	1	2	3	4	5	6	7	8	9				
f. Provide Ministry of Finance assistance in key areas as requested (e.g., public debt management, target debt indicators, FX management)													MOF	VS, COP	Specific reports with recommendations, action plans, etc.	MOF strengthens is position to manage public debt and other critical areas.
g. Provide NBU assistance in key areas as requested (e.g., FX management, communications, research)																
<b>Component 1.2: Application of International Norms and Principles</b>																
a. Assist non-bank regulatory agencies (primarily SSMNC and FSR) in introducing and applying IOSCO, IOPS and OECD principals of regulation and oversight.													SSMNC, FSR	COP, VS, Goryuk, Vika	Draft Position Paper on Importance of Net Asset Value for All Funds/Collective Investment Schemes and Non-State Pension Funds	Implementation of Net Asset Value Per Unit by both FSR and SSMNS and basis for MAS (Pillar II)
b. Support VR Committee Meetings on policy issues and international experience on implementing MAS.													VR, MSP, PFU	COP, Goryuk,	Policy Papers Prepared and Supported by Economic Data	Public dialogue on Ukraine's fiscal issues hindering pension reform
c. Assist MOF in developing policies for effective implementation of IFRS, and ISA.													MOF, SSMNC, FSR, Accounting NGO	COP, Hill	Concept Paper prepared on key of IFRS implementation strategy. Accounting reform strategy delivered to the Cabinet of Ministers. XBRL Action Plan and ADT strategy approval.	Ukraine is closer to EU standards in IFRS adoption.
d. Support implementation of IFRS and ISA for Non-State Pension Funds.													FSR, SSMNC, MSP, PFU	COP, Hill, STTA	Training Program developed on IFRS and ISA tailored to Non-State Pension Funds	International Accounting and Auditing Standards Implemented for NPFs
<b>Component 1.3: Reform of the Deposit Insurance System</b>																
a. Assist DGF management in crisis communications and bank resolution practices, as requested, including inter-agency coordination with NBU and MOF.													DGF, NBU, MOF	VS, COP	Recommendations and assistance in implementation in an enhanced DGF communications strategy better coordinated with other GOU stakeholders.	
b. Assist DGF in enhancement of Customer Call Center.													DGF	Stetsenko, STTA	Call Center modernized and operating effectively	Calls timely answered and calls properly handled. Citizens better informed.
c. Support DGF outreach to banks, depositors, and the general public on its operations leading to greater confidence in the banking system.													DGF	Stetsenko, Lozitskaya STTA	FL Document(s) Prepared (3) Workshops Held (2)	Banks and citizens better informed
d. Continue DGF support and coordination with U.S. FDIC													DGF	Stetsenko, STTA	Information sharing and participation of FDIC in DGF assistance.	DGF continues implementation of international standards
e. Support 8 regional events and 3 in Kyiv events focused on anti-crisis communications with press and/or market participants													DGF	VS, COP, NS	Hold 8 Roundtables in regions and 3 in Kyiv.	Citizens better informed

Activity Description	2013			2014						Counterpart/ Coordinate	Staff	Deliverable	Key Benchmarks for Category				
	10	11	12	1	2	3	4	5	6					7	8	9	
<b>Component 1.4: Pension Reform – Pillar II Support (USAID Approval Required)</b>																	
a. Support to MSP and PFU on international best practices related to Pillar II programs and assist in analysis of mandatory accumulation system for hazardous occupations.													ONGOING	McTaggart Goryuk	Position Papers prepared based on international standards	Ukraine reduces pension deficit significantly, supporting IMF program.	
<b>PROJECT OBJECTIVE 2: Develop Financial and Derivatives Markets (Priority Medium)</b>																	
<b>Component 2.1: Enabling environment</b>																	
a. Assist MOE in drafting Law on Derivatives.													MOE/IMF EBRD	Strahota Vitka, Strakhova	Clear provisions drafted on regulatory framework, coordination among regulators, enforcement, etc.	Increased international compliance of Draft Law	
b. Prepare Draft Law on Commodities Exchange in compliance with international standards.													MOE/IMF, EBRD	Strahota Vitka, Strakhova	Comprehensive Draft Law on Commodities Exchange	Increased International compliance of the Draft Law	
c. Design commodities roadmap for GOU and small and medium agriculture producers.													MOE Ag Association	Stetsenko, STTA	Commodities Roadmap for Ukraine	Establishes the benchmark for development of vibrant commodities market in Ukraine	
<b>PROJECT OBJECTIVE 3: Increase Financial Literacy of the General Population</b>																	
<b>Component 3.1: Policy Dialogue on Financial Literacy</b>																	
a. Continue public dialogue on FL via articles, VR Programs, etc													ONGOING	Ukrainian Citizens Lozitskaya, Bozhenko Tatarinova /Mundy	FL Article (s) Published (5) Three articles directed at young people including one on Young Investment Club Competition	Public Better Informed	
b. Assist NBU to complete National Financial Literacy Strategy													NBU and Banking University/WB	Lozitskaya, Mundy	National Strategy Finalized and Press Event sponsored for NBU	Public informed of National Strategy	
c. Promote Consumer Protection Program													NBU Banking University and VR	Vitka	Revisions to Draft Law Prepared Presentation to Banking and Finance Committee	Draft Law Introduced	
d. Support for study tours and international conferences on financial literacy at either -in OECD International Network on Financial Education (INFE) or -at the OECD semiannual conferences on financial education													Per Request	NBU Banking University	COP, STTA, Lozitskaya	Participation of Ukraine in OECD International Networks on Financial Education	Increased understanding on best international practices of financial consumer protection and financial education
e. Initiate preparation to select a local organization promoting financial awareness issues and build its capacity to be ready for direct grant support from USAID													ONGOING	NBU Banking University, TBD	COP, Lozitskaya	Development of FL NGO	Sustainability of FL
f. Conduct research, with input from the NGOs, on existing judicial practices or resolution of financial consumer disputes													NGOs	Vitka, Strakhova, STTA	Research on existing judicial practices of resolution of financial consumer disputes prepared and recommendations prepared	Financial consumer dispute resolution improved Increased understanding of financial consumer protection	
<b>Component 3.2: Financial Literacy in Schools</b>																	
a. FL Course and Train-the-Trainer Program													Banking University /MES	Lozitskaya Bozhenko Tatarinova Hill	33 Trainers attend Workshop on FL Course/ Course taught in 2013-2014 Academic Year	Course taught in 335 new schools and 86 former pilot schools/approximately 13,000 new students	

Activity Description	2013			2014									Counterpart/ Coordinate	Staff	Deliverable	Key Benchmarks for Category		
	10	11	12	1	2	3	4	5	6	7	8	9						
b. Conceptualize and Prepare Content for Digitalization of FL Course Materials														Banking University Teachers, Students	Lozitskaya Bozhenko Tatarinova Hill	Content prepared and reviewed by selected teachers and students	Creative content address needs of teachers, students and others	
c. USAID/DC Approval of IT Program for FL Course														USAID/FMI	Kotukhova, Pauk Lozitskaya, DCP	USAID/DC IT Approval Request Prepared	Completed timely, submitted and approved	
d. FL Course Material Digitalized														Banking University	Kotukhova, Pauk Lozitskaya, DCP	FL Course Digitalization Completed	FL Course available to 20,000 Ukrainian Schools	
<b>Component 3.3: Financial Literacy For All – Non-Formal Methods</b>																		
a. Develop FL Web Portal														NBU Banking University NGOs	Lozitskaya Mundy Kotukhova, Pauk STTA	FL Web-Portal designed and vetted with counterpart(s)	FL Web Portal Available to Public	
b. Develop and arrange for distribution a suite of financial literacy brochures focused on teachable moments (e.g. Getting Married, Having a Baby)														NGO's	Lozitskaya Bozhenko	Brochures Prepared (5)	Disseminated to Local Libraries and NGOs	
c. Promote other non-traditional FL initiatives																		
d. Standards and Policy rules for Publishing FL Material on Web Portal														Banking University NGO's Working Group(TBD)	Lozitskaya Bozhenko Mundy	Transparent Web Portal Program Developed	Quality FL Materials Tailored to Ukraine available free of charge on Web Portal	
e. USAID Field Day														Ukrainian Citizens / NGO	Lozitskaya Bozhenko Tatarinova Hill	Creative Materials on FL distributed to all age groups	USAID Program including FL, Go Women, and DGF promoted in the regions	
f. Develop tailored financial literacy training programs and alliances on personal financial management (e.g., budgeting, saving, bank account management, etc. - NGOs - private companies - teachers; - women; - librarians (as adult literacy instructors and community liaisons)														Ukrainian Citizens / NGO, Bibliomist Project	STTA, Lozitskaya, Bozhenko	Customized programs on personal finance teaching individuals how to spend, save and budget responsibly	Target groups are equipped with knowledge to manage their personal and household finances well.	
<b>Go Women Program</b>																		
a. Hire implementing team staff														FINREP-II, USAID	COP, Lozitskaya, Kuligina, /Buchynska			
b. Undertake Institutional and Access to Finance Assessments														FINREP-II	COP, Lozitskaya, Kuligina			
c. Conduct Surveys and meet with potential partners															COP, Lozitskaya, Kuligina			
d. Assessment of Global Financial Bridge Tool (February-)															COP, Hill			

Activity Description	2013			2014									Counterpart/ Coordinate	Staff	Deliverable	Key Benchmarks for Category	
	10	11	12	1	2	3	4	5	6	7	8	9					
e.. Issue RFP(s) or other implementing mechanism and select partners for Go Women training															COP, VS, Buchynska		
f. Issue RFP and select partners Go Women Communications program															COP, VS, Buchynska		
g. Go Women Launch Event															COP, Lozitskaya, Kuligina		
h. Training programs implemented															COP, Lozitskaya, Kuligina, Ilina		
i. Complete Survey of Women in three categories: university students, homemakers, future retirees; and develop Programs for women with Women's NGOs															Lozitskaya, Kuligina, Ilina		

## **Annex 3**

### **List of Major Deliverables During FY14**

- 1.1.a Memorandum regarding the Concept of the Draft Law “On Amending Certain Laws of Ukraine regarding Qualified Investors”
- 1.1.a FINREP-II Commentary for the Law on “The Moratorium on Foreclosure of Property of Debtors Securing FX-Denominated Loans”
- 1.1.a Significant input into FSR’s “Information Notice (Guidance) on Activities of Financial Institutions and/or Their Segregated Subdivisions Located on the Territory of the Autonomous Republic of Crimea and the City of Sevastopol” posted on FSR website
- 1.1.a Conducted workshop on two internationally recognized anti-corruption tools: (1) the Institutional Corruption Risk Management (ICRM) and (2) Legal Corruption Impact Review (LCIR) tools
- 1.1.c Analysis for the FSR on calculating the NPF market’s weighted average return as a performance indicator for comparison against an individual NPF’s average weighted return
- 1.1.d “Analysis of International Practice in Investing Assets of Private Pension Funds” report distributed to the FSR, SSMNC, MSP, and PFU.
- 1.1.d Analysis for the FSR, MSP, PFU, and SSMNC on the experience of other countries’ reform of privileged pensions and recommendations on how to implement such a system in Ukraine
- 1.1.d Analysis for the MSP and PFU on international experiences regarding the payment of pension benefits, financed from the state budget in addition to other sources, if retirees take up permanent residence abroad
- 1.1.d Analysis for the MSP on the IMF-related aspects on pension expenditures and cross-cutting aspects related to social protection for pensioners
- 1.1.d Hosted the “International Practice of Mitigating Investment Risks in Private Retirement Schemes” workshop
- 1.1.e Delivered pre-NUPAS assessments to two accounting NGOs through EBS audit firm.
- 1.1.g Developed creditors and consumer protection sections and prepared comments for the NBU Banking Strategy 2020
- 1.1.g Conducted 12 demand driven workshops on crisis communications issues to the NBU.
- 1.2.a Analysis of Reporting and Public Disclosures by Non-State Pension Funds
- 1.2.a Development of a Concept of Prudential Supervision for Non-State Pension Funds

- 1.2.a Delivered comments on the SSMNC's "Corporate Governance Principles"
- 1.2.a Analysis for the FSR, MSP, PFU, and SSMNC of major pension developments in OECD and non-OECD countries over the period from February 1 to May 31
- 1.2.a Delivered three-day seminar on "Risk Management" to regulators from the SSMNC and FSR
- 1.2.c Delivered concept paper "Accounting Reform Moving Forward in Ukraine" to USAID.
- 1.2.c Consistency Review delivered to MOF comparing of the XBRL Taxonomy for IFRS to the IFRS Glossary of Key Terms.
- 1.2.c Conducted 5 regional IFRS seminars for SSMNC and financial sector professionals
- 1.2.d Delivered IFRS and ISA training materials to the FSR
- 1.3.a Conducted 9 demand driven workshops on communications issues to the DGF.
- 1.3.a A "bridge" document for important communication purposes developed between DGF Executive Management, the NBU, and the MOF
- 1.3.a Recommendations on alternative plans, strategies, methods and ideas that may allow the NBU to consider new methods for keeping a bank operating rather than placing it under provisional administration or some other form of resolution
- 1.3.a Recommendations to improve all Functional Area checklists used by the DGF's closing personnel
- 1.3.a Recommendations on collection strategies that will maximize the recovery for the benefit of the provisional administration/conservatorship or receivership estate
- 1.3.a A report to DGF managerial staff that will indicate projects, priorities, and plans for the timely liquidation of assets
- 1.3.a Strategies for the timely disposition of multiple types of foreclosed properties
- 1.3.a Recommendations on disposition strategies for distressed assets whose collection probability is nominal
- 1.3.b Delivered strategy on Call Center equipment and software upgrade to the DGF.
- 1.3.c Recommendations to improve a "Strategic Resolution Plan" developed for banks possibly subject to resolution
- 1.3.c DGF brochure "The Deposit Guarantee System in Ukraine"
- 1.3.c DGF brochure "Questions and Answers About the Deposit Guarantee System"
- 1.3.c DGF brochure "What Should a Depositor Do if A Bank Fails? How and When Does the Deposit Guarantee Fund Make Deposit Payouts?"
- 1.3.c DGF video "Family Savings Protected"
- 1.3.c DGF video "If You Know How to Make Money, Learn How to Save It"

- 1.3.d Recommendations to improve all job description material prepared for functional positions on a possible bank resolution organizational chart to more closely match similar FDIC position descriptions
- 1.3.d Delivered training to DGF focused on marketing procedures utilized by the U.S. FDIC
- 1.4 Analysis and Financial Assessment of the Impact of Possible Cancellation of Certain Provisions of the Law of Ukraine on Pension Reform Legislative Measures
- 1.4 Pillar II Pension Funds International Experience & Implications for Ukraine (prepared for the VR Committee Hearings on Pillar II on October 23, 2013)
- 1.4 Global Experience in Pension Reform, Issue No.1, Semi-Annual Pension Journal (disseminated at the VR Committee Hearings on Pillar II on October 23, 2013)
- 1.4 Delivered comments to the MSP on the draft law on “Introduction of Mandatory Occupational Pension System for Special Categories of Occupations Dealing with Hazards to Life.”
- 1.4 Analysis for FSR, MSP, PFU, and SSMNC of international practices regarding performance indicators provided to regulators by mandatory accumulation pension system entities subject to disclosure
- 1.4 Analysis for FSR, MSP, PFU, and SSMNC of international experiences regarding state guarantees for protecting and returning contributions to mandatory accumulation pension systems by participants
- 2.1.a Report on Draft Derivatives Law for the Ministry of Economic Development & Trade
- 2.1.a Provided commentary on Draft Derivatives Law to AmCham for submission to MEDT.
- 2.1.a Developed Draft Law on Financial Instruments
- 2.1.a Conceptual Framework for Draft Law of Ukraine on Commodity Exchange Market
- 2.1.c Delivered the draft Derivatives Roadmap to USAID.
- 3.1.c Developed updates to Laws “On Amendments to Certain Legal Acts regarding Creation of the System for Financial Consumer Protection” and “On Consumer Lending” for the VR-FBC.
- 3.1.c Finalized and submitted to the VR-FBC the Draft Laws on “Consumer Lending” and “Amending Certain Legal Acts to Increase Protection of Financial Services Consumers”, as well as “Explanatory Notes” to them.
- 3.1.c FSR brochure “To a Consumer of Non-Banking Services”
- 3.2.a Financial Literacy Course Assessment and Next Steps
- 3.2.a Conducted two All-Ukrainian Financial Literacy Course Workshops
- 3.2.b Completed digitalization of Financial Literacy Course materials
- 3.3.a Recommended Next Steps in the Development of a National Financial Literacy Website for Ukraine

- 3.3.a Created detailed draft action plan on the development of a national financial literacy website for all FL stakeholders, including NBU, NBU-BU, and MOES.
- 3.3.b Created the “Buying a Home” FL brochure, the fourth in a series of comics entitled “Smart Money. Financial Stories of the Ivanenko Family.”
- GW.b Completed a “Report on Assessment of Small and Micro Businesses Lending Programs in Ukraine and Go Women Program Strategy Financial Component Recommendations.”
- GW.b Developed Program Strategy Financial Component Recommendations
- GW.c Completed Program Strategy and Partners Assessment
- GW.c Conducted “Self-Assessment of Potential Partners’ Capacity to Implement Financial Literacy Programs for Women” survey.
- GW.e Issued two RFPs to select implementing partners. Two winners selected.
- GW.g Hosted “Go Women” Launch Event

# Annex 4

## Communications / Public Outreach Highlights

- 1.1.a [FINREP-II Commentary](#) for the Law on “The Moratorium on Foreclosure of Property of Debtors Securing FX-Denominated Loans”
- 1.1.a Significant input into FSR’s [“Information Notice \(Guidance\) on Activities of Financial Institutions and/or Their Segregated Subdivisions Located on the Territory of the Autonomous Republic of Crimea and the City of Sevastopol”](#) posted on FSR website
- 1.1.c On November 18, FINREP-II Pension Expert Natalia Goryuk gave an interview on pension matters to the ZIK TV Channel (L’viv). Fragments from the interview were included in the People’s Control Program broadcast of the ZIK TV Channel on November 20, 2013.
- 1.1.c In FY14, FINREP-II published five issues of the pension bulletin “Global Experience in Pension Reform” ([Issue №1](#))([Issue №2](#))([Issue №3](#))([Issue №4](#))([Issue №5](#)).
- 1.1.d Hosted the [“International Practice of Mitigating Investment Risks in Private Retirement Schemes”](#) workshop
- 1.2.a Presented [“Challenges for the Accumulation Pension System of Ukraine”](#) on June 12 at the 28th UAIB conference [“Investment Business: Overcoming the Crises”](#)
- 1.2.c Hosted two 45-minute IFRS instructional videos that received 1,183 views ([№1/№2](#))
- 1.2.c Co-hosted five regional seminars on IFRS and ISA for 467 financial sector professionals
- 1.3.c On October 29, FINREP-II COP spoke at the roundtable entitled “Depositors’ Literacy: How Not To Lose Savings and Protect Your Interests” that was organized by the DGF and the League of Financial Development with FINREP-II support.
- 1.3.c On November 21, FINREP-II COP Danilo Cruz-DePaula and USAID COR Natalia Berezhna took part in the DGF’s roundtable discussion “Individual Guarantee System: Advantages and Opportunities for Depositors” held in Dnipropetrovsk. ([Article 1](#))([Article 2](#))
- 1.3.c On March 13, FINREP-II Deputy Chief of Party Victor Stetsenko participated in a public presentation releasing the results of a yearly survey on information transparency of banks of Ukraine conducted by the Ukrainian Credit Rating Agency.
- 1.3.c DGF brochure [“The Deposit Guarantee System in Ukraine”](#)
- 1.3.c DGF brochure [“Questions and Answers About the Deposit Guarantee System”](#)
- 1.3.c DGF brochure [“What Should a Depositor Do if A Bank Fails? How and When Does the Deposit Guarantee Fund Make Deposit Payouts?”](#)
- 1.3.c DGF video [“Family Savings Protected”](#)

- 1.3.c DGF video [“If You Know How to Make Money, Learn How to Save It”](#)
- 1.4 An article [“Pillar II: Is the System Ready?”](#) was published in "PensyinyiKurier" newspaper, No.48(550), November 29 - December 5, 2013. The article features an interview with FINREP-II Pension Expert Natalia Goryuk.
- 1.4 The Herald Journal of the Pension Fund of Ukraine published an article authored by FINREP-II International Pension Expert Greg McTaggart entitled [“Make No Haste: Good Deal of Groundwork in Administration and Investment is Needed to Put the Accumulation System in Place”](#) in January 2014.
- 3.1.a FINREP-II helped launch a series of TV programs entitled “Financial Literacy,” developed by the GLAS TV Channel and aired under the sponsorship of the VR-FBC. During the year, eleven TV programs were recorded with participation of FINREP-II experts that address important issues such as financial education and financial consumer protection.
1. [Financial Literacy](#); 1<sup>st</sup> aired February 4, 2014. Guest of the program: Natalia Berezna, USAID Office of Economic Growth, and Shaun Mundy, USAID/FINREP-II International Financial Literacy Expert
  2. [Non-Regulated Financial Services and Ponzi Schemes](#); 2<sup>nd</sup> aired April 1, 2014. Guest of the program: Yulia Vitka, Head of Legal Department, USAID/FINREP-II
  3. [Loan Agreements, Advertisement of Financial Services, Information Transparency](#); 3<sup>rd</sup> aired May 6, 2014. Guest of the program: Yulia Vitka, Head of Legal Department, USAID/FINREP-II
  4. [Bank Deposit Agreements](#); 4<sup>th</sup> aired June 6, 2014. Guest of the program: Yulia Vitka, Head of Legal Department, USAID/FINREP-II
  5. [Administration of Sales in Groups](#); 5<sup>th</sup> program; aired July 1, 2014. Guest of the program: Yulia Vitka, Head of Legal Department, USAID/FINREP-II <http://youtu.be/PWkBJI5fmk>
  6. Debt Collection; 6<sup>th</sup> aired July 1, 2014. Guest of the program: Yulia Vitka, Head of Legal Department, USAID/FINREP-II
  7. Insurance; 7<sup>th</sup> aired July 15, 2014, Guest of the program: Iryna Man'ko, Head of the FSR's Unit of the Department on Insurance Regulation and Supervision.
  8. Auto Insurance, Part 1; 8<sup>th</sup> aired August 5, 2014. Guest of the program: Iryna Man'ko, Head of the FSR's Unit of the Department on Insurance Regulation and Supervision
  9. Auto Insurance, Part 2; 9<sup>th</sup> aired August 19, 2014. Guest of the program: Iryna Man'ko, Head of the FSR's Unit of the Department on Insurance Regulation and Supervision
  10. Pension Reform: Pillar I, Part 1; 10<sup>th</sup> aired September 2, 2014. Guest of the program: FINREP-II Pension Expert Natalia Goryuk.
  11. Pension Reform: Pillar I, Part 2; 11<sup>th</sup> aired September 16, 2014. Guest of the program: FINREP-II Pension Expert Natalia Goryuk
- 3.1.b On November 6, FINREP-II COP Danilo Cruz-DePaula and FINREP-II International Financial Literacy Expert Shaun Mundy spoke at the roundtable entitled “Making

Financial Literacy Sustainable: Developing a National Financial Literacy Website” that was co-organized by FINREP-II and the World Bank.

- 3.1.b On November 26, FINREP-II COP Danilo Cruz-DePaula made opening remarks at the workshop on financial literacy for stakeholders that organized by FINREP-II jointly with the NBU. FINREP-II International Financial Literacy Expert Shaun Mundy delivered a presentation on “Developing a Nationally Coordinated Approach to Financial Literacy”.
- 3.1.c FINREP-II Head of Legal Department Yulia Vitka prepared an article entitled “[Legal Framework for Consumer Lending in Ukraine: Current Situation and Perspectives](#)” for the “Finance of Ukraine” magazine, an official publication of the Ministry of Finance and the scientific edition of the Higher Attestation Commission of Ukraine.
- 3.1.c FSR brochure “[To a Consumer of Non-Banking Services](#)”
- 3.1.c Article “[Administration of Sales in Groups: Possible Risks for Consumers](#)” published in the May issue of “[Financial Advisor](#)” internet journal
- 3.1.c Presented financial consumer protection laws on June 20 at the “[Protection of Rights of Insurance Services Consumers](#)” roundtable organized by the Subcommittee on Consumer Protection of the Verkhovna Rada Committee on Entrepreneurship Regulatory and Antimonopoly Policy
- 3.2.a On October 14, BTB TV Channel broadcasted a [video](#) news story about the All-Ukrainian Financial Literacy Workshop that was organized by FINREP-II.
- 3.2.a On October 14-15, FINREP-II COP Danilo Cruz-DePaula spoke at the All-Ukrainian Financial Literacy Course workshop.
- 3.2.a On October 15, FINREP-II representatives delivered presentations at the All-Ukrainian Financial Literacy Course workshop. This included presentations by FINREP-II lawyers Yuliya Vitka and Victoria Strakhova on “Warnings of Danger (Red Flags) When Working with Financial Products and Services. Financial Consumer Rights and Their Protection” and “Payment Cards: Their Benefits and How to Protect from Risks.” Pension Expert Natalia Goryuk presented “Pension System and its Financial Products.”
- 3.2.a On October 16, a news story entitled “[New Start of the Financial Literacy Course](#)” was posted on the Institute of Innovative Technologies and Education Content official website. The story summarizes the results of the All-Ukrainian Financial Literacy Workshop held on October 14-15.
- 3.2.a On October 16, a news story entitled “[Dnipropetrovsk Teachers Participated in All-Ukrainian Financial Literacy Workshop](#)” was posted on the Svoboda Slova in Ukraine web portal. The news story informs readers of the workshop and of the teachers’ impressions.
- 3.2.a On October 18, a news story entitled “[New Start of Financial Literacy Course](#)” was posted on the official website of the Ministry of Education and Science of Ukraine. The story informs readers of the All-Ukrainian Financial Literacy Workshop.
- 3.2.a On October 23, a TV program entitled “Financial Literacy in Schools” devoted to the USAID/FINREP-II Financial Literacy Course was broadcast in the “Core Interest” TV program of BTB Channel.

- 3.2.a On November 8, the National Bank of Ukraine posted a [press release](#) about the award ceremony of the Save! Video contest organized by FINREP-II with NBU's support
- 3.2.a On November 8, an article entitled "[Winners of the Save! Contest Were Congratulated in the National Bank of Ukraine](#)" was posted on the Bank-ua web portal. The article was [reposted](#) on UkrzakhidInform Internet news agency on November 9.
- 3.2.a On November 8, BTB TV Channel broadcasted a video news story entitled "[School children are Learning how to Save](#)" about the award ceremony of the Save! Video contest organized by FINREP-II. The news story features speeches by NBU First Deputy Governor Prykhodko, USAID's Natalia Berezhna and FINREP-II COP Danilo Cruz-DePaula, as well as teachers and students of the winning teams.
- 3.2.a On November 8, a video news story about the award ceremony of the Save! Video contest was broadcast by Tonis TV channel. The news story features speeches by NBU First Deputy Governor Prykhodko, USAID's Natalia Berezhna and FINREP-II's Natalia Lozytska.
- 3.2.a November 12, KarpatskyObiektiv posted an article on the results of the Save! video contest entitled "[NBU Summed up Results of Save! Contest Held Among Ukrainian Students.](#)"
- 3.2.a On November 19, an article about the Save! video contest entitled "[Three Beauties in a Barn – Volyn Style Savings](#)" was posted on VolynskiNovyny information agency website.
- 3.2.a On November 19, an article entitled "[Learn How to Save!](#)" about the Save! video contest was posted on VolynskaHazeta website.
- 3.2.a On November 21, an article "[Dnipropetrovsk Schoolchildren met with USAID Representatives](#)" was posted on the website of "Dnepr-Most News Agency
- 3.2.a On November 21, 2013, an article "[How the Three Beauties from the Barn Found Their Way to the NBU](#)" was published in "Slovo Pravdy" newspaper № 47 (10100). The article is devoted to the award ceremony of the "Save" video contest that was organized by FINREP-II with support of the National Bank of Ukraine.
- 3.2.a On November 28, 2013, an article "[New Generation Chooses Financial Literacy](#)" was published in the Volodymyrskiy Express newspaper, No.47(421). The article is devoted to the award ceremony of the "Save" video contest that was organized by FINREP-II with support of the National Bank of Ukraine.
- 3.2.a Save! Video Contest
- First prize winner: [Kherson Lyceum](#)
- Second prize winner: [Kyiv Technical Lyceum](#)
- Third prize winners: [Zaporizhzhye Specialized School #100](#)  
[Volodymyr-Volynsk School #5](#)
- 3.2.a On March 26, FINREP-II COP Danilo Cruz-DePaula delivered a speech during the award ceremony of the Stock Exchange Universiade 2014, organized by the Ukrainian Exchange and conducted under the auspices of the Securities and Stock

Market National Commission and the Stock Market Infrastructure Development Agency of Ukraine, with support of USAID/FINREP-II and brokerage firms.

- 3.2.a Delivered a speech on April 24 during the award ceremony for the March winner of the Young Investors Competition held in [Chernivtsi Gymnasium #1](#)
- 3.2.a Delivered a speech on May 19 during the award ceremony of the April winner of the Young Investors Competition held in the [Slavic Gymnasium of Kyiv City](#)
- 3.2.a Presented “Pension System and Its Financial Products” on June 5 at a [regional training event in Ivano-Frankivsk](#) for economics teachers of comprehensive schools of that region by the local Oblast Pedagogy Postgraduate Institute
- 3.2.b In January, the NBU launched the [Financial Literacy section on the NBU’s website](#). In this section the NBU posted financial education materials and financial literacy brochures, developed by FINREP-II: the Financial Literacy Course textbook and workbook, the “Smart Money. Financial Stories of the Ivanenko Family” series of brochures, “Making a Family Budget,” and three brochures on the Deposit Guarantee System.
- 3.2.c “Financial Consultant” published an article authored by FINREP-II Head of Legal department Yulia Vitka entitled [“Financial Pyramids and Ponzi Schemes: How to Safeguard Against Them and Protect Your Rights”](#) in their March issue (pages 30-33).
- 3.3.b Distributed 500 copies of the FINREP-II [“Making a Family Budget”](#) brochures to the Vinnytsia Vis NGO during financial literacy training programs targeted at unemployed adults, students, and women with disabilities
- 3.3.b Distributed 50 copies of the brochures “Smart Money: the Financial Stories of the Ivanenko Family”: [“Getting Married”](#) and [“Savings”](#) for participants of a regional business school project for the schools of Kherson oblast
- 3.3.b Provided the NBU-BU with 100 copies of each of the following FINREP-II educational brochures for distribution at financial literacy summer camps: [Making a Family Budget](#); [Financial Stories of the Ivanenko Family: Getting Married](#); [Financial Stories of the Ivanenko Family: Savings](#); [Financial Stories of the Ivanenko Family: Having a Baby](#); and [Financial Stories of the Ivanenko Family: Buying a Home](#)
- 3.3.c In March FINREP-II provided AIESEC with 120 copies of the “Making a Family Budget,” “Pension Reform,” and “What Youth Needs to Know About Pensions” brochures for young participants at the “FinCo 2014” conference.
- 3.3.c For World Consumer Rights Day, FINREP-II posted a [7-question test](#) on financial services consumers’ rights on its website for people to test their personal financial awareness.
- 3.3.f Conducted a demonstration workshop on the [“Methodology for Conducting Activity-Based Personal Finance Management Training”](#)
- GW.c On October 15, FINREP-II COP Danilo Cruz-DePaula presented a new USAID program “Growth of Women’s Business and Leadership Program” during the All-Ukrainian Conference of Rural Women Farmers organized by the USAID AgrolInvest Project jointly with the Ukrainian Women Fund, the Council of Women Farmers and the Union of Rural Women of Ukraine with support of the Ministry of Agrarian Policy and Food of Ukraine.

- GW.c Distributed [“Go Women” materials](#) on May 22-23 at the “Ukrainian Women In Business: Development and Success of Personal Businesses” workshop, co-sponsored by the U.S. Embassy at the Ukrainian Catholic University in L’viv
- GW.c Held press conference on June 26 in Dnipropetrovsk on the “Go Women” program and financial literacy activities ([Article 1](#)) ([Article 2](#)) ([Article 3](#)) ([Article 4](#)) ([Article 5](#)) ([Article 6](#)) ([Article 7](#)) ([Article 8](#))
- GW.g [Officially launched the Growth of Women’s Business and Leadership Program](#) in an event at the Ukrainian Chamber of Commerce
- F.2 FINREP-II’s [Facebook page](#)
- F.2 FINREP-II’s [Youtube channel](#)
- F.3 FINREP-II facilitated an interview with USAID Mission Director to Ukraine Jed Barton with the GURT Resource Center on US Independence Day. [In his interview](#), Mr. Barton told about USAID assistance under FINREP-II Program, the Go Women Program, the importance of financial literacy improvement, and the need to invest in women business growth.
- F.4 FINREP-II published 51 issues of [FOCUS](#) during the year.

## **Annex5**

### **Photo Gallery of FINREP-II Activities in FY14**