This Final Report was prepared by Financial Markets International, Inc. (FMI). The views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development (USAID) or the United States Government (USG).

FMI is grateful to the many USAID/Ukraine officials who contributed to the success of FINREP-II, particularly Natalia Berezhna and Steve Gonyea.

818 Connecticut Avenue
Suite 300
Washington, D.C. 20006
United States of America
Tel: (202) 721-0194
Fax: (202) 721-0198
Fmi-hq@fmi-inc.net
www.fmi-inc.net
**List of Commonly Used Acronyms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACX</td>
<td>Agrarian Commodity Exchange (otherwise known as Agrex)</td>
</tr>
<tr>
<td>ADT</td>
<td>Accounting Development Toolkit</td>
</tr>
<tr>
<td>AmCham</td>
<td>American Chamber of Commerce</td>
</tr>
<tr>
<td>CabMin</td>
<td>Cabinet of Ministers</td>
</tr>
<tr>
<td>CMP</td>
<td>USAID’s Capital Markets Project</td>
</tr>
<tr>
<td>DGF</td>
<td>Deposit Guarantee Fund</td>
</tr>
<tr>
<td>FDIC</td>
<td>Federal Deposit Insurance Corporation</td>
</tr>
<tr>
<td>FMI</td>
<td>Financial Markets International</td>
</tr>
<tr>
<td>FSR</td>
<td>State Commission for Regulation of Financial Services Markets</td>
</tr>
<tr>
<td>GOU</td>
<td>Government of Ukraine</td>
</tr>
<tr>
<td>ICRM</td>
<td>Institutional Corruption Risk Management</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INFE</td>
<td>International Network on Financial Education</td>
</tr>
<tr>
<td>IOPS</td>
<td>International Organization of Pension Supervisors</td>
</tr>
<tr>
<td>IOSCO</td>
<td>International Organization of Securities Commissions</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>ISDA</td>
<td>International Swaps and Derivatives Association</td>
</tr>
<tr>
<td>LCIR</td>
<td>Legal Corruption Impact Review</td>
</tr>
<tr>
<td>MAS</td>
<td>Mandatory Accumulation Pension System</td>
</tr>
<tr>
<td>MEDT</td>
<td>Ministry of Economic Development &amp; Trade</td>
</tr>
<tr>
<td>MEP</td>
<td>Monitoring and Evaluation Plan</td>
</tr>
<tr>
<td>MLSP</td>
<td>Ministry of Labor and Social Policy</td>
</tr>
<tr>
<td>MOES</td>
<td>Ministry of Education and Science</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>NBU</td>
<td>National Bank of Ukraine</td>
</tr>
<tr>
<td>NBU-BU</td>
<td>National Bank of Ukraine’s Banking University</td>
</tr>
<tr>
<td>NGO</td>
<td>National Governmental Organization</td>
</tr>
<tr>
<td>NPF</td>
<td>Non-state Pension Fund</td>
</tr>
<tr>
<td>NSSMC</td>
<td>National Securities and Stock Market Commission (formerly SSMNC)</td>
</tr>
<tr>
<td>NUPAS</td>
<td>Non-U.S. Pre Award Survey</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
</tbody>
</table>
PARD Professional Association of Registrars & Depositories
PFU Pension Fund of Ukraine
RPRG Reanimation Package Reform Group
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
WG Working Group
XBRL Extensible Business Reporting Language
Table of Contents

Executive Summary 1

Summary of Project Achievements 2

Country Context and Project Implementation Context 5

Project Structure, Staffing, and Counterparts 6

Objective 1: Strengthen Supervision and Regulation of the Financial Industry 8

Sub-Objective 1.1: Financial Sector Policy Development and Monitoring 8
Impact and Performance for Sub-Objective 1.1 13
Sub-Objective 1.2: Application of International Norms and Principles 14
Impact and Performance for Sub-Objective 1.2 19
Sub-Objective 1.3: Reform of the Deposit Insurance System 20
Impact and Performance for Sub-Objective 1.3 23
Sub-Objective 1.4: Pension Reform – Pillar II Support 24
Impact and Performance for Sub-Objective 1.4 28

Objective 2: Develop Financial and Derivatives Markets 28

Sub-Objective 2.1: Enabling Environment 29
Impact and Performance for Sub-Objective 2.1 32
Sub-Objective 2.2: Financial Instruments 33
Impact and Performance for Sub-Objective 2.2 34

Objective 3: Increase Financial Literacy of the General Population 34

Sub-Objective 3.1: Policy Dialogue on Financial Literacy 35
Impact and Performance for Sub-Objective 3.1 37
Sub-Objective 3.2: Financial Literacy in Schools 38
Impact and Performance for Sub-Objective 3.2 42
Sub-Objective 3.3: Financial Literacy for All – Non-Formal Methods 42
Impact and Performance for Sub-Objective 3.3 44

Additional Programs, Mandatory Factors, and Cross Cutting Themes 45

Go Women 45
Anti-Corruption 48
Gender 49
Local Capacity Building 50
Geographic Focus 50
Public-Private Alliances and Linkages with Other USAID Programs 50
Environmental Impact 51
# Administration and Program Issues

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Administration</td>
<td>51</td>
</tr>
<tr>
<td>Program Issues</td>
<td>51</td>
</tr>
<tr>
<td>FINREP-II Website</td>
<td>52</td>
</tr>
<tr>
<td>Social Media</td>
<td>52</td>
</tr>
</tbody>
</table>

## Going Forward

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix A: List of Publications</td>
<td>58</td>
</tr>
<tr>
<td>Appendix B: Performance Monitoring and Evaluation Plan</td>
<td>65</td>
</tr>
<tr>
<td>Appendix C: Financial Report</td>
<td>73</td>
</tr>
</tbody>
</table>
Executive Summary

The goal of the Financial Sector Development Program in Ukraine (FINREP-II, 2012-2015) was to increase financial sector stability and restore public trust in financial markets through a wide range of technical assistance. FINREP-II aimed to reduce financial and macroeconomic risk, strengthen supervision and regulation to improve market oversight and transparency, and increase public outreach to citizens on financial literacy and consumer rights.

This Final Report details FINREP-II’s key achievements from 2012-2015. It begins with a background section on the tumultuous political and economic environment in which FINREP-II operated, specifically describing how the EuroMaidan Revolution affected FINREP-II and the country. It also describes the Project’s overall design, staffing structure, and GOU and private sector counterparts.

FINREP-II had three primary Objectives. This Final Report is organized accordingly: Objective 1: Strengthening Supervision and Regulation of the Financial Industry, describes work with key regulators and GOU entities, including the NBU, NSSMC, FSR, DGF, MOF, MLSP and PFU. Objective 2: Developing Financial and Derivatives Markets, details the Project’s unique effort to establish a Ukrainian financial futures market, including drafting derivatives legislation that permits safe and transparent trading of agricultural derivatives, and later foreign exchange and other financial derivatives. Objective 3: Increasing Financial Literacy for the General Population, summarizes the Project’s work in developing consumer rights legislation, creating a National Financial Literacy Strategy and Website, expanding FINREP’s Financial Literacy Course for students on a national scale, and highlighting broad public outreach efforts to educate citizen’s on basic financial skills and consumer rights.

The Report describes two “add-on” programs that were funded by USAID: the Growth of Women’s Business and Leadership Program ("Go Women") Program; and Combating Anti-Corruption in the Financial Sector Initiative. Other mandatory factors and cross-cutting themes addressed in this Report include: gender equality activities; local capacity building; public-private alliances; and geographic focus areas.

From 2012 to 2013, FINREP-II worked to achieve all Project objectives in a difficult—often corrupt—environment that resisted serious reform. In the winter of 2014, however, the Maidan Revolution launched a new era of transparency, accountability, and real reform. To sustain this effort, FINREP-II promoted activities in anti-corruption, legislative development, and market reform. FINREP-II continued the approach of proactive, yet flexible, technical assistance, based on strong local knowledge of the GOU, the financial sector stakeholders, and civil society organizations.

FINREP-II leaves a robust legacy for follow-on activities, particularly in concert with implementation of FINREP-II-created Roadmaps that set forth paths to reform on critical issues, including: Securities Markets, Pillar II Pension Implementation and...

Together these initiatives supported greater stability, increased protection for international and local stakeholders, and informed citizens about their rights in financial matters. Despite the successes of the FINREP-II program, USAID determined to terminate the Project on October 31, 2015 so that the Mission could design a new program to respond to the unprecedented post-Maidan challenges facing Ukraine, and which could complement the revised IMF reforms package that the Government of Ukraine has agreed to implement.

**Summary of Project Achievements**

Over the three years of implementation, Project activities exceeded anticipated results as measured by indicators developed with USAID and incorporated into FINREP-II’s Performance Monitoring & Evaluation Plan (PMEP). A summary of achievements by technical area include:

**Legal and Regulatory:** FINREP-II experts reviewed over 400 drafts of legislation and regulation affecting the financial sector to identify gaps and inconsistencies with EU Directives. This review resulted in extensive commentary to the GOU and stakeholders for improving and harmonizing legislation in line with EU standards and international best practices. FINREP-II provided over 3,000 hours of training to financial sector supervisors on international standards and best practices, far exceeding PMEP targets. Post Maidan, regulators at the NSSMC, DGF, and FSR, became energetic consumers of FINREP-II education and training.

**Government Debt Strategy.** After the GOU renewed its work with IMF in 2014, FINREP-II assisted the MOF in assessing its government debt strategy, specifically with regard to expanding the number of economic indicators used to improve accuracy, and extend the timeframe for budget forecasting. FINREP-II also helped the MOF develop a strategy for coordinating crisis efforts with the NBU. FINREP-II published 114 issues of FOCUS (USAID’s online newsletter on GOU debt and financial sector developments). FOCUS attracted over 200 policy-level subscribers from a cross-section of GOU and senior private sector stakeholders.

**Pension Reform.** FINREP-II remained the leader in technical assistance to the MLSP, PFU, and Verkhovna Rada on pension reform, including developing actuarial projections covering various fiscal scenarios and policy choices, leading to recommendations on a retirement age increase, contributions, and Pillar II precursors. FINREP-II delivered technical assistance to the FSR to improve the GOU regulatory system’s oversight of NPFs (privately managed individual retirement accounts). FINREP-II provided regular publications of “Global Experience in Pension Reform,” a quarterly technical analysis of Ukrainian and international trends in implementing changes. FINREP-II conducted a country-wide review of the PFU’s IT systems and its ability to handle reporting requirements during implementation of MAS (government-
managed individual retirement accounts). The Project delivered recommendations for technical implementation of IT systems for Pillar II. FINREP-II prepared analysis for GOU stakeholders on major pension developments in OECD countries and delivered multiple trainings to pension regulators on risk management and oversight of investment activities. And, the Project produced a comprehensive plan on Pillar II roll-out that set forth economic and operational precursors necessary for successful Pillar II implementation, and approaches to achieve them.

Deposit Guarantee Fund. The Project developed a comprehensive Action Plan for the DGF to provide long-term technical assistance on procedures and internal regulations on bank resolution and guaranteed deposit payouts. FINREP-II delivered crisis communications training to the DGF and NBU to improve public outreach and inter-GOU coordination. This included one-on-one training for NBU Governors during the height of the banking crisis in 2014 to enhance public communications. FINREP-II coordinated international trainings between the U.S. FDIC and the DGF to improve bank resolution practices. FINREP-II helped develop and implement the DGF’s new Customer Call Center, which significantly increased the DGF’s capacity to handle public inquiries—from two calls at a time, to thirty simultaneous calls. The system also tracks an expanded list of statistics that will assist the DGF to better manage public inquiries and public relations. The DGF, in its Published Annual Report 2014, mentioned FINREP-II and USAID assistance eight times as the most active donor project and agency.

Anti-Corruption. FINREP-II led efforts to support the adoption of anti-corruption measures in the financial sector, including developing Corruption Prevention Plans for the DGF and NSSMC. FINREP-II used the Legal Corruption Impact Review (LCIR) and Institutional Corruption Risk Management (ICRM) methodologies. These methodologies were supported by the MOJ, and are scheduled to be implemented at other GOU institutions.

International Financial Reporting Standards (IFRS). FINREP-II worked with the MOF to complete the incorporation of IFRS into the Ukrainian regulatory framework. FINREP-II delivered 16 regional seminars over 2 years, conducting over 13,000 hours of accounting and IFRS training for financial sector professionals, of which 9,000 hours were completed by female professionals. FINREP-II also partnered with the MOF, NBU, FSR, NSSMC, and DGF to develop and complete a Pilot Program for implementing XBRL electronic reporting. The Program exceeded the anticipated volume of training for financial sector professionals by a wide margin.

Local Capacity Building. FINREP-II assisted USAID to prepare a local accounting association for direct grant support from USAID to further support IFRS implementation in Ukraine. FINREP-II increased capacity at the Active Audit Agency (AAA) to enable it to be a more prominent stakeholder in anti-corruption efforts with the GOU. The Project implemented a nation-wide Train-the-Trainer campaign for teachers to increase local capacity to deliver financial literacy training. And, as part of the Go Women Program, FINREP-II helped build the capacity of four local NGOs (“Women’s Perspectives,” “The
Ukrainian Women’s Fund,” “Extra Consulting Ltd.,” and “Change Agency ‘Perspectives’”) to deliver technical assistance and training to women entrepreneurs, women-owned SMEs, and poor and vulnerable women heads of households.

**Derivatives Markets Development.** FINREP-II led Working Groups with the MEDT, NSSMC, and other public and private sector stakeholders to develop new draft laws “On Derivatives” and “On Commodity Exchange Markets.” Because of FINREP-II’s sustained efforts, on November 20, 2015, the GOU delivered a “Law on Derivatives” to the Rada for passage. The Law incorporated extensive FINREP-II recommendations on EU Directives, IOSCO provisions, and international best practices. FINREP-II also conducted the first-ever comprehensive survey of agricultural market participants, and developed a Roadmap to achieve effective commodity and derivatives trading for price-discovery and price insurance via hedging. FINREP-II delivered a comprehensive Roadmap to GOU counterparts in 2015, “Roadmap: Commodity Futures Markets Development in Ukraine 2015 Onward”.

**Financial Literacy.** FINREP-II remained a leader in the public-private dialogue on financial literacy and consumer protection. The Project worked with the Rada, NBU, DGF, NBU Banking University, Ministry of Education, and local NGOs to formulate and implement strategies for financial literacy training in public schools. The 10th grade financial literacy pilot program expanded to over 650 schools, reaching over 18,000 students each school year. FINREP-II exceeded the 3-year goals for national roll-out of the pilot program in terms of: educational professionals trained; schools involved; and students taking the course. The Project also worked with IBM and the NBU Banking University to develop an open-source digital version of the pilot program’s textbook. The digital version contains interactive lessons and works both online and offline. FINREP-II helped the NBU become a member of the OECD’s International Network on Financial Education during 2014, and played a critical role in helping the NBU develop a long-term National Financial Literacy Strategy and Website (the NBU later put this work on hold due to internal reorganization and other priorities addressing the crisis in the banking sector). FINREP-II helped the DGF develop online financial literacy courses for adults to improve public knowledge of the deposit guarantee system, and rebuild confidence in the banking system. FINREP-II led the drafting of two consumer protection laws in accordance with EU standards, accepted by the Rada. FINREP-II was also an active participant in USAID’s Mistechko Field Days Initiative. Mistechko Field Days was a major USAID outreach event, which sought to introduce USAID-funded projects active in the city to its residents. FINREP-II’s booth was the most visited booth during the Field Days, and it had the most active participation as citizens could “learn-as-you-go” and experience first-hand the principles of effective budget planning, personal efficacy, and consumer rights protection.

“**Go Women.**” FINREP-II launched the Go Women Program which delivered targeted training to two main groups: vulnerable women, and female-owned micro- and small-enterprises. FINREP-II competitively selected, and then trained, four Ukrainian NGOs that delivered 327 trainings to over 5,000 women trainees. Exit testing showed that 90%
of the women improved their business acumen, financial literacy, and personal financial efficacy.

**Country Context and Project Implementation Context**

FINREP-II began operations shortly before the October 2012 “Mid-Term” parliamentary elections during the Yanukovych regime. Due to the formation of a new parliamentary majority and the appointment of new GOU leadership at the Ministry of Economy, Development & Trade (MEDT), it took approximately four months for FINREP-II to be officially registered. FINREP-II negotiated Action Plans and protocols of cooperation with the Project’s seven GOU counterparts, receiving good cooperation from all.

From the outset, FINREP-II received assurances from GOU counterparts that the planned EU Association Agreement was a top priority, as it was deemed critical to lead the country toward greater EU integration. The Agreement was expected to be a signal to the world that Ukraine was ready to adhere to international norms and principles. Surprisingly, President Yanukovych did not sign the Agreement. That triggered widespread protests, and was the catalyst for the EuroMaidan Revolution.

Maidan led to a dramatic reorganization of the GOU during 2014. Reformers and supporters established a transitional government in February after Yanukovych fled the country. In the spring of 2014, the GOU resumed cooperating with the IMF—for the first time since late 2010. During this period, Russia invaded Crimea and began a proxy war in two of Ukraine’s eastern oblasts, both with large populations and heavy industrial centers. The Russian invasion, subsequent fighting, and accumulation of internal economic issues resulted in a massive decline in Ukraine’s GDP (over USD $50 billion and -14.6% growth) and the onset of a full-blown financial crisis (a 300%+ devaluation of the Hryvnia by the end of 2015).

While the political and economic crises were devastating, there were nonetheless important positive outcomes: Ukraine’s decisive pro-EU choice; the transitional government and Presidential Administration remaining committed to reform and international assistance, with the highest levels of cooperation in decades; the strengthening of Ukraine’s agriculture sector that for the first time outpaced manufacturing in export revenues; the galvanization of support for pro-Western political parties and policies; and a focus on anti-corruption efforts.

The economic crisis and open warfare and oppression in Eastern areas led to massive amounts of internally displaced persons, loss of property and investments,
declining business growth and foreign investment, increased fiscal burden on the GOU due to military spending, increased unemployment, widespread bank failure (approximately 30% became insolvent), high inflation, and a steep decline in GDP, foreign reserves, and tax revenues.

By the end of 2014, the transitional government adopted a Law on Lustration to remove high-ranking officials that served in the Yanukovych regime. Shortly thereafter, Ukrainian citizens elected their most pro-Western government, with Petro Poroshenko becoming the President. Fortunately, for FINREP-II efforts, few of the working-level staff at GOU counterparts were replaced during lustration, and many found themselves in positions of higher authority with an increased desire for technical assistance, given their shrinking budgets. Almost all of the 2014 FINREP-II activities that had stalled due to Maidan were restarted in 2015 with reinvigorated urgency. One of the key drivers of Ukraine’s renewed reform efforts was the USD $17.5 billion IMF bailout package that mandated reforms, including fiscal responsibility and restructuring debt, bank stabilization, energy reform, and anti-corruption efforts matched with other IFIs commitment of over $20 billion.

FINREP-II seized this opportunity to promote USAID objectives under its Action Plans. The Program received unprecedented cooperation after Maidan. In the latter half of 2015, FINREP-II assisted the GOU in formulating clear goals for financial sector reforms, and energized a commitment to achieve them. FINREP-II fostered an awakened sense of the merits and benefits of serious financial sector reform, which exists going forward.

Project Structure, Staffing, and Counterparts

The purpose of FINREP-II was to increase financial sector stability and restore public trust in financial markets. The Project’s structure had three primary objectives: 1) Strengthen supervision and regulation of the Ukrainian financial industry, 2) Develop new financial products, including derivatives, and 3) Increase financial literacy of the general population. These objectives, collectively, would help restore stability and public trust in Ukraine’s financial markets and improve Ukraine’s financial system transparency, effectiveness, security, conformity with international standards, and ability to absorb financial shocks. FINREP-II supported foreign assistance priorities under Program Area (PA) 4.3: Financial Sector; Program Element (PE) 4.3.1: Financial Sector Enabling Environment; and PE 4.3.2: Financial Sector Capacity. FINREP-II also included cross-cutting objectives and mandatory factors, including: reducing corruption, local capacity building (in line with USAID FORWARD), developing public-private alliances, promoting gender equality and geographic diversity in all oblasts of Ukraine, and environmental protections.

In 2013, jointly with USAID, FINREP-II participated in a global competition with USAID/Washington’s Women’s Leadership Incentive Fund (WLIF) and won $1.2 million in additional funding to expand economic opportunities, leadership skills, social independence, and public engagement of women in Ukraine. This new cross-cutting
sub-program was entitled “Growth of Women’s Business and Leadership Program (“Go Women”). Additionally, the USAID Mission channeled part of FINREP-II’s resources to develop initiatives in the financial sector to combat corruption, as anti-corruption was made a top priority by USAID in light of Maidan.

FINREP-II commenced in October 2012, overlapping with the FINREP-I Project for three months. The transition from FINREP-I to FINREP-II was smooth and coordinated, with many staff from FINREP-I retained on FINREP-II. Because FINREP-II’s technical focus differed from that of its predecessor project, a greater focus was placed on capital markets and financial literacy during staffing. After appropriate interviews and vetting, the core staff of attorneys, financial sector experts, IT specialists, translators, accountants, and administrative support staff was hired. FINREP-II had 31 long-term staff members, and nearly 60% were women. Most of the staff had worked on the previous USAID financial sector projects, providing FINREP-II with continuity and institutional memory. This allowed the Project to maintain relationships with GOU counterparts and rapidly communicate critical priority areas for reform.

FINREP-II had two expatriate Chiefs-of-Party over the course of the Project. While the changes in FINREP-II leadership presented management issues, the Project and its activities continued without disruption. In the final year of the Project, locally employed Deputy Chief of Party Victor Stetsenko assumed leadership of the project and led it towards completion. His expertise and high-level knowledge of the Ukrainian financial sector and its stakeholders facilitated the orderly project completion despite the difficult operating environment and the need to expedite completion of project deliverables due to USAID’s termination decision. At the project completion, USAID Mission Director to Ukraine, Belarus and Moldova presented FMI’s expatriate and local staff with the Group Certificate of Appreciation.¹

FINREP-II worked closely with multiple stakeholders in all components of the Project. The Project undertook numerous joint initiatives to promote project objectives and leverage USAID resources. Primary GOU stakeholders and FINREP-II counterparts included: the National Securities and Stock Market Commission (NSSMC); Financial Services Regulator (FSR); Deposit Guarantee Fund (DGF); Ministry of Labor and Social Policy (MLSP); Pension Fund of Ukraine (PFU); National Bank of Ukraine (NBU); Ministry of Finance (MOF); and various Committees at the Verkhovna Rada.

¹ In October 2015, USAID’s Mission Director, Jed Barton, presented FINREP-II staff and FMI with the Group Certificate of Appreciation that recognized the collective group’s talent and hard-work during extremely difficult political and economic turmoil.
Objective 1: Strengthen Supervision and Regulation of the Financial Industry

For over two decades, USAID/Ukraine has been viewed by Ukrainian financial sector stakeholders as a lead partner in promoting financial sector reform. A key component of this reform has been strengthening supervision and regulation of Ukraine’s financial markets. To further this effort, FINREP-II undertook four sub-components, including: 1.1 monitoring and advancing the development of financial sector policy; 1.2 applying international norms and best practices to laws and regulations; 1.3 reforming and strengthening the deposit insurance system; and 1.4 promoting pension reform, including furthering the roll-out of Pillar II pensions (i.e., recipient- and employer-contribution funds).

FINREP-II focused on harmonizing Ukrainian legislation with that of the EU, in anticipation of the signing of an EU Association Agreement. By December 2013, however, it became increasingly clear that the Verkhovna Rada and then President Yanukovych were not going to sign the EU Association Agreement. As a result, protests and demonstrations erupted in central Kyiv, commencing the Maidan Revolution.

Despite Maidan disrupting the pace of FINREP-II’s initiatives, it offered a new beginning for financial sector reform. The interim government seemed committed to the ideals of transparency, anti-corruption, and reform. FINREP-II rapidly resumed its policy development and monitoring work, with a new sense of cooperation from the GOU counterparts, and a renewed emphasis on transparency and cooperation with civil society.

Sub-Objective 1.1: Financial Sector Policy Development and Monitoring

FINREP-II reviewed draft legislation and regulations in close collaboration with GOU stakeholders, civil society, other USAID projects, donor agencies, and Verkhovna Rada Committees. FINREP-II provided commentary on, and/or developed, over 400 draft legislation and regulation documents under consideration by the GOU. FINREP-II addressed the following areas: provision of financial services, pensions, economic reform, financial consumer protection, and financial instruments, including derivatives, accounting, auditing, and the deposit guarantee system. Specific tasks and achievements included the following:

Task 1.1.A: Improve financial sector legislation and regulation. Achievements included:

Protecting Minority Shareholders. Weak minority shareholder rights has been a major impediment to promoting investment in Ukraine, especially in the securities markets. FINREP-II achieved a significant milestone in this area by helping the NSSMC draft a “squeeze out” law, which established a procedure to protect minority shareholders, ensuring fair market prices when selling their shares. The Cabinet of Ministers approved the Draft Law, it has been registered with the Verkhovna Rada, and was included in the Comprehensive Program for Financial Sector Development (2020 Program).
Ensuring Compliance with EU Directives and Practices. FINREP-II provided extensive comments to legislation addressing corporate governance of Joint Stock Companies (JSCs). FINREP-II highlighted discrepancies between the Draft Law and EU Directives with respect to participation in general shareholders meetings, restrictions on input to meeting agendas, and election of members to the supervisory board. FINREP-II advised the NSSMC and the World Bank on corporate governance issues to remove prejudicial practices. That coordination increased USAID’s technical assistance leverage, as the World Bank then implemented a policy loan in 2014 with a conditionality based upon the FINREP-II corporate governance change.

Improving Corporate Governance. FINREP-II participated in the NSSMC-led Working Group under the 2020 Program to develop the Draft Law on Corporate (Shareholder) Agreements, which made shareholder agreements more compatible with international best practices and enforceable by Ukrainian courts. Currently, the Draft Law is being reviewed by the GOU. FINREP-II coordinated this work with Commercial Law Center Project that deals with minority shareholders’ rights.

Promoting Efficient Capital Markets. FINREP-II assisted the NSSMC with the Draft Law “On Amending Certain Laws of Ukraine Regarding Qualified Investors.” The concept of a “qualified investor” is important because it sets a standard for the type of investor who can accept certain levels of investment risk, while easing the range of regulations applicable to that investor. The initial Draft Law was not EU compliant and misperceived the qualified investor meritorious concept. FINREP-II highlighted such deficiencies allowing the NSSMC greater authority via regulation.

Prudential Supervision. FINREP-II analyzed all draft laws and regulations pertaining to the NSSMC coordination with the Professional Association of Registrars and Depositors (PARD). The Project established prudential supervision concepts related to proper risk management, investor protections, and promotion of international best practices that reduce systemic risk. The result will help ensure the financial transparency of securities traders.

Discouraging Ineffective Taxation of Financial Instruments. The improper application of taxes can result in reducing stock market transactions, reducing market liquidity. FINREP-II reviewed numerous laws to help remove these unnecessary and damaging taxes. The Draft Law “On Amendments to the Tax Code of Ukraine Regarding Further Improvement of Administration of Taxes and Fees” proposed a 3% securities turnover excise tax, in addition to a 19% common corporate income tax. FINREP-II experts assisted Members of the Rada to understand that the excise tax on securities transactions would not raise expected revenues, and conversely, would diminish market liquidity.

Partnerships with GOU Reformers, Private Sector, and Civil Society. FINREP-II maintained and strengthened working relationships from past USAID projects under CMP and FINREP-I. These relationships with key GOU reformers, private sector stakeholders, and civil society achieved the following: 1) Amendments to legislation on foreclosures on debtors who had taken out foreign currency denominated loans, noting how these laws harmed the banking and financial system; 2) Joining AmCham and the Ukrainian Association of Investment Business (UAIB) to mobilize the MOF to reconsider passage of a tax initiative that would impair investment funds; and 3) Adopting changes to the Law on Derivatives and Law on Commodity Exchanges to set forth a path for Ukraine to introduce financial instruments that can expand financial flexibility and stability and can be effectively regulated and enforced (see Objective 2).

**Task 1.1.B: Assist the financial services regulatory framework to promote independence of regulatory agencies, public-private dialogue, and public participation in policy discussions.**

International Coordination and Technical Assistance. FINREP-II facilitated technical assistance programs between the U.S. FDIC and the DGF and the U.S. SEC and the NSSMC. For the DGF, FINREP-II and the FDIC offered training related to bank resolution, IT for data processing, managing troubled assets, processes for investigating failed banks, and procedures to identify misconduct by owners, management, and clients of insolvent banks. For the NSSMC, FINREP-II organized joint training with the U.S. SEC to improve enforcement and market oversight. FINREP-II and the U.S. SEC focused on IOSCO Principles relating to enforcement powers, assessing the current state of Ukraine’s capital market, and developing recommendations for improvements.

**FINREP-II Success Story: NSSMC’s Commitment to Reform**

In October 2015, the IMF released its Technical Assistance Report on “Enhancing the Powers and Independence of the NSSMC.” That report noted the many challenges the NSSMC faced. One of the IMF’s key recommendations was the need for greater coordination with international peers, including becoming a signatory of the IOSCO Multilateral Memorandum of Understanding (MMOU).

USAID FINREP-II responded to assist the NSSMC with its reform efforts under its new leadership. FINREP-II coordinated with the U.S. SEC to both deliver a training initiative on enforcement powers, and review NSSMC operational needs.

The SEC/NSSMC efforts together caused a renewed partnership with the NSSMC leadership committed to reform, and the SEC committed to future technical assistance. The SEC noted: “There is reason to believe that the current leadership at the NSSMC has the competence and the commitment to affect real, lasting change in the Ukrainian capital markets. Ukraine can soon have a functional capital market that is overseen by a regulator that builds trust in the investing public and be a key driver for economic growth.” In November 2015, the IOSCO Secretary General visited with President Poroshenko and the Chairman of the NSSMC Tymur Khromaiev to discuss the prospects of greater capital market formation in Ukraine, and acceptance of IOSCO standards.
Training of Regulators. FINREP-II placed a special emphasis on training for financial sector regulators, as a key activity for promoting independence of regulatory agencies. FINREP-II provided over 3,000 hours of training to regulators on international best practices (over 1,700 hours of training to female regulators). This exceeded PMP expectations two-fold.

NBU Communications Assistance. FINREP-II provided international crisis communications expertise to develop training tailored for the NBU's communications department. The Project conducted 11 training sessions on crisis communications for over 20 NBU personnel. Because of the success of that training, the NBU Governor requested that FINREP-II deliver a one-on-one training session on crisis communications for Governors during the height of the financial crisis.

**Task 1.1.C:** Assist the MOF in assessing and adjusting the government debt strategy and strengthening risk management. FINREP-II provided technical assistance during 2014-2015, including helping the MOF to develop long-term budget cycles and economic indicators to adjust the State Budget. Later, this assistance transitioned to the U.S. Treasury advisor’s work. Highlights included:

Recommendations for Ukraine’s Debt Management. FINREP-II provided the MOF with “Recommendations for Ukraine’s Debt Management — Ministry of Finance Alternatives in a Period of Crisis.” The recommendations offered specific actions for the MOF to realize its goals of: strengthening debt management practices, assessing and managing foreign currency risk, and increasing the predictability and transparency of the MOF’s debt management operations. FINREP-II presented four recommendations for the MOF’s consideration: 1) Issuance of callable bonds, 2) Use of foreign exchange derivatives to manage risks of GOU finance, 3) Bank recapitalization, and 4) Fiscal savings by reducing household energy subsidies, and pension reform. Callable bonds and foreign exchange derivatives are a work in progress due to capacity limitations and legal restrictions. The MOF and the DGF are working toward bank recapitalization (an IMF requirement). And, energy subsidies and pension reform are key parts of the economic reform effort. Despite the difficult environment in which the MOF functions (including gas subsidies, unfunded pensions, inadequate bank recapitalization, deteriorating currency, and the conflict in the Donbas), FINREP-II witnessed a serious commitment from the MOF to improve its debt management practices.

Statistical Analysis. FINREP-II delivered an analysis of statistical data and evaluated the list of target indicators required under the Cabinet of Ministers’ Order on the “Medium-Term Strategy for Public Debt Management.” FINREP-II delivered a report to the MOF Debt Division for implementation that was accepted.

ICT Procurement and Systems Upgrade. FINREP-II finalized the procurement of software and hardware systems to improve protection of the MOF’s information network and mitigate risks of third parties intrusion into the MOF data. Implementation of the equipment improves the reliability of protection against network attacks, provides
advanced and more secure use of wireless networks, and provides for improved risk management.

Task 1.1.D: Assist the MLSP and PFU in analyzing technical aspects of pension reform related to occupational pensions, non-state pension provision, and pension assets protection. FINREP-II recommended revisions in pension laws, regulations, and policies at various stages of consideration by the GOU. Project monitoring in this area was critical due to attempts by populist factions to roll back the 2011 IMF-mandated reforms, which were critical to the solvency of the national budget and the PFU. In day-to-day dialogue with the MLSP, PFU, Verkhovna Rada, and CabMin officials, FINREP-II experts offered tangible and accepted solutions supported with international experience. Other achievements with the MLSP and PFU included:

Draft Law Comments and Amendments. FINREP-II provided the MLSP with amendments for a draft law on insurance related to the accumulation pension system and payouts by insurers. The Project provided comments on the legislation, “On Approving the Regulation on Administering a Non-state Pension Fund,” which changed the methodology for calculating the number of pension asset units, improved record keeping, and enhanced the disclosure of information to non-state pension fund (NPF) participants. FINREP-II provided comments on laws dealing with the insurance industry, focused on preventing abuses by insurance companies in accumulating contributions and preventing fraudulent practices involving pension assets, and promoting the rights of pension system participants. FINREP-II’s experts provided the MLSP critical comments on the Draft Law “On Amending Some Laws of Ukraine Regarding the Implementation of the Accumulation System of General Mandatory State Pension Insurance and Uniform Principles of Accruing Pensions.” This work contributed to a broad dialogue among the GOU, IMF, World Bank, and USAID on how and when to launch Pillar II and the Mandatory Occupational Pension Program.

Advocacy and Communications. FINREP-II conducted an assessment on the consequences of repealing the 2011 pension reform legislation, especially the roll-back of increased years of service to qualify for a pension and the increase in the retirement age of women. This work highlighted the dire fiscal consequences of such a policy retrenchment, and circulated the analysis to key pension reform counterparts in the GOU and Rada.

Pension Website. FINREP-II supported updates to the Website on Pension Reform (www.pension.kiev.ua), which has helped Ukrainians better understand how the new pension system works, and the benefits it can bring. This contributed to greater transparency and dialogue on these issues.

Actuarial Calculations. FINREP-II developed “Recommendations for Fiscally Sound Pension Reform in Ukraine,” addressing next steps in implementing pension reforms based on actuarial calculations. The MLSP requested FINREP-II analysis and recommendations regarding short-, medium-, and long-term strategies for pension reform. The analysis was shared with the IMF and World Bank. FINREP-II outlined the
net fiscal results of the rate reduction to the Cabinet of Ministers’ Reforms Support Center, the Presidential Administration’s Humanitarian Policy Department, MLSP, PFU, and Verkhovna Rada committees on social policy, employment and pension provision.

Publications in Pension Reform. FINREP-II published periodic editions of “Global Experience in Pension Reform” (Pillars I, II, and III) that included information about the European Commission’s pension provisioning policy. The Project published eight quarterly issues from 2013 to 2015, and distributed copies to the MLSP, FSR, PFU, NSSMC, and Verkhovna Rada committees addressing legislation related to pensioners, veterans, and the handicapped.

**Task 1.1.D:** Prepare and disseminate publications on key financial sector developments related to project objectives, government debt management, and relevant pension issues. USAID began this work under CMP and FINREP-I, and continued under FINREP-II. These publications provided timely analysis to financial sector stakeholders and policy-makers, and communicated issues to the media and public.

FINREP FOCUS. FINREP-II produced 114 weekly issues of FOCUS from 2012 to 2015. FOCUS was an online publication that covered the latest in GOU debt offerings, and financial sector reform and development. FOCUS reached thousands of capital market participants and financial sector stakeholders through direct distribution, media coverage, and financial sector re-publication. The publication gained increased interest during Ukraine’s economic crisis in early 2014. The FOCUS was subscribed to by the MoF, NBU, IMF, World Bank, EBRD, Moody’s, Morgan Stanley, all leading local banks and investment companies, as well as investment funds overseas. It was also re-published by two major web-based financial information resources: Cbonds.info and Fixygen.ua. All issues of FOCUS can be found at: FINREP-II FOCUS Database.

Impact and Performance for Sub-Objective 1.1

FINREP-II’s impact on financial sector policy-making, development, and monitoring was substantial. The Project was regularly called upon by its counterparts to lead Working Groups, provide comments on draft legislation and regulations, and conduct assessments of financial sector developments. FINREP-II helped develop and improve nearly 400 pieces of legislation and regulation for GOU counterparts.
Importantly, FINREP-II’s regulator counterparts became increasingly independent and committed to reform. This is best evidenced by the NSSMC’s renewed commitment to the IOSCO MMOU, following IMF and U.S. SEC recommendations. FINREP-II facilitated a multi-year technical assistance and training initiative between the NSSMC and U.S. SEC that will strengthen the NSSMC’s ability to properly and effectively supervise and regulate Ukraine’s capital markets and bring them closer to IOSCO MMOU acceptance. Additional benefits in this area included: i) conducting timely training to NBU staff on crisis communications during the Maidan and economic crises; ii) providing the MOF with tangible solutions to improve their debt management strategy in light of IMF recommendations; iii) conducting independent actuarial calculations for the MLSP to use to make sound pension reform decisions in line with international best practices; and iv) providing regular publications, private-public dialogue, and advocacy work to advance reform and promote financial stability during turbulent conditions.

Quantitatively, FINREP-II provided 3,334 hours of training for regulators (1,747 training for female regulators), nearly double the expected amount per FINREP-II’s PMEP. FINREP-II participated in over 100 Working Groups, public presentations, and high-level policy meetings. FINREP-II was able to introduce and/or include over 20 new private sector and civil society stakeholders in the policy-making process. By example, FINREP-II helped build the capacity of key SROs (UAIB and PARD), which are now actively involved in the policy making process—especially in prudential supervision and regulation—with the NSSMC. Ukraine’s investment climate, according to the European Business Association (EBA) improved from a score of 2.18 to 2.66 (scale of 1-5), despite the political and economic unrest. According to the EBRD’s latest Transition Report, the outlook for market reforms in Ukraine has “improved.” And, the EIU’s Sovereign Debt Risk rating for Ukraine was 69 before the crisis, and rose to 79. However, despite the IMF’s and other donors’ bailout, it is expected that due to Ukraine’s severe financial and economic crisis the risk rating will decrease over the next several years.

Sub-Objective 1.2: Application of International Norms and Principles

When FINREP-II commenced in late 2012, there was general receptivity in Ukraine to adopt international norms and agreements, namely the EU Association Agreement and the EU Comprehensive Free Trade Agreement. Unfortunately, by late 2013 and early 2014, it became clear that the Yanukovych regime would not adhere to these agreements. This had a stifling impact on FINREP-II and the Project’s efforts to harmonize legislation with EU Directives. By mid-2014, Maidan had forced the Yanukovych regime out of power, a new interim government was formed, and lustration ushered in new political leaders and regulators—all committed to reform. This set Ukraine on a renewed path toward accepting international norms, principles, and EU integration.

Task 1.2.A: Support non-bank regulatory agencies (primarily, the NSSMC and FSR) in introducing IOSCO principles for securities markets, International Organization
of Pensions Supervisors’ (IOPS) standards for pension funds, and OECD principles of
corporate governance. FINREP-II initiatives included:

**IOPS and Pension Standards.** FINREP-II developed proposals for the MLSP on the
implementation of the provisions for the EU Directives on occupational pension
provisions. The Project sponsored the FSR’s participation in the IOPS Seminar on
“Pension Developments in the Central and Eastern European Region.” It prepared
analyses for GOU stakeholders on pension developments in OECD and non-OECD
countries, leading to better understanding and acceptance of OECD benchmarks.
FINREP-II organized a Workshop on “International Practices of Mitigating Investment
Risks in Private Retirement Schemes,” highlighting OECD principles on pension assets
investment for senior officials from the Presidential Administration, CabMin, Verkhovna
Rada, MLSP, PFU, MEDT, MOF, NBU, FSR, and NSSMC.

**Investment and Risk Management.** In partnership with the UAIB, FINREP-II co-
sponsored a conference on “Investment Business: Overcoming the Crisis.” FINREP-II
offered solutions on how to overcome challenges for the Accumulation Pension System
of Ukraine (as part of its public outreach on Pillar II), with 110 market participants
attending. The Project organized a three-day seminar on “Risk Management” for
regulators from the NSSMC and FSR, and trained 22 stakeholders from leading
financial sector organizations.

**IOSCO.** FINREP-II and the U.S. SEC met with top-level GOU counterparts to develop a
path forward on IOSCO Principles (specifically Nos. 10-15 as they relate to enforcement
powers and cooperation). The purpose of this SEC-NSSMC bilateral cooperation was
to: 1) assist the NSSMC with enforcement efforts (in light of IMF recommendations), 2)
demonstrate the NSSMC’s renewed commitment to reform, and 3) take necessary
steps toward Ukrainian acceptance of and compliance with the IOSCO MMOU.
FINREP-II incorporated IOSCO principles into two major derivatives laws (Law on
Derivatives and Law on Commodity Exchanges), which lay the groundwork for forming
a functioning and properly structured derivatives market—a derivatives market based
upon the world model of price discovery and hedging for broad underlying products
(whether agriculture, currency, interest rates, metals, or stock indexes). This was
critically important because previous drafts of these laws were not in line with IOSCO
principles, and would have seriously undermined fledging efforts to develop a
derivatives market, and how it would be regulated.

**Task 1.2.B:** Support the GOU in adopting a set of specific anticorruption
measures in the financial sector, as well as new approaches for identifying and
addressing corruption. This entailed identifying corruption risk factors within selected
financial sector governmental institutions; developing Corruption Prevention Plans
(CPP) based on Institutional Corruption Risk Management methodology; and supporting
CPP implementation within selected organizations.

The *Maidan* events in Ukraine elevated anti-corruption issues to national
attention. Civil society and donor organizations pressed the GOU to adopt the rule of
law and prevent the type of corruption practices that have permeated Ukraine’s economy and culture. Anti-corruption was originally intended to be a “cross-cutting” theme and mandatory factor under FINREP-II. However, after Maidan the Project increased its work in this area and transformed its anti-corruption activities into a stand-alone initiative.2 FINREP-II worked closely with its GOU counterparts and civil society organizations to introduce innovative approaches on assessing and mitigating corruption risks. Technical assistance included:

**Anti-Corruption Assessment.** FINREP-II conducted an assessment of the anti-corruption measures of key financial sector institutions. The assessment was conducted through document review, in-depth interviews, and focus groups with representatives of 15 governmental institutions, civil society organizations, and international donors. The assessment resulted in a report that outlined FINREP-II’s anti-corruption activity plan to implement two internationally recognized anti-corruption tools: 1) Institutional Corruption Risk Management (ICRM); and 2) Legal Corruption Impact Review (LCIR). ICRM assesses corruption risks in institution functions and processes and leads to the development of targeted Corruption Prevention Plans (CCP). LCIR identifies and directs the removal of corruptive factors from regulations and laws.

**ICRM and LCIR Introduction to GOU Counterparts.** FINREP-II conducted a workshop for GOU and NGO stakeholders to introduce them to international best practices in implementing ICRM and LCIR initiatives. As a result of this training, FINREP-II secured MOU commitments from the NSSMC and DGF to participate in piloting the ICRM and LCIR tools. In cooperation with the MOJ, the Project began to pilot the ICRM, and make the ICRM methodology its model for future development of CPPs for public institutions.

**Active Audit Agency.** One of the major problem areas identified by GOU counterparts was that Ukraine had insufficient local capacity to train and deliver technical assistance to institutions on how to fight corruption. Accordingly, FINREP-II identified a local subcontractor (through a competitive process) to build capacity in this area. The Project selected Active Audit Agency (AAA) to assist with adapting the ICRM to the Ukrainian context, then piloting it in selected financial sector institutions. Two critical components of this work was: building the capacity of the AAA to implement the tool; and training AAA staff on anti-corruption technical assistance best practices.

---

2 USAID awarded FINREP-II extra resources to pursue and expand Anti-Corruption activities.
**NSSMC and DGF Participation.** FINREP-II and AAA conducted a survey of over 100 market participants to identify areas for potential corrupt practices within NSSMC activities. The survey results were presented to NSSMC leadership and market participant associations. The survey identified NSSMC activities perceived as “potentially corrupt,” and were targeted for further evaluation. FINREP-II then established Working Groups within the NSSMC to implement the ICRM assessment (DGF also formed a Working Group and began participating in the anti-corruption activity). The Working Groups, led by FINREP-II, conducted corruption risk assessments of key functions of each organization, identifying numerous risks within each institution. FINREP-II assisted both institutions with the development of detailed Corruption Prevention Plans (CPP) that were formally adopted. FINREP-II was asked to support the implementation of key CPP activities, to strengthen internal controls and information security.

**Task 1.2.C:** Support the MOF in the national roll-out of IFRS standards by incorporating IFRS updates into the Ukrainian regulatory framework, thereby increasing public awareness and supporting international cooperation. FINREP-II supported the implementation of IFRS with the MOF and other public institutions, including the NBU. Achievements included:

**Legislative Reform and Regulatory Development.** FINREP-II provided technical assistance to regulators on 12 laws and regulations proposed by the GOU. The Project assisted the GOU on reconciliation between IFRS and Ukrainian regulations, to bring Ukrainian standards in line with international best practices.

**ADT Survey and the MOF Accounting Reform Strategy.** FINREP-II introduced the use of the Accounting Development Tool (ADT) to its counterparts (developed by UNCTAD). ADT is used to determine the harmonization of a country’s accounting infrastructure with IFRS. It also provides an objective assessment of a country’s IFRS implementation. FINREP-II and the MOF co-hosted a workshop with UNCTAD and the World Bank. The workshop and survey results helped develop the MOF’s Accounting Reform Strategy.

**Public-Private Dialogue.** To promote greater public-private partnership and discourse, FINREP-II improved cooperation between the MOF and the International Accounting Standards Board (IASB), the international accounting governing body responsible for IFRS. FINREP-II cooperated with the NSSMC and UFPA to develop and host 16 regional IFRS seminars over 3 years that trained over 1,700 accounting regulators and private sector accounting and management professionals. The seminars addressed amendments to IFRS, analysis of EU Directive requirements concerning the application of IFRS and auditing, forms of financial statements, practical tips for preparing IFRS financial statements, and stock market transparency issues. FINREP-II also facilitated GOU participation in international events, including the World Congress of Accountants (WCOA).
**XBRL, Electronic Reporting, and Harmonization.** Electronic reporting simplifies financial reporting, decreases labor costs for accounting firms, and improves data quality. Importantly, it is an EU requirement for all members to implement uniform electronic reporting by 2020 through use of the XBRL. FINREP-II provided technical assistance to the MOF, NBU, FSR, NSSMC, and DGF on XBRL implementation, including: procurement of licensed XBRL Fujitsu Interstage XWand Toolkit software for each of the five regulators; developing and hosting training seminars for regulators on use of XBRL software; and a roadmap for XBRL’s national roll-out.

**Translation.** As IFRS gets updated and modernized, proper translation from English to the local language becomes critical to IFRS implementation. Translation is a significant undertaking, requiring accounting and language expertise to ensure accuracy. FINREP-II produced over 600 pages of technical documents (IFRS and IPSAS) for the MOF partnering with local accounting NGOs; supported the MOF’s Expert Review Committee to refine the current Ukrainian versions of the IFRS translation and put it on the MOF website; supported maintenance for the MOF’s IFRS website in Ukrainian; and developed an educational video on IFRS reporting, which was made available on the FINREP YouTube channel for broader public coverage.

**IFRS Implementation Roadmap.** FINREP-II prepared a Roadmap with recommendations on USAID assistance for IFRS implementation and accounting reform. It outlined key short-, medium- and long-term priorities, and appropriate action plans.

**Implementation of IFRS and ISA for Non-State Pension Funds.** Pension reform Pillar III, the complementary and voluntary private pension system managed by NPFs, complements public pensions and also promotes capital market development. There are approximately 600,000 NPF participants in Ukraine. Proper oversight must protect these retirement funds. FINREP-II provided guidance to the FSR on the proper oversight of accounting under IFRS by entities in order to identify inconsistencies between IFRS and FSR regulations and to promote the professional development of regulators. The Project worked with the FSR on changes that improve NPF accounting and financial statements, due to IFRS adoption. The Project procured and transferred official IFRS guidance and ISA publications to its counterparts, and selected a local accounting firm to develop guidance and training on the differences between IFRS and Ukrainian Accounting Standards, as well as recommended changes to FSR regulations to ensure IFRS compliance. FINREP-II and the FSR co-hosted trainings on IFRS compliance and best NPF accounting practices.

**IFRS Implementation at the MOF, NBU, and other GOU institutions.** FINREP-II supported the IMF conditionality placed upon the NBU to improve its oversight on exposure of risks for banks. Participants from the NBU banking supervision unit, NBU accounting department, the MOF, the FSR, the NSSMC, and commercial banks attended training on IFRS consolidated financial statements. FINREP-II delivered a three-day workshop for financial sector regulators on Data-Point Modeling using XBRL for financial market supervision, at the request of the NBU. DPM creates models that
reflect the reporting requirements of European supervisors. DPM will extend XBRL electronic reporting beyond IFRS to include all regulatory reporting required by the NBU and DGF. FINREP-II coordinated this work with the IMF TA project and worked with the EU Delegation project to transition USAID assistance in this area.

**Task 1.2.D:** Assist the USAID Mission in Ukraine to prepare a local accounting association for direct grant support to further achieve IFRS implementation, including international audit readiness and ability to receive direct support from large international donors. FINREP-II focused this task around USAID FORWARD objectives, and implemented a Capacity Building Program (CBP) to support IFRS implementation on a sustainable, long-term basis through a local accounting NGO. Activities included:

**Local Capacity Assessment.** FINREP-II worked with two existing accounting NGOs to participate in the CBP: the Ukrainian Federation of Professional Accountants & Auditors (UFPAA) and the Ukrainian Association of Certified Accountants & Auditors (UACAA). FINREP-II launched Organizational Capacity Assessments for both accounting associations. The Project conducted workshops for each NGO, followed by coaching sessions and mini-trainings on monitoring and evaluation. As a result, Institutional Development Assessment reports were developed for both UFPAA and UACAA. FINREP-II also delivered methodological documents, books and online resources regarding NGO capacity building, including information or training opportunities such as USAID’s UNITER Project’s NGO Marketplace.

**NUPAS.** FINREP-II led the implementation of the Non-U.S. Pre-Award Survey (NUPAS). FINREP-II worked with local audit firms to conduct a preliminary assessment of NGOs’ capacity to work directly with USAID. EBS Consulting trained NGOs to meet the NUPAS requirements.

**Selection of UFPAA and Capacity Building.** UACAA eventually dropped out of FINREP’s assistance in this area, demonstrating little interest towards pursuing recommended improvements. By contrast, UFPAA showed great commitment to reform in light of NUPAS. FINREP-II trained UFPAA and helped improve its original score from “Weak” to “Adequate.” By Project end, FINREP-II had helped UFPAA increase its NUPAS score from 2.68 to 3.25 (out of 4). UFPAA is now eligible to receive USAID grant funding to further support IFRS implementation.

**Impact and Performance for Sub-Objective 1.2**

FINREP-II assisted the adoption of international guidelines and best practices on corporate governance, public disclosure, investor protection, and market oversight. Post Maidan, FINREP-II was a catalyst for increased conformity with international standards such as IOPS, IOSCO, IFRS, IAS, ISDA, OECD Benchmarks, etc.

FINREP-II assisted the NSSMC and DGF in implementing Corruption Prevention Plans to minimize corruption risk within their organizations; drafted and helped implement over 40 regulations and procedures for the NSSMC and DGF; and trained
over 100 staff of the NSSMC and DGF on anti-corruption tools. Beyond the NSSMC and DGF, FINREP-II built the capacity of a local NGO to deliver future anti-corruption capacity. This NGO has assisted the MOJ with implementing procedures to fight corruption in partnership with the new Anti-Corruption Bureau.

FINREP-II developed Roadmaps for USAID and the MOF on the national roll-out of IFRS. The Project conducted 13,000 hours of accounting training, including nearly 10,000 hours for female professionals (more than double the PMEP goal). According to the World Economic Forum’s Global Competitiveness (WEF-GCR) Strength of Reporting Standards Index, Ukraine slid slightly in its score from 3.7 to 3.6 (Index score out of 7). Ukraine’s European Business Association Score for Investment Attractiveness increased from 2.18 to 2.66 (a sign of conformity with international standards). Ukraine’s Protecting Investors Score from the World Bank also slid slightly from 87th to 88th place, yet almost preserving the gains from previous years’ achievements. FINREP-II helped UFPA become eligible for a USAID grant to further advance IFRS roll-out in Ukraine, subject to the final USAID assessment of their operational and financial capacity.

Sub-Objective 1.3: Reform of the Deposit Insurance System

FINREP-II provided technical assistance to the DGF during the economic crisis and widespread bank failures, with over 60 bank collapses, one-third of the banking sector. At the height of the banking crisis in April 2014, over 60,000 calls came into the DGF call center daily, greatly exceeding its capacity and requiring immediate assistance.

While the DGF was initially assumed to be a major recipient of technical capacity under FINREP-II, the severity of the crisis brought other donors including the U.S. Treasury, to seek a leading role in assisting the DGF. FINREP-II cooperated with the U.S. Treasury, and supported the development of enhanced functionality of the DGF through the following activities:

Task 1.3.A: Help the DGF develop internal procedures and regulations to implement the DGF Law #4452-VI to perform bank resolution and deposit payout functions. The Project provided the DGF with on-site technical assistance to research legal and regulatory issues dealing with bank resolution, recommend changes to DGF procedures, and prepare amendments to the DGF law. Additionally, FINREP-II assisted with:

Implementation of the DGF Law and Institutional Growth. Ukraine adopted a new Deposit Guarantee Fund (DGF) Law in 2012, which called for GOU bank liquidation and resolution previously missing in Ukraine’s banking landscape. The DGF, however, needed significant technical assistance on bank resolution practices, crisis communications, risk-based premiums implementation, information technology programs, and human resources development. FINREP-II responded to this DGF need by developing an institutional “readiness” roadmap in coordination with the World Bank. The roadmap included key elements: 1) establish a technical assistance partnership
with international peers, namely the U.S. FDIC; 2) introduce a new organizational structure; 3) develop a public communications strategy; 4) develop materials for the public communications strategy; 5) train DGF staff on public communications; 6) develop internal procedures and regulations for technical activities; 7) adopt new business planning, financial management, and reporting procedures; and 8) improve IT systems.

**Task 1.3.B: Assist the DGF to improve its governance and accountability, including business planning, financial management, and public communication.** This work took on national attention in the aftermath of Maidan and subsequent banking crisis. FINREP-II engaged the DGF to meet immediate crisis communication needs, and address bank resolution issues. The Project was expected to deliver at least 10 material improvements to the DGF over 5 years; FINREP-II delivered 12 in 3 years.

Achievements included:

**Public Outreach.** FINREP-II developed educational brochures on the deposit guarantee system and depositors’ rights to promote the DGF insurance system, and build confidence in the banking system. The brochures covered: “The Deposit Guarantee System in Ukraine”; “Questions and Answers about the Deposit Guarantee System”; and “What Should a Depositor Do if a Bank Fails and When DGF Payouts Occur?” FINREP-II and the DGF printed nearly 200,000 copies of each of these brochures. FINREP-II helped the DGF produce informational TV spots, and delivered public outreach videos entitled “Family Savings Protected” and “If You Know How to Make Money, Learn How to Save It.” These videos informed depositors about the deposit guarantee system, contributed to increased trust in the banking system, and promoted increased awareness of the DGF. Each video was 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, thereby disseminating the information to millions. FINREP-II produced three radio spots for the DGF that communicated provisions of the deposit guarantee system to build confidence in the safety of deposits. The radio spots began broadcasting nationwide in 2015, reaching nearly 3 million listeners each day (HitFM, 1.2 million; RadioRelax, 390,000; RadioRox, 385,000; KissFM, 602,000; and RadioMelodia, 404,000). According to TAVR Media estimates, millions of Ukrainians listened to the information.

**Financial Literacy with the DGF.** FINREP-II developed a financial education training program for the DGF, modeled after the U.S. FDIC’s “Money Smart Program” for U.S adults. FINREP-II’s program aimed to help people learn the basics of handling finances, with a major focus on the deposit insurance system. The program consisted of two modules: 1) Banking Services and Products; and 2) the Deposit Guarantee System. FINREP-II created the script, assessment questions, and IT suggested animations for each module. The Project developed an “eBook” version of the Modules for posting on the DGF website. It is expected that the Website will be rolled-out in 2016 (with DGF anticipation of future support from international donors).
**Crisis Communications.** FINREP-II provided over 1,100 hours of crisis communications training to the DGF and its staff, providing nine demand-driven training seminars on topics ranging from: developing systems and strategies for DGF press releases; to examining policies and procedures that address “emergency” communications between the DGF and the NBU. FINREP-II advised senior management on issues related to the DGF’s over-burdened Call Center, and achieved reasonable response times.

**Asset Management.** FINREP-II and former FDIC staff supported improvements in the DGF’s regulatory and operational framework, including re-working the DGF’s bank resolution and asset management procedures. FINREP-II introduced international best practices on disposition strategies for distressed assets, and trained DGF staff on bank resolution and troubled asset management, with a focus on marketing of banks and troubled assets.

**Early Warning System for Banks.** FINREP-II advised the DGF, in coordination with the NBU, on developing early warning systems for troubled banks. This included reviewing and commenting on four laws and related regulations affecting banking resolution; and providing recommendations on collection strategies to maximize the recovery for the benefit of the provisional administration/conservatorship or receivership estate.

**Task 1.3.C:** Advise the DGF management on the establishment of a “training and coordination department” at the DGF to maintain high levels of competency and professionalism. A part of this training program was the development of a DGF Action Plan and sociological survey.

**Action Plan.** FINREP-II developed a comprehensive Action Plan with the DGF to provide long-term technical assistance on procedures and internal regulations on bank resolution and guaranteed deposit payouts to implement the DGF Law. This Action Plan included recommendations on improvements to the DGF’s staffing and organizational structure that were adopted into DGF procedures.

**Sociological Survey.** FINREP-II created and implemented a sociological survey to assess the level of public awareness of the deposit guarantee system in Ukraine. The survey asked questions about general understanding of the deposit guarantee system, depositors’ awareness of their insurance coverage, and the public’s need for information about the deposit guarantee system. The results quantified gaps in the DGF’s public outreach, financial literacy, and consumer protection efforts. It identified areas for staff and management improvement. The survey results were published and distributed to major financial sector stakeholders, and the DGF and FINREP-II held a public presentation of the survey results to financial sector professionals in September 2015.

**Task 1.3.D:** Assist the DGF procure software and hardware to establish modern information technology (IT) systems. This included:
**DGF Call Center.** At the height of the banking crisis in 2014, the DGF was receiving approximately 8,000 calls per hour. DGF staff were not equipped to handle even 10% of them. Calls were being missed, and questions and concerns were not addressed. FINREP-II helped to establish the “Customer Call Center,” which went live on November 24, 2014. The DGF’s capacity to handle public inquiries rose from 2 to 30 simultaneous calls. The FINREP-II-created system tracked an expanded list of statistics that helped the DGF manage their Call Center’s needs and better understand most frequent public inquiries.

**Financial Literacy and DGF Website.** To advance the two modules on DGF’s financial literacy and public outreach (i.e., “Banking Services and Products” and the “Deposit Guarantee System”), FINREP-II worked with a local IT company to develop interactive, multimedia software for the DGF’s Financial Literacy Web-based Education Project. It is expected that the Website will be rolled-out in 2016 (with DGF anticipation of future support from international donors.)

**Task 1.3.E:** Promote international cooperation between the DGF and U.S. FDIC and other counterparts. FINREP-II supported an MOU between the DGF and FDIC, facilitating an important international learning experience.

**U.S. FDIC Technical Assistance.** FINREP-II established an international technical assistance partnership with the U.S. FDIC and several former FDIC staff. The U.S. FDIC and FINREP-II developed and delivered training for DGF on bank resolution practices, IT for data processing on bank resolution, managing troubled assets, risk based premiums, processes for investigating failed banks, procedures to identify misconduct by owners, and management of insolvent banks. Additionally, DGF staff attended special training events in the U.S. organized by the FDIC in support of the MOU objectives.

**Impact and Performance for Sub-Objective 1.3**

At Project commencement, FINREP-II established a scorecard with and for DGF improvement that was incorporated into the PMEP. The Project achieved the following improvements in the DGF’s operational capacity to provide better financial safety to depositors: 1) established a technical assistance partnership with the U.S. FDIC, 2) introduced a new organizational structure based on a jointly developed Action Plan, 3) developed a public communications strategy, 4) developed materials for a national roll-out of the public communications strategy, including radio and TV spots, 5) trained DGF staff on public communications, 6) developed internal procedures and regulations for bank resolution and asset management, 7) adopted new procedures for business planning, financial management, and reporting, 8) designed an outline of the financial literacy website to the DGF, 9) improved the DGF Call Center, 10) developed an early warning system for banks, 11) introduced IFRS and XBRL at the DGF, and 12) initiated an anti-corruption plan.
While accomplishing objectives with the DGF, FINREP-II worked with the World Bank, U.S. Treasury, IMF, EBRD, and other donors on technical assistance coordination. This collective effort dramatically improved the DGF’s capacity to handle bank resolution and deposit payout functions.

Sub-Objective 1.4: Pension Reform – Pillar II Support

FINREP-II’s pension reform work spanned various components of the Project. Under Objective 1, FINREP-II assessed critical pension issues, acquainting Ukrainian counterparts to international experience and industry standards. Under Objective 3, FINREP-II promoted financial literacy aspects of retirement planning. The primary pension reform work occurred under Sub-Objective 1.4, where FINREP-II reviewed conditions for the introduction of a mandatory accumulation pension system (MAS), also known as the Pillar II Pension System.

As the primary donor-funded Project assisting GOU on pension reform, FINREP-II made a significant contribution in assisting the GOU analyze options and preconditions for the introduction of Pillar II pensions. The move to an employer-based system aimed to significantly reduce the fiscal burden on the Pension Fund of Ukraine. FINREP-II coordinated with the World Bank and the IMF throughout the course of this work.


After years of legal and political jockeying that failed to materialize into Pillar II implementation, the MLSP finally resolved and proposed a Draft Law that consolidated all pension legislation, including Pillar II. This draft “Law On Amending the Implementation of the Accumulation System of General Mandatory State Pension Insurance and Uniform Principles of Accruing Pensions” was introduced to the Verkhovna Rada on April 30, 2015. The legislation initiated a funded pension system for workers entitled to privileged and special state pensions, in addition to a full Pillar II system for all workers contributing to the solidarity system.

At this crucial point in the legislative process, FINREP-II examined whether preconditions necessary for Pillar II could be met by the 2016-2017 proposed
implementation deadlines. The Project produced a report that outlined Pillar II preconditions step-by-step, citing studies and identifying areas necessary for improvement before proceeding with Pillar II implementation. FINREP-II helped the MLSP establish three important Pillar II preconditions: 1) sound macroeconomic policies, 2) an adequate financial sector, and 3) improved implementation capacity.

Based on FINREP-II’s expertise, the MLSP and other GOU stakeholders agreed that Pillar II pension reform in Ukraine should be delayed until these preconditions are met. Although Pillar II reforms have been under development for a decade, it was important to help the MLSP understand that additional work was warranted. These efforts will provide sufficient time for implementation planning, allowing the economy to stabilize, and ensuring citizens have access to secure funded pensions in the future.

**Task 1.4.B:** Assist the PFU on technical and business process reengineering to serve as a MAS Fund (e.g. administration, custody and asset management) in line with international norms and principles. FINREP-II helped develop the investment strategy for the MAS Fund that ensured openness and transparency, and supported trainings for MAS Fund Board members. Highlights of this work included:

**Roadmap for Administrative Improvement.** FINREP-II provided the PFU, MLSP, and other GOU stakeholders with a roadmap on improved technical and business administration of the pension system. The Roadmap covered: Anti-Corruption Measures, Solidarity System Administration, Pillar II Administration, Capital Market Twinning, Regulatory Restructuring, Policy Capacity, IT Systems, and Public Communications.

**Public-Private Dialogue.** FINREP-II facilitated a dialogue at policymaking levels of the GOU. The Project supported policy development for the MLSP, PFU, the Rada Committee on Pensioners, Veterans, and Disabled Persons, and the Rada Committee on Finance and Banking. FINREP-II participated in numerous Working Groups with the MLSP on the needs for Pillar II implementation. FINREP-II co-organized a roundtable with the Reanimation Reform Package Project on “Pension System Reform in Ukraine: Threats, Challenges and Prospects.” FINREP-II organized the Workshop on “International Practice of Mitigating Investment Risks in Private Retirement Schemes,” highlighting OECD principles of pension assets investment. This conference included representatives from the Presidential Administration, CabMin, Verkhovna Rada, MEDT, MOF, MLSP, PFU, NBU, FSR, and NSSMC.

**Actuarial Calculations.** FINREP-II’s actuarial calculations in 2014 and 2015 established that the financial situation in the pension system could permit introduction of Pillar II in 2017 (not earlier). FINREP-II developed “Recommendations for Fiscally Sound Pension Reform in Ukraine” addressing further steps for implementing pension reforms. The Project prepared the analysis in coordination with the MLSP, and set forth recommendations regarding short-, medium-, and long-term strategies for pension reform.
IOPS and Pension Investment Standards. FINREP-II developed proposals for the MLSP on implementation of the provisions for the EU Directives on occupational pension provisions. The Project sponsored the FSR’s participation in the IOPS Seminar on “Pension Developments in the Central and Eastern European Region.” In partnership with the Ukrainian Association of Investment Business, FINREP-II co-sponsored a conference on “Investment Business: Overcoming the Crisis.” The Project developed solutions for the MLSP on how to overcome challenges for the Accumulation Pension System. FINREP-II organized a three-day seminar on “Risk Management” for regulators from the NSSMC and FSR, and trained stakeholders from leading financial sector organizations.

Task 1.4.C: Assist the NSSMC, FSR, and MAS Fund strengthen their IT systems and train staff to ensure the safety of MAS assets, including monitoring of NPF reserves to pay any shortfall in investment returns, and full disclosure of NPF’s activities on a regular basis.

Evaluation of PFU IT Capacity. FINREP-II conducted a workshop, in coordination with the PFU, on international experiences in implementing IT solutions to improve efficiency of pension systems and increase transparency by allowing the public greater access to online data. FINREP-II experts visited 20 PFU offices across Ukraine to evaluate the varying degrees of IT capabilities within each office, and developed a report on the evaluation of the PFU Offices for GOU stakeholders.

Public Disclosure System Update (Non-State Pension Funds). FINREP-II delivered an update to the FSR’s Public Disclosure System for NPFs during 2015. PDS is an online data system that allows NPF participants to track their fund’s activities and compare the results to other NPFs.

Task 1.4.D: Develop position papers on pension reform that highlight advantages, challenges, opportunities, and threats following from different international models and experiences. Highlights included:

Policy Papers. FINREP-II prepared analysis and policy papers for the Verkhovna Rada’s Committee on Pensioners’, Veterans’ and Disabled Persons’ Affairs to facilitate informed dialogue from the independent point of view. FINREP-II provided the Committee on Social Policy, Employment and Pensions with materials on international practices on granting pensions to civil servants, including those participating in accumulation pension schemes.

Regular Publications. FINREP-II published periodic publications of “Global Experience in Pension Reform” (Pillars I, II and III) with information on the European Commission’s pension provisioning policy. The Project published eight quarterly issues from 2013 to 2015, and distributed them to the MLSP, FSR, PFU, NSSMC, and Verkhovna Rada Committees. They addressed current and upcoming legislation related to pensioners, veterans, and the handicapped.
Other Presentations and Articles. FINREP-II was a steadfast contributor to workshops, conferences, and presentations on pension issues. Beyond facilitating GOU participation in international conferences on pension reform, FINREP-II was regularly called upon to brief the GOU on operations of accumulation pension systems and lessons learned from other countries’ experiences. The Project authored several articles on Pillar II implementation for the Pension Courier Newspaper, including: Pillar II: Is the System Ready?; and The Effect from Pension Reform Will Grow. FINREP-II experts were frequently called on to give interviews on Pillar II implementation issues in local and international media outlets.

**Task 1.4.E:** Assist the MLSP and FSR in drafting regulations for private sector pension funds and operating rules for the MAS Fund, with oversight procedures and regulatory reporting for both private and public sector administrators. Beyond the aforementioned legal and regulatory work, FINREP-II advised the FSR on international best practices on the operation of non-state pension funds, implementation of prudential supervision, improvement of corporate governance, and reporting on Pillar III. FINREP-II worked closely with the FSR on many areas where Pillar II and Pillar III administration and regulation overlap. Examples included:

**Pension Fund Value Calculation.** FINREP-II assisted the FSR regarding the calculation of the value of a pension fund’s asset portfolio and the calculation of the value of a unit (share) of the pension fund. These consultations helped ensure the proper valuation of pension assets and fair distribution among participants.

**Administrative Fee Reductions.** FINREP-II’s support of the FSR’s efforts to reduce the administrative charges of private pension funds explained how much a beneficiary received upon retirement. Each reduction in administration costs per 0.25% of assets increased a person’s retirement account by 7.5%.

**Task 1.4.F:** Promote cooperation between financial institutions and CSOs (including industry associations, media outlets, and educational institutions) in designing and implementing public education campaigns and training programs to explain the need for and benefits of the MAS. As outlined above, FINREP-II was a “go-to” contributor to pension reform awareness via local and international media outlets. Other achievements included:

**Financial Literacy Related to Pensions.** FINREP-II conducted web-based lectures on budgeting and savings for different age groups, including pensioners, young couples, and college and high school students. This initiative was part of the NBU’s “All-Ukrainian Financial Literacy Week” initiative. FINREP-II partnered with MetLife Alico insurance company to conduct a financial literacy seminar on the Ukrainian pension system and the differences between banking and life insurance products. The Project produced hundreds of different public outreach materials and brochures about pensions, including “Key Points about Pensions;” “Pension Benefits to Those Who
Protect and Guard the Motherland;” and “Benefits and Exemptions of Motherland Protectors and Their Families.”

Public Outreach. FINREP-II participated in over twenty GLAS TV Channel Programs on financial literacy, consumer protection, and pension issues. The Project was the lead source of donor-funded public information on pension reform issues.

Pension Reform Websites. FINREP-II regularly provided updates to the FINREP-II website and the website on pension reform issues in Ukraine, www.pension.kiev.ua, which was created by previous USAID projects to help Ukrainians better understand the new pension system. The pension websites are essential for increasing pension reform transparency and public-private dialogue.

Impact and Performance for Sub-Objective 1.4

FINREP-II made noticeable progress in all of its goals related to Pillar II roll-out, including: preparing legislation for eventual Pillar II implementation, full disclosure of MAS Fund and private pension funds, and increasing public confidence in Ukraine’s pension fund administration and benefits.

Pillar II was not rolled-out and implemented under FINREP-II as Ukraine was not ready to implement Pillar II. Certain foundational precursors must be achieved before Pillar II can be properly implemented. FINREP-II initiated many of these foundation activities, including: strengthening the role of NPF Boards; promoting international best practices in investing assets of private pension funds; increasing GOU capacity to understand and deliver prudent pension policy; IT systems upgrades; increasing transparency and public communications; and commitment to reform consistent with international best practices on mitigating investment risks to retirement funds.

Quantitatively, Ukraine increased its percentage of share of assets of private pension funds in relation to GDP from 0.01% in 2012 to 0.48% in 2015. Yet, due to drop in the GDP this increase unlikely represent increase in pension assets accumulation in light of the economic crisis. FINREP-II expects this percentage share to increase substantially by 2017.

Objective 2: Develop Financial and Derivatives Markets

Ukraine is alone among modern economies without a vibrant and well-regulated derivatives market, without a global model-compliant commodities futures exchange. Such exchanges provide powerful economic benefits: price discovery; price insurance via hedging; SME producer empowerment; risk mitigation; and new investment opportunities. FINREP-II estimated that such a commodities futures exchange would

---

3 NOTE: No USAID resources were utilized in the development of any materials or brochures on assistance to military personnel. FINREP-II’s implementer, Financial Markets International, Inc., provided the resources for these publications and Ukrainians have reproduced over 100,000 of these FMI publications.
benefit the livelihoods of approximately 55,000 agricultural producers across all oblasts of Ukraine. However, no such exchange can exist when a government interferes in pricing via export controls or fees that artificially and dramatically manipulate commodity prices - - and, where no derivatives law is in place to supervise market operations and punish wrong-doers.

These latter factors stalled the Project initiatives. However, the post-Maidan reform atmosphere offers opportunity. While Ukraine’s economy has shrunk by over 14%, with inflation over 40%, and with most industries in decline, the agricultural sector has grown. Forecasts anticipate that by 2020 Ukraine will grow from 6% of world grain production to 8%; and 15% of global grain exports to 18%. For the first time in Ukraine’s history, in 2015, agriculture outpaced manufacturing as the country’s largest export industry.

The GOU is beginning to see the opportunities in this area. The Ministry of Agrarian Policy and Food prepared a comprehensive “Strategy for Agriculture and of Rural Development 2015-2020. The NBU prepared a “Comprehensive Program of Financial Market Development of Ukraine until 2020.” The principal objective of these two strategies was to develop a competitive financial market in-line with EU standards. And a key part of that objective was a functioning commodity market that ensured transparent price discovery, no GOU price manipulation, and the development of appropriate Derivatives Laws and GOU supervision.

In support of these new GOU priorities, FINREP-II assisted policy makers, market participants, and other stakeholders to create an enabling environment for reformed commodity exchanges, and to establish the infrastructure that facilitates greater access to finance for farmers and develop price risk management products.

Previously, all donor-funded efforts in the derivatives area were thwarted by market-distorting interventions by the GOU (e.g., the imposition of quotas, export contract registration requirements, and the creation of the state-owned exchange ACX). These actions alienated large traders and exporters - - the natural users of domestically-listed commodity futures contracts. Post Maiden, with a reform-oriented GOU, steps are underway to create an environment with properly drafted legislation, and operational and financial guidelines that follow international best practices.

Sub-Objective 2.1: Enabling Environment

FINREP-II’s strategy focused on creating an environment conducive to a modern, organized derivatives market. This entailed development of a solid legal foundation for the introduction of derivatives. Jointly with other donors, GOU, and market participants, FINREP-II worked extensively on the creation, and improvement, of two important laws: The Law on Derivatives and The Law on Commodity Exchanges.

**Task 2.1.A:** Help the GOU to draft laws and regulations for successful commodity and derivatives trading, as well as financial risk management. The primary
work was the drafting, and re-drafting, of the Laws on Derivatives and Commodity Exchanges. Beginning in 2013, FINREP-II initiated a dialogue with GOU officials on the introduction of derivatives, as well as helping to develop a draft Derivatives Law. At that time, there were several initiatives underway by various stakeholders—all with their own special interests and agendas—to develop this draft law. Each version of the law had its drawbacks and inconsistencies with international norms and practices. Accordingly, FINREP-II served as an independent authority on best practices, and provided the MEDT with detailed comments on the various versions and explained how each one would impact the future development of the market.

Later in 2013, the MEDT put forward its version of the Derivatives Law. FINREP-II provided comments and suggested revisions that the MEDT accepted and agreed to incorporate. Due to the political upheaval in early 2014, the CabMin postponed work on the Law. After months of inactivity, the GOU published a draft law in the summer of 2014, which still included serious deficiencies. FINREP-II responded by forming a private stakeholder Working Group to revise the new draft law and provide guidance for the derivatives market in general. Because the work on derivatives legislation was transferred from the MEDT to the NSSMC, the Project engaged in frequent, often daily, contact with the NSSMC on how the law should be structured in line with EU Directives, IOSCO, and other international best practices. The FINREP-II-led Working Group submitted a final version of the draft law to the MEDT and NSSMC for review and acceptance, and it was included in the 2020 Program. This new draft law merged the Law on Derivatives and the Law on Commodity Exchanges into one comprehensive law. The draft law (now known as Draft Law # 3498 “On Amending Certain Legal Acts Regarding Regulated Markets and Derivatives”) was registered in Verkhovna Rada on November 20, 2015. Afterwards, during Committee Hearings on the draft law, FINREP-II was praised for its work and expertise.

**Task 2.1.B:** Promote public-private dialogue between the GOU and the private sector during the development of derivatives legislation. In June 2015, FINREP-II hosted the “Ukraine’s Commodities Markets and Derivatives Markets: A Development Agenda for the Agricultural Sector” workshop to discuss the legislative, regulatory, and infrastructural aspects of the operations of commodity futures markets. Participants included officials representing the MEDT, the Ministry of Agrarian Policy and Food, the NSSMC, commodity and stock exchanges, professional associations in the agro-industrial complex, as well as representatives of the private sector and international organizations. FINREP-II presented the results of Ukraine’s commodity futures market survey and Commodity Futures
Roadmap recommendations, and conference materials were made available on the FINREP-II website.

This Conference created momentum to complete the legislation and empower the NSSMC with supervision and regulation authority over this market, as the NSSMC requested expanded FINREP-II assistance, and energized its efforts. Likewise, private sector producers, exporters, and extant exchanges mobilized discussions.

**Task 2.1.C:** Promote international cooperation in establishing monitoring and oversight over derivatives to ensure that futures trading is financially sound, transparent, and efficient. As mentioned in Task 2.1.A, FINREP-II’s efforts were focused on establishing the legal and regulatory environment for a functioning commodity futures exchange. The 1991 Law on Commodity Exchanges contained an archaic concept of a commodity exchange and did not provide sound prudential supervision requirements. As a result, Ukraine has a plethora of “exchanges” solely created for tax avoidance.

The new Commodity Exchange Law was drafted in accord with international norms and could permit the full potential for development of Ukraine’s commodity markets. FINREP-II worked closely with both the MEDT and NSSMC, in drafting this law. The Project submitted a Conceptual Framework for the Commodity Exchange Market Regulation to the MEDT in 2014, which included international comparative experiences in establishing and regulating commodity exchange markets. It highlighted conflicting provisions from the MEDT’s Draft Law on Commodity Exchange Markets with EU and international best practices. Under FINREP-II leadership, a Working Group was created consisting of FINREP-II experts, as well as representatives of commodity exchanges, stock exchanges and the state-owned Agrarian Exchange. The Working Group developed a consolidated draft law which created a framework for regulation and supervision of commodity trading, including: licensing of commodity exchanges, clearing and settlement infrastructure for spot trading, and requirements for trading participants. The MEDT submitted the final draft law “On Regulated Markets and Derivatives” to central authorities for approval in October 2015. On November 20, 2015, the GOU delivered a Law on Derivatives to the Rada for passage.

**Task 2.1.D:** Assist small and medium producers on the benefits of modern risk management systems and practices. In consultation with the USAID AgroInvest Project, FINREP-II provided information to SME agriculture producers. FINREP-II also promoted the use of futures and forward contracts for risk mitigation and access to finance. Achievements included:

**First-Ever Agricultural Survey on the Prospects of Commodities Trading to Increase Agrarian Profitability.** FINREP-II competitively selected a local firm to conduct FINREP-II’s survey “On the Prospects for the Commodity Exchange Market and Commodity Derivatives Market to Increase the Agrarian Sector Profitability in Ukraine.” The survey polled commodity market stakeholders, including producers of agricultural products (private farms, agricultural enterprises, agro-holding companies), processors, elevators/warehouses, brokers, commodity exchanges, exporters, shippers,
and financial intermediaries involved in the agrarian market. In May 2015, FINREP-II completed analysis of its survey which showed that the agricultural market was “defective” and “lacked both a commodity exchange market and a commodity futures market.” The survey revealed strong support for an effective commodity futures exchange.

**FINREP-II Success Story: Groundbreaking Agriculture Market Survey**

FINREP-II conducted the first-ever nation-wide survey of the entire agricultural sector value chain. The survey focused primarily on agriculture risk management practices. A significant share of the value chain participants were aware of risk management practices, such commodity futures and hedging, but only 5% used these instruments. By comparison more than 90% of U.S. farmers use hedging mechanisms.

The findings showed a clear contradiction: Ukrainian agriculture stakeholders have sufficient knowledge and opportunities for using derivative instruments, but they avoid them due to lack of transparency, lack of access, and lack of understanding of their benefits (other than simple forwards contracts). Given this gap in knowledge and use, FINREP-II concluded that educational and advisory work with agro-producers is needed to educate end-users about exchange instruments and their advantages—especially considering current market conditions which are often prone to frequent, abrupt, and unpredictable price fluctuations.

**Impact and Performance for Sub-Objective 2.1**

FINREP-II achieved two significant objectives: 1) successful re-drafting of weak draft laws on Derivatives and Commodity Exchanges; and 2) consensus building to facilitate the introduction of a draft law that incorporates international best practices with input from private sector and CSO stakeholders. Because of FINREP-II’s efforts, on November 20, 2015, the GOU delivered a Law on Derivatives to the Rada for passage. Implementation will allow Ukraine to move forward with the creation of a vibrant and well-regulated futures exchange, with benefits for small producers, end-users, and investors who will have access to reliable price information, risk mitigation practices, and new investment opportunities.

In the post-**Maidan** environment, the GOU regulatory authorities are eagerly seeking better understanding of derivatives markets and their benefits. FINREP-II was able to form and lead several Working Groups, consisting of stakeholders and GOU regulators. FINREP-II’s Workshops were catalysts that spurred further GOU action on FINREP-II versions of the draft laws.

FINREP-II’s pioneering agricultural survey of commodity market participants established a vital baseline of information on how Ukraine’s commodity markets function and how derivatives could be effectively used. The Survey will serve as the basis for future trainings on risk mitigation practices; the operational structure of Ukraine’s exchanges; and the regulatory framework for the NSSMC to license, monitor, and enforce.
Sub-Objective 2.2: Financial Instruments

FINREP-II assisted in the development of new financial instruments in Ukraine, including agricultural derivatives, foreign exchange or interest-rate hedging instruments, asset-backed bonds, and products that can be traded via a well-regulated futures exchange. All such products require a proper legal enabling environment.

Task 2.2.A: Because no derivative instruments exist in Ukraine, FINREP-II prepared a detailed Roadmap on how such instruments, particularly agricultural derivatives, would be implemented. The Roadmap described the current status of commodities markets, and made recommendations on how to overcome obstacles to the development of derivatives and commodity exchanges. In June 2015, FINREP-II completed the seminal “Commodity Futures Markets Development in Ukraine: 2015 Onward.” It is a 70-page report delivered at a conference of GOU and private sector stakeholders in 2015, discussed in numerous small workshops with regulators and market participants, and made available on the FINREP-II website and DEC reports database.

Roadmap Outline. Section I of the Roadmap analyzed the Commodity Markets Survey mentioned in Task 2.1.D above. The Survey focused on grain crops, oilseed, and livestock production. It identified various barriers to the development of commodity exchanges and commodity derivatives markets, and highlighted the magnitude of potential interest in exchange-traded products to offset price risk. Section II, Price Risk in Ukraine’s Agricultural Sector, examined spot price transactions among agricultural sector participants, as well as practices employed in the absence of price risk management products. Section III, Commodity Futures Contract Development, outlined factors necessary for the success of any commodity futures contract. It verified that Ukraine’s principal grain crops meet the requirements for a large underlying cash market. And, it outlined procedures for creating a successful commodity futures contract, with lessons learned from international experiences. Section IV, Impediments to Establishing a Commodity Futures Exchange in Ukraine, reviewed the administrative and operational obstacles that Ukraine must overcome to properly implement futures contract. Section V, A Comparative Regulatory Approach, described several models, including: a unified model (China); bi-furcated model (US, UK); and a product-based model (Japan). This allowed policy makers to assess or consider the most suitable model for Ukrainian institutions and capacities. Section VI established a conceptual framework for a commodity futures market in Ukraine. It offered suggestions on regulating commodity futures markets based on IOSCO. The framework aimed to promote financial safety, fairness, and market efficiency and integrity. Finally, Section VII outlined a series of recommendations central to creating an environment in which: 1) the legal and regulatory regime governing commodity exchanges is in accord with international best practices; 2) commodity-related transferable instruments facilitate access to finance; and 3) participants in the agricultural sector are informed about managing price risk.
**Task 2.2.B**: Develop analyses on the financial instruments that could be used for investment in Ukraine, including: recommend reforms, and changes in legislation and practices. Highlights (apart from the ones previously noted in Sub-Objective 2.1) included:

**Analysis on Agricultural Derivatives.** In several issues of FINREP FOCUS and in FINREP-II’s Workshops with GOU officials and private sector stakeholders, the Project outlined how derivatives could be used, how they should be regulated, and the many benefits they offer.

**NBU Assistance in key areas (e.g., FX Management and Research).** FINREP-II participated in the development of the 2020 Comprehensive Program for Financial Sector Development and provided comments to respective sections. The 2020 Program was approved by the National Reform Council and by the NBU on June 18, 2015. FINREP-II was appointed the leader of two components under the Program: Financial Consumer Protection and New Instruments for Consumer Protection (Financial Ombudsman). Per an NBU request, FINREP-II prepared functional requirements for a website to develop the legislation and manage input on laws and regulations stemming from the reform process. Additionally, FINREP-II updated the previous FINREP-I Report on FX management and the use of FX instruments to hedge against currency risk.

**Impact and Performance for Sub-Objective 2.2**

FINREP-II’s Roadmap, “Commodity Futures Markets Development in Ukraine: 2015 Onward,” was a critical second step in the creation of Ukraine’s derivatives futures market. The first step was the development of the enabling environment and legislative framework (Sub-Objective 2.1). This second step provided a blueprint for GOU and private sector stakeholders to implement. The requisites for successful derivative markets are well known.

Due to the termination of FINREP-II in 2015, FINREP-II was unable to roll-out its training program for small and medium-sized farmers. Further, the Project curtailed work with exchanges on how to develop futures contracts; increase liquidity; and operational and financial plans. Nonetheless, FINREP-II’s Roadmap will serve as the foundational document that will lead development of this market for the next decade.

**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 to: 1) apply basic financial skills on a daily basis; 2) engage authorities on the fairness and adequacy of financial laws and regulations; and 3) protect personal savings and investments.

FINREP-II worked closely with numerous civil society and private sector stakeholders on initiatives related to financial literacy and awareness, and coordinated
with the NBU and Minister of Education. FINREP-II aimed to dramatically increase public understanding of the principles of a modern market economy and the benefits of having transparent and accountable financial sector institutions with prudent regulatory oversight and protection. FINREP-II's financial literacy activities were divided into three Sub-Objectives: 1) Policy Dialogue; 2) Financial Literacy in Schools; and 3) Non-Formal Methods of Financial Literacy for All Citizens.

**Sub-Objective 3.1: Policy Dialogue on Financial Literacy**

USAID has been the lead provider of financial literacy technical assistance to the GOU since 2010. USAID’s technical assistance has been a catalyst for innovation and change in promoting the importance of financial literacy, financial education, and consumer protection. Beginning with FINREP-I’s first national public survey on financial literacy, USAID FINREP Projects have been committed to promoting private-public dialogue on financial literacy issues. FINREP-II continued this policy dialogue in four important areas: 1) supporting GOU Working Groups to develop policy, strategy, and action plans related to financial literacy and financial consumer protection; 2) drafting legislation to increase consumer protection; 3) increasing participation in international networks that promote financial literacy and financial education; and 4) monitoring and evaluating financial literacy of programs to ensure effectiveness.

**Task 3.1.A:** Support GOU Working Groups that formulate strategies and action plans related to financial literacy, public-private dialogue, and broad-based participation by civil society in the financial sector reform effort (e.g. co-organizing public forums, open debates and professional roundtables, ensuring broad participation by private industry and civil society). Highlights of this work included:

**National Financial Literacy Strategy.** FINREP-II began working with the World Bank to help the NBU develop a 2013-2018 National Financial Literacy strategy. The Project prepared a draft strategy for the NBU, which served as the basis for dialogue on international best practices. FINREP-II conducted a first workshop for 30 NBU representatives on recommendations for developing the Strategy. FINREP-II hosted subsequent workshops on “Implementation of the Communications Strategy of the NBU and Program Aimed at Increasing Financial Literacy of Ukrainians” and “Developing a Nationally Coordinated Approach to Financial Literacy.” Each workshop included approximately 50 public, private, and civil society stakeholders. With curtailment of the Project, 7 sections (out of 20) of the Strategy had been finalized by October 2015. Changes in leadership at the NBU and Project termination explain the partial fulfillment of the Project’s goals. Positively, the NBU’s Banking Strategy 2020 included Financial Literacy as a key pillar, following the FINREP-II approach.
Financial Literacy Website. The NBU designated FINREP-II as the official Financial Literacy partner when the NBU launched a new section on its website devoted to Financial Literacy issues, and posted several FINREP-II books and brochures on the NBU website. FINREP-II started conceptualizing the financial literacy website insisting that the site should be an independent source of information, and worked closely with the NBU on the design and strategy. Due to changes in NBU leadership, the NBU postponed any further work on this until late 2015.

USAID Field Days and Verkhovna Rada Information Fair. FINREP-II participated in ten USAID Field Days (Ivano-Frankivsk, Simferopol, Vinnytsia, Zaporizhzhye, Lviv, Dnipropetrovsk, Kirovograd, Ternopil, Sumy, and Chernihiv). FINREP-II highlighted its work on Financial Literacy through innovative approaches such as contests for young people and adults, essays, games, and other means. The Project booths attracted numerous people, including teachers and students participating in the Financial Literacy Course (Sub-Objective 3.2 below). FINREP-II also participated in the 7th annual Verkhovna Rada “Information Fair – 2015” co-organized by USAID and the Rada Secretariat. The Project presented its research papers and educational materials on Financial Literacy, financial consumer protection, and pensions.

**Task 3.1.B:** Assist the GOU with drafting legislation on financial consumer protection in line with OECD Principles and World Bank Good Practices. FINREP-II presented two draft laws on consumer protection, and raised awareness about the importance of knowing and safeguarding consumers’ rights (a requirement of the EU Accession Agreement). Highlights of this work included:

Consumer Protection Legislation. FINREP-II initially noted legal and regulatory gaps between different consumer protection and financial services laws in Ukraine. Ukrainian consumer protection legislation failed to reflect G20 and OECD Principles regarding financial services consumer rights protection. Accordingly, FINREP-II began working with Rada representatives, the American Chamber of Commerce, and NBU Banking University to develop and promote passage of two draft laws that would: 1) remedy legislative inconsistencies; and 2) meet EU Directives. In 2015, FINREP-II finalized and presented two draft laws to the Rada: “On Consumer Lending” and “On Amending Certain Legal Acts Regarding Financial Consumer Protection.” Both draft laws received positive comments from the CabMin, FSR, MOF, MOJ, and Rada Members. On June 11, 2015, the Rada Finance and Banking Committee unanimously approved the draft laws, and they were included in the agenda for the upcoming parliamentary session and voting in 2016.
Financial Ombudsman and Consumer Protection Strategy. In collaboration, with the World Bank, FINREP-II led a Working Group to develop the concept of a Financial Ombudsman in Ukraine. FINREP-II provided a report on international experiences with the Ombudsman concept, and conducted a public questionnaire on the topic. The feedback was positive, so the Project developed a framework for Ukraine, including a budget and options for sustainable financing. FINREP-II formally presented this Concept for adoption at the NBU. The Project assisted the GOU in finalizing the CabMin Strategy on Financial Consumer Protection for 2012-2017. FINREP-II participated in the development of the Consumer Protection Action Plan, which was included in the 2020 Comprehensive Program for Financial Sector Development.

Task 3.1.C: Support Ukraine’s participation in international networks related to financial education and awareness, specifically the OECD’s International Network on Financial Education (INFE). FINREP-II sponsored participation of NBU representatives in an OECD Conference on Financial Literacy. The Project sponsored two NBU representatives at the OECD Global Policy Research Symposium to Advance Financial Literacy, and two other NBU representatives at an international conference on “Global and European Trends in Financial Education.” In 2014, the NBU became a regular member of the OECD INFE, and FINREP-II played the leading role in this. The OECD INFE membership should result in increased use of international best practices and further Financial Literacy programs in Ukraine.

Task 3.1.D: Encourage the GOU and NGOs to contribute to international research on effective financial literacy evaluation mechanisms and on reforming judicial practices on resolution of consumer financial disputes. FINREP-II helped the GOU implement numerous assessments and surveys on financial education and financial literacy of the adult population. These are described in Sub-Objectives 3.2 and 3.3 below. FINREP-II’s work on reforming judicial practices focused on: 1) research of court cases with consumers involving banks, credit unions, insurance companies, and investment companies; and 2) preparing a consolidated report of judicial practices with recommendations on needed legislative improvements. FINREP-II organized a presentation and discussion on these issues, attended by: Judges of the Supreme Court of Ukraine and of the High Specialized Court of Ukraine in civil and criminal cases; representatives of the financial services markets regulators, banks and other financial institutions; their associations and self-regulatory organizations; as well as financial consumer protection NGOs.

Impact and Performance for Sub-Objective 3.1

FINREP-II led in drafting two consumer protection laws, “The Law on Consumer Lending” and “The Law on Amending Certain Legal Acts Regarding Financial Consumer Protection,” which were submitted to the Rada for passage (expected in 2016). These laws fill gaps in existing consumer protection legislation, and meet EU standards as part of the EU Accession Agreement. The GOU now has a FINREP-II-created Roadmap on how to finalize the National Financial Literacy Strategy. The Project expects that the GOU will finalize its National Strategy in 2016, considering it was a key pillar of the
NBU’s *Banking Strategy 2020*. The DGF has assumed the lead responsibility for the financial literacy of depositors, and benefitted from FINREP-II support.

Ukraine is now a regular member of the OECD International Network of Financial Education, and FINREP-II played a leading role in this. The NBU and DGF have committed to use this OECD INFE membership to increased use of international best practices and Financial Literacy programs in the future.

Financial Literacy has multiple public, private, and civil society stakeholders. The NBU, DGF, FSR, Rada Committees, Ukrainian Banking Association, leading banks, and various other NGO stakeholders are all committed to continuing financial literacy programming and expansion.

**Sub-Objective 3.2: Financial Literacy in Schools**

FINREP-II expanded the pilot course in financial literacy for students on a national level, so that an entire generation of young Ukrainians can access critical knowledge and skills necessary for financial life.

*Task 3.2.A: Develop a national roll-out for the Financial Literacy course, in coordination with the GOU.* FINREP-II worked primarily with the NBU Banking University and Ministry of Education (MOE) to implement the financial literacy course, including pre- and post-course testing and monitoring. FINREP-II’s Financial Literacy Course aimed to assist Ukraine’s youth to: 1) develop the skill sets necessary to become educated financial services consumers; 2) enable them to understand practical aspects of finance; and 3) act responsibly in a modern financial system.

FINREP-II signed Protocols on Cooperation with the NBU-BU and with the Institute of Innovative Technologies and Content of Education (IITCE) of the MOES to support implementation of the seven-year experimental teaching of the FL course. Eighty-six schools in urban and rural areas from 18 regions taught the course, and over 3,400 students participated during the 2012-2013 academic year. FINREP-II supported 25 regional workshops and 15 presentations to promote the Financial Literacy course across Ukraine in 2013. Representatives of the NBU-BU and local authorities participated in the workshops, including local officials, educational administrators (school headmasters, methodologists, directors of technical schools, and lyceums), as well as representatives of the regional banking community. More than 300 additional schools across Ukraine signed up for the Financial Literacy course in the 2014 academic year. Overall, 421 schools and over 14,000 students participated during 2014.
FINREP-II printed textbooks and provided schools with materials (textbooks and workbooks for students, and teachers’ manuals), and provided 27 sets of the Financial Literacy Course textbooks, workbooks, and teacher’s manuals to MOES representatives at the Oblast level. By year-end 2015, over 19,000 students from over 650 schools will have participated in the Financial Literacy course, using FINREP-II delivered 4,300 textbooks, 6,000 workbooks, and 400 teacher’s manuals to cover the new schools enrolled in the program.

The MOES dedicated its August 2015 issue of Information Digest to the USAID/FINREP-II program on “Financial Literacy: Educational Program for 10th Grades of Comprehensive Educational Institutions” (62 page article). The MOES delivered Informational Digest to every school principal in over 19,000 schools across Ukraine, informing them of the benefits of the FL Course.

**Task 3.2.B: Expand Financial Literacy program with GOU support.** Based on the success of FINREP-II Financial Literacy courses, the MOES revised school curricula to incorporate financial literacy disciplines that would cover a broad range of practical topics such as savings, deposit insurance, retirement, financial planning, money transfers, and insurance. The MOES integrated the FINREP-II Financial Literacy program into the entire educational process so that children in every grade could be exposed to personal finance issues.

FINREP-II, the MOES Institute, and the NBU Banking University jointly developed new educational materials for students in grades 2 through 4 and grades 5 through 9. FINREP-II developed eight sets of teachers’ manuals and students’ workbooks for grades 2 through 9. FINREP-II’s new courses included: “Financial ABCs” (2nd grade); “Financial Arithmetic” (3rd grade); “Financial Behavior” (4th grade); “Family Finances” (5th grade); “Financially Literate Consumer” (6th grade); “Financial Culture” (7th grade); “Applied Finance” (8th grade); and “Economics & Finance” (9th grade). A course for parents entitled “Open Family Studies” was developed. In 2015, FINREP-II and the MOES co-hosted a press conference to present the results of the successful implementation of the Financial Literacy Course project and the interactive electronic Financial Literacy Course textbook.

The MOES also published the Financial Literacy Course’s curricula for primary, middle and high school students in its magazine “Geography and Economics.”

**Task 3.2.C: Prepare training materials and teaching methods (e.g. textbooks, presentations, e-learning and/or distance-learning tools, TV and radio programs, national contests, etc.) to provide expanded exposure on financial education.** Highlights of this work included:

**FINREP-II Website.** The Project expanded its website to support Financial Literacy by developing a special page to serve as a key communication tool with teachers on topics covered by the course, as well as supplementary materials. These materials helped teachers prepare for lessons and included useful links, articles, lesson plans, budget
spreadsheets, video presentations, and in-class activities that encourage discussion. The Project included an “Ask Our Expert” function that allows teachers to ask questions about topics where they need additional information.

**Web-Based Lectures.** FINREP-II arranged for Financial Literacy 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 held a second “All-Ukrainian Financial Literacy Course” workshop, organized jointly with the MOES, the NBU, and the NBU Banking University. The Project coordinated activities with teachers in conjunction with the Child and Youth Finance International’s Global Money Week, including competitions, quizzes, games, guest lecturers, and tours of money museums and banks.

**Digitalization of Financial Literacy Course Materials.** FINREP-II supported public-private partnerships in science and technology to digitalize the Financial Literacy course materials and make them more interactive. The Project worked closely with the NBU Banking University and three IBM experts to develop materials for 30 digital lessons from the Financial Literacy Course Textbook, all welcomed by the MOES, and made available online and via DVD. FINREP-II produced 6,500 CDs containing copies of the interactive digital Financial Literacy Course Textbook for delivery to schools nationwide through the NBU Banking University. On October 12, 2015, the MOES ordered a nationwide roll-out of the digital Textbook.

**National Financial Literacy Tournament.** FINREP-II, the MOES, the MOES Institute of Innovative Technologies and Education Content, the NBU, and the NBU Banking University organized the first ever national Financial Literacy Course Tournament. Thirteen teams competed from Dnipropetrovsk, Donetsk, Zhytomyr, Zaporizhzhia, Kyiv Region, Kyiv City, Kirovohrad, Mykolaiv, Sumy, Kharkiv, Kherson, and Cherkasy.

**Young Investors Competition.** FINREP-II and the Ukrainian Exchange organized an annual Young Investors Competition (YIC). The contest educated contestants on capital markets and investing. 179 teams from 111 schools participated, and FINREP-II and the Ukrainian Exchange presented awards to the top three schools.

**Stock Exchange Universiade.** FINREP-II co-sponsored *Exchange Universiade*, an internet trading competition for university students, along with the Ukrainian Stock Exchange, the NSSMC, the Agency on Stock Market Infrastructure Development, and brokerage companies. College students from 65 higher educational institutions participated.
Save! Video Contest. FINREP-II and the NBU jointly organized a video contest entitled “Save!” among the students participating in the FL course as part of International Savings Day celebrations. The contest deepened understanding of savings, and Jonathan Katz, USAID Deputy Assistant Administrator of the Bureau for Europe and Eurasia, presented awards to winning students.

Global Money Week. In March, 2014 and 2015, FINREP-II organized daily educational activities for 650 schools that teach the FL Course in celebration of Global Money Week. That program promotes financial inclusion, encourages students to learn more about money, savings, and the first financial steps in adult life.

Task 3.2.D: Train 100 teachers in the new Financial Literacy subject matter, and provide proven audio-visual materials and lesson plans to assist teacher competency. FINREP-II trained over 400 teachers and distributed manuals to cover new schools enrolled in the program.

FINREP-II held multiple large-scale Training of Trainers/Teachers (TOT) events, including a Workshop on innovative, activity-based methods for teaching Financial Literacy, and a TOT Workshop on the Financial Literacy Course with the NBU Banking University. The Project measured progress in its “Assessment of the High School Financial Literacy Course in Ukraine: 2014 – 2015.”

FINREP-II, along with the NBU Banking University and MOES Institute, developed courses and manuals for TOT for primary and middle schools. Ukraine has become one of the few countries where Financial Literacy is now integrated in curricula, ensuring the continuity of financial education of school students. FINREP-II continued weekly training-related communication with teachers throughout the Project duration.

Task 3.2.E: Transfer knowledge to and expand groups of teachers to ensure the sustainability of the Financial Literacy Course. FINREP-II worked with GOU counterparts and gained a commitment to ensure a legacy of institutional knowledge on the Financial Literacy Course to continue its national expansion. FINREP-II transferred the ownership for the FL Course to the DGF for future implementation along with all training materials for continued use.

Task 3.2.F: Measure results and conduct annual surveys to detect changes in personal finance knowledge and identify more effective ways to improve the contents and delivery of financial literacy training components. FINREP-II assessments, conducted jointly with the NBU-BU, indicate notable improvements in financial literacy. The level of student knowledge increased on average by 20% points (from 45% to 65%). The curriculum materials were highly praised by teachers and students, and there was increased interest by schools in teaching Financial Literacy, as well as from parents, financial businesses, government officials, members of the Rada, and the press. The evaluations also provided guidelines on program expansion and FINREP-II’s “train-the-trainers” program for teachers.
FINREP-II and the NBU-BU developed and administered a 30-question knowledge test to measure financial literacy improvement among students taking the course. Approximately 6,000 students at took the tests, with results of 71 points, a 25-point increase from entry scores. FINREP-II analyzed data from 80 schools in five oblasts through an exit knowledge test. Results showed that the course significantly impacted student’s financial knowledge and behavior. 92% of students believed that studying financial literacy was important for their future. 97% of teachers reported that teaching the course was “exciting and positive.” And, over 80% of students and teachers rated the Course’s textbook and workbook as “good or excellent.”

Impact and Performance for Sub-Objective 3.2

Nearly 20,000 students have enrolled in the FINREP-II Financial Literacy Course, across 650 schools nation-wide. FINREP-II’s digitalization of the Course, and the commitment of the MOES, DGF, and NBU-BU will continually increase exposure to the Course on a national scale.

The legacy that USAID has created with the Financial Literacy program cannot be understated. There is now national momentum and commitment to make it part of core educational curriculum. Public, private, and civil society sectors all support financial education for students. There are now on-going national competitions, online resources, and annual events that promote financial literacy in schools.

Sub-Objective 3.3: Financial Literacy for All – Non-Formal Methods

FINREP-II emphasized providing appropriate financial information using non-formal methods as a first step towards spreading financial literacy beyond the educational system and to make financial services available to all. FINREP-II undertook personal finance programs for adults; supported hot-lines and web-based consultations; conceptualized a web-based financial literacy portal; and increased advocacy of investor protection.

Task 3.3.A. Leverage resources of private sector stakeholders, coordinate with other donors, and conduct pilot projects in underserved areas. FINREP-II coordinated with the World Bank and the OECD and implemented a long-term strategy to address financial literacy needs of underserved groups, focusing on adult education in personal finance programs. This program focused on practical and real-life applications of financial literacy.

FINREP-II developed Financial Literacy brochures and other materials to help adults improve adult money management skills and make smarter financial decisions. All brochures and materials were written in plain language, aimed at average citizens, focused on “teachable moments.” All brochures and materials can be found on the FINREP-II website (http://www.finrep.kiev.ua/structure/finedu/education_en.php). Highlights of this work included:
Smart Money and the “Ivanenko Family.” FINREP-II developed a 5-brochure series entitled “Smart Money: Financial Stories of the Ivanenko Family,” aimed at helping people improve their money management skills, especially during life events like getting married or having a baby. These materials are available on the FINREP-II website, and the project alerted banks and libraries to this material for educational promotion, as well as the NBU-BU that uses this in their Summer Camps.

Family Budget. FINREP-II provided the Vinnytsia NGO “Vis” with 500 copies (and reproductive rights) of the “Making a Family Budget” brochures for Financial Literacy training programs targeted at unemployed adults, students, and women with disabilities; and also provided these materials to university students attending the “FinCo 2014” financial conference.

USAID Biblomist Project. All FINREP-II Financial Literacy materials in electronic format were provided to the USAID Biblomist Project for distribution among libraries across Ukraine.

DGF Posters. FINREP-II developed designs for three educational posters on the deposit guarantee system to enhance public awareness. The posters provide information on DGF insurance coverage, a website link, and hotline number. DGF is placing the posters in all Ukrainian banks, and online.

**Task 3.3.B. Advance the development of web-based consultations, and establish a web-based financial literacy portal in coordination with the GOU.** FINREP-II provided technical assistance and training to develop and maintain a financial literacy portal to promote financial literacy issues, with a section devoted to financial inclusion and personal finance. Activities included:

**NBU Assistance.** FINREP-II provided the NBU with recommendations on the development of a Financial Literacy website, emphasizing the importance of a national website that is simple, useful, and easy to navigate.

**Website Roundtables.** FINREP-II hosted two National Financial Literacy Website Roundtables, co-hosted with the World Bank.

**GOU Action Plan and Transfer to the DGF.** FINREP-II developed a detailed Action Plan on the development of the website that identified actions, a timeline, and resources necessary to launch a trial version of the website by the end of 2014. Due to political events, the roll-out was delayed to 2015. The NBU preliminarily approved the structure of the website, which included 7 sections developed by FINREP-II, and an RFP was
released for the website’s further development. Due to political events, the NBU postponed work on the website until 2016.

**Task 3.3.C. Advocate for increased investor protection; work with NGOs to support consumer rights, investor protection initiatives, and simple, fair, and inexpensive compensation mechanisms.** Highlights of this work included:

**Financial Literacy in the Media.** FINREP-II published electronic editions of *Financial Advisor*, informing consumers of typical schemes used by risky financial services, unregulated financial services, and informing consumers of risks associated with purchasing group-owned property. FINREP-II participated in 11 GLAS TV Channel TV programs, focused on financial security, financial pyramids, consumer loans, and banking deposits. The Rada’s Banking Committee Chairman praised FINREP-II’s *Financial Advisor* publications and TV Channel programs.

**Forums, Conferences, and Civil Society Engagement.** FINREP-II participated in numerous forums and conferences with stakeholders highlighting consumer protection issues. FINREP-II presented “Financial Consumer Protection: Challenges for Ukraine,” as part of actions devoted to the World Consumer Rights Day at an international roundtable. The Project assisted the FSR in developing the brochure, “To a Consumer of Non-Banking Services,” which addressed key consumer protection issues when selecting a financial service. FINREP-II and the FSR partnered to disseminate over 3,000 copies of the brochure to the public. The Project organized a workshop on “The Role of NGOs in the Implementation of Financial Literacy,” attended by representatives of civil society organizations involved in improving Financial Literacy in Ukraine. FINREP-II efforts to identify local NGOs for Financial Literacy training were designed to coincide with our NGO capacity building work under FINREP-II Go Women. FINREP-II’s website and Facebook page were regularly used by the public to access important financial literacy information.

**Impact and Performance for Sub-Objective 3.3**

FINREP-II increased citizens’ awareness of financial literacy issues and consumer rights. From 2012 to 2015, FINREP-II produced 33 financial literacy learning resources, including TV, radio, web, and written materials. All of the materials were made available to the public via FINREP-II’s website and GOU websites. FINREP-II launched 34 financial literacy and consumer protection initiatives, exceeding USAID’s goal of 8.

FINREP-II helped prepare the DGF to take the lead in financial literacy and consumer protection activities. The DGF was given the responsibility for the roll-out of the National Financial Literacy Website, and FINREP-II developed a training program for the DGF that targeted adults modeled on the U.S. FDIC’s “Money Smart Program” for U.S adults.
**Additional Programs, Mandatory Factors, and Cross Cutting Themes**

USAID augmented FINREP-II with two “add-on” cross-cutting programs. The first “add-on” was the Growth of Women’s Business and Leadership Program (“Go Women”) Program, won in the competitions run by USAID/Washington’s Women’s Leadership Incentive Fund. This Program was designed to expand economic opportunities, leadership skills, social independence, and public engagement of women in Ukraine. The second “add-on” was Combatting Anti-Corruption in the financial sector.

**Go Women**

The “Growth of Women’s Business and Leadership Program” (“Go Women” Program) was a component of the USAID/Ukraine Financial Sector Development Program (USAID/FINREP-II) which received $1.2 million in funding in 2013 from the Women’s Leadership Fund in a global competition. Go Women helped women develop their knowledge in financial literacy, business and entrepreneurial skills, reduce impediments to women’s access to financial services, and empower women to assume greater leadership roles in business, civil society, and public service. Go Women placed a particular focus on groups often referred as “unbankable,” including: widowed women, mothers of many children, single mothers, and those living in rural areas. The goal was to help increase their financial literacy and access to financial services and strengthen their entrepreneurial skills as a means to building a new culture of female business and civic leadership. The program expected to enroll at least 5,000 women.

Go Women had three objectives: 1) improve women’s financial literacy, particularly to develop their financial skills in everyday life (e.g., establishing family budgets, taking out loans, using a credit card, and making sound financial decisions); 2) empower women to start, or better operate, a business through business planning, marketing, and access to financial services; and 3) encourage women to assume greater leadership roles at all levels. The target beneficiaries of Go Women are set forth in the chart below, with the overall goal of ascending upward along the pyramid.

**Program’s Target Audience:**

<table>
<thead>
<tr>
<th>Tier 3 Women leaders</th>
<th>Women who occupy leadership positions in business and civil life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2 Women entrepreneurs</td>
<td></td>
</tr>
<tr>
<td>• Who are ready to start a business</td>
<td></td>
</tr>
<tr>
<td>• Who already run their own business</td>
<td></td>
</tr>
<tr>
<td>• Who have the status of a private entrepreneur</td>
<td></td>
</tr>
<tr>
<td>Tier 1 Vulnerable women</td>
<td></td>
</tr>
<tr>
<td>• Rural women</td>
<td></td>
</tr>
<tr>
<td>• Mothers with many children</td>
<td></td>
</tr>
<tr>
<td>• Single mothers</td>
<td></td>
</tr>
<tr>
<td>• Widows</td>
<td></td>
</tr>
<tr>
<td>• Orphans</td>
<td></td>
</tr>
<tr>
<td>• Pensioners and others</td>
<td></td>
</tr>
</tbody>
</table>
FINREP-II inaugurated the Go Women program in June 2014, with over 140 participants in attendance, including representatives of leading women- and microenterprise-focused NGOs, local consulting companies, financial institutions, academia representatives, international donors, and GOU representatives. USAID Administrator Dr. Rajiv Shah attended and delivered the keynote address. During the event, FINREP-II announced a tender process for local organizations to participate in, and lead, Go Women trainings. FINREP-II received over 50 RFP responses from local organizations, far exceeding expectations, demonstrating how important this work was in light of Maidan and the ongoing financial crisis.

**Tier 1.** Under the Financial Literacy, Services, and Leadership Education for Vulnerable Women, Go Women worked with the “Women’s Perspectives” in western Ukraine and the “Ukrainian Women’s Fund.” Results included:

- Train the Trainer Program for 32 NGO trainers from 12 oblasts.
- 147 trainings on financial literacy and personal efficacy for vulnerable women.
- 2,462 trainees from 12 oblasts (Kyiv, Kharkiv, Cherkasy, Odesa, Dnipropetrovsk, Zhytomyr, Zaporizhzhya, Lviv, Vinnysya, Rivne, Kherson, and Chernivtsi) studied financial and legal literacy issues on personal finance management and cost optimization; family budget planning; banking services; basics of labor and family law; finding solutions to life crises; and conflict management.
- 345 hours of consultations were provided to 413 women on financial, legal and self-efficacy topics.

**Tier 2.** Under the Consulting, Business Development, Financial Literacy and Empowerment for Women Entrepreneurs Component, Go Women worked with Extra Consulting Ltd. and Change Agency “Perspectives” to achieve the following results:

- 2 series of trainings (12 trainings in total) for women entrepreneurs and prospective entrepreneurs in Kyiv, in collaboration with Ukragasbank and Oshadbank; 266 trainee participants.
- 16 trainings, 2 information and motivation panels, 5 webinars in Kharkiv for 363 participants, including 14 hours of on-line and face-to-face consultations.
- 629 trainees studied how to manage their businesses effectively; discussed skills of successful entrepreneurs; developed start-up business ideas for a new generation of women entrepreneurs; and improved access to finance, savings, and investment skills.
Go Women conceptualized and completed pilot programs with local government authorities in Lviv and Dnipropetrovsk Oblasts, which featured gender-focused, web-based approaches to delivering services and information on financial literacy, small business development, and access to finance. These initiatives united the efforts of local governments in western and eastern Ukraine under the banner, “Two Regions, One Ukraine.” Go Women also worked with Ukrainian credit unions to expand opportunities for rural women.

Go Women trained over 5,700 women, including 4,300 on financial and legal literacy and 1,450 on entrepreneurship, with 15 organizations now equipped to conduct continuing trainings on these issues. And, 75% of trainees professed material improvement in their personal finance skills.

**Tier 3.** Due to Project Termination, Go Women did not launch Tier 3 activities aimed at mobilizing capital to Go Women graduates. However, Go Women did introduce a cash flow analysis and credit evaluation tool via video in Ukrainian for local partners. Further, Go Women began discussions with Lviv Bank as a pilot program partner for on-going Tier 3 Financial Services outreach. Areas of cooperation discussed with Lviv Bank included: development of a new bank credit product for women entrepreneurs on cash management and payment services, which would allow them to have access to finance and teach them on how to develop their business; presenting a cash flow analysis tool to Lviv Bank for its assessment and implementation; and collaboration with ten Credit Unions to improve access to financial services for Women.

**Go Women Testimonials:**

“USAID believes that gender equality and women’s empowerment are at the core of development. Empowering women ensures economic progress, family prosperity, gender equality, and shared opportunity…I applaud the women who took the opportunity to improve their lives and their businesses.”

- John Pennell, USAID Deputy Mission Director for Ukraine.

“We are now moving to new opportunities both in the economy and in social life, where the development of small and medium-sized entities can and will surely be the driving force that will stabilize the economic situation in the country...Owing to this USAID Program, women have gained useful and much-needed tools that will improve their access to funding and create conditions for the development of their businesses, which, in turn, will contribute to the economic revival of Ukraine.”

- Ksenia Liapina, Head of the State Regulatory Service of Ukraine
“I have realized that at my age of 60 years, I have a potential and desire to increase my revenue, learn how to keep a budget (which I did not do earlier), set financial goals and achieve them. That is why I am eternally grateful for the work and communication. This is truly practical knowledge that helps me consider many things, explore the financial services area and continue my development.”
- Asserted repeatedly by scores of Go Women Trainees

Anti-Corruption

FINREP-II supported the GOU in implementing measures to reduce opportunities for corruption in financial sector institutions. While anti-corruption was originally intended to be a “cross-cutting” theme and mandatory factor, FINREP-II elevated it into a stand-alone initiative within the project scope to better respond to Maidan events.

To better understand the depth of corruption in the financial sector, FINREP-II conducted a diagnostic assessment of anti-corruption measures of key financial sector institutions. This involved thorough document reviews, in-depth interviews, and focus group discussions with representatives of 15 GOU institutions, civil society organizations, and international donors. The assessment allowed the Project to develop a report that outlined FINREP-II’s anti-corruption activity plan. The plan called for the implementation of two internationally recognized anti-corruption tools that were aligned with the provisions of the 2014 Law on Prevention of Corruption: 1) Institutional Corruption Risk Management (ICRM); and 2) Legal Corruption Impact Review (LCIR). ICRM assessed corruption risks in institutions’ functions and processes and led to the development of a targeted Corruption Prevention Plans (CCP). LCIR identified and directed the removal of corruptive factors from regulations and laws.

FINREP-II conducted a workshop for approximately 30 representatives of GOU institutions and NGOs to introduce them to international best practices in corruption risk assessments. As a result, four key FINREP-II counterparts expressed interest in participating in anti-corruption initiatives, and the Project selected two institutions for ICRM and LCIR pilot projects: the NSSMC and DGF. The pilot projects were implemented with the local organization Active Audit Agency (AAA). Together, FINREP-II and AAA developed step-by-step guidance on how to conduct corruption risk assessments and to develop CPPs.

For the NSSMC, FINREP-II and AAA conducted a survey of over 100 securities market participants to learn about perception of, and experience with, corruption in NSSMC operations. Market participants reported frequently encountering corruption in the securities registration (58% of those who went through the registration process),
inspections (38%), and licensing (24%). Among the least corrupt functions identified were legal drafting (3%), reporting (5%), and education (6%). The survey also explored perceived causes of corruption that included complexity of procedures, lack of information, and lack of internal controls. Based on the results of the survey and upon consultations with the NSSMC, FINREP-II selected seven functions for assessment using the ICRM tool: licensing, securities emission registration, inspections, enforcement, information disclosure, internal controls, and ethics and conflict of interest policies. FINREP-II identified over 60 corruption risks related to these seven functions.

For the DGF, FIRNEP-II and AAA conducted numerous interviews with DGF leadership and selected three functions that were key for addressing corruption: bank liquidation, internal controls, and conflict of interest policies. FINREP-II and AAA found over 70 corruption risks related to these three functions.

FINREP-II and AAA reviewed more than 250 documents (including legislation and internal regulations), conducted 55 individual interviews, and held over 30 Working Group meetings. FINREP-II and AAA worked with both the NSSMC and DGF to develop CPPs, with activities tailored to the identified risks of each institution.

Upon approval and acceptance of the CPPs by the NSSMC and DGF, FINREP-II provided assistance to both institutions to strengthen their internal controls and information security to reduce instances of possible corruption. The Project assisted both institutions in developing and implementing more than 50 new policies and procedures, including internal audit standards, regulations, and IT security measures.

The Project reviewed existing methodologies in conducting legal corruption impact assessments—both in Ukraine and other countries—to identify gaps that may lead to corruption and presented the analysis to financial sector counterparts. FINREP-II developed a simplified LCIR methodology that allowed for expedited corruption impact assessments of draft legislation. It was successfully tested on several draft laws selected by GOU counterparts, including the Law on IOSCO Standards and Acceptance. The review identified corruption risks in approximately 40 provisions of the draft, causing the NSSMC to revise the draft law.

The ICRM and LCIR tools are in place at the DGF and NSSMC. And, AAA has developed the capacity to provide technical assistance to GOU counterparts related to the ICRM tool and CPPs. LCIR methodology was presented to the MOJ for review and possible national roll-out via the National Corruption Prevention Agency.

**Gender**

Promoting women’s empowerment was a major FINREP-II cross-cutting objective. The Financial Literacy 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 project demonstrated a major gender education commitment. FINREP-II also approached the
IFC and World Bank to support women financial educational issues. FINREP-II’s training efforts in accounting skills development also strengthened the capacity of female accountants.

**Local Capacity Building**

Sustainability to continue strengthening local capacity was an important cross-cutting objective. In providing support to all GOU institutions, FINREP-II consistently aimed to support building sustainable local capacity. FINREP-II prepared a local accounting NGO to eventually assume FINREP-II’s role in assisting the GOU in financial reporting issues. FINREP-II transferred responsibility and programmatic materials on Financial Literacy to the DGF. FINREP-II embedded capacity building assistance to GOU entities, especially on bank resolution and communications management with the DGF. Under anti-corruption, the Active Audit Agency is now prepared to take on a leading role in anti-corruption technical assistance with the MOJ and Anti-Corruption Bureau. And under Go Women, FINREP-II prepared 15 organizations to lead future women’s empowerment initiatives.

**Geographic Focus**

Go Women Program implemented two training campaigns nationwide. The first campaign targeted vulnerable women and was implemented by two Program partners: the Ukrainian Women’s Fund (based in Kyiv) and the Western Ukrainian Center Women’s Perspectives (based in Lviv). The first campaign of trainings covered 12 oblasts, including Vinnytsya, Dnipropetrovsk, Zhytomyr, Zaporizhzhya, Kyiv, Lviv, Odessa, Rivne, Kherson, Kharkiv, Cherkassy, and Chernivtsi. The second Go Women training campaign targeted current and prospective women entrepreneurs and was implemented by Extra Consulting (based in Kyiv) and Change Agency Perspectives (based in Kharkiv). The second training covered 4 oblasts, including Kyiv, Lviv, Odesa, and Kharkiv.

The Financial Literacy Course for 10th grade school students was rolled-out to over 650 schools in every region of Ukraine. FINREP-II compiled a database of all 651 schools and shared with USAID/Ukraine for record.

FINREP-II also worked with the regional branches of the PFU and various financial literacy NGOs in the regions.

**Public-Private Alliances and Linkages with Other USAID Programs**

FINREP-II’s implementer, FMI, and its long-term staff, have fostered positive working relationships between the private sector and GOU for years. FMI has served as a bridge between the two sectors, while also linking civil society. Over the course of FINREP-II, the Project launched and developed several public-private alliances, including: 1) alliance on financial literacy and consumer protection that included the Rada, NBU, DGF, NBU-BU, MOES, and local NGOs as well as linkages and dialogue
with OECD and its International Network on Financial Education; 2) partnerships between the MOF and the International Accounting Standards Board (IASB), NSSMC, and UFPA on IFRS; 3) numerous Working Groups with the MLSP and PFU on Pillar II implementation; and 4) alliances between the GOU and the private sector agriculture associations, exporters, banks, and exchanges during the development of derivatives legislation.

Additionally, linkages and coordination with other USAID programs was an important dimension of FINREP-II’s work. FINREP-II 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. FINREP-II continued working with the USAID developed Commercial Law Center on numerous laws and corporate governance issues to create synergies between the programs. FINREP-II also worked with the Department of Treasury, FDIC, and SEC for assistance to the DGF, NSSMC, and NBU. FINREP-II identified a new partner in USAID’s RESPOND Project to expand financial literacy and economic opportunities for women considered at risk of contracting HIV.

Environmental Impact

FINREP-II ensured proper consideration of the Project’s environmental impact, pursuant to The Foreign Assistance Act of 1961 (as amended). The nature of FINREP-II’s work did not involve environmental issues, as the activities were related to “personal services.” FINREP-II had no adverse environmental impact, and complied with all applicable USAID regulations and Ukrainian environmental and public health laws.

Administration and Program Issues

Contract Administration

FINREP-II was implemented by Prime Contractor, Financial Markets International, Inc. (FMI). FMI is a Small Business Law and Economics Consulting Firm, based in Washington, D.C. FMI’s lead Subcontractor, Management Systems International (MSI), led two activities under FINREP-II: 1) local capacity building; and anti-corruption.

Program Issues

Ukraine’s political and economic crisis affected the pace of FINREP-II’s program activities, as described in this Final Report. The events caused the Project to adapt, but in many respects caused the renewed commitment from the GOU to reform. Following the establishment of a new government in mid-2014, FINREP-II adhered to its objectives and witnessed a greater receptivity from GOU counterparts. FINREP-II implementer, FMI, exercised close substantive review of all deliverables, and enhanced quality control. High performance was demanded by FMI HQ, especially of the Chief of Party position, and FMI HQ made personnel changes as it deemed necessary for
continued Project success. FINREP-II leaves a strong legacy for follow-on activities, particularly in assistance with implementing the Roadmaps in securities, pensions, and derivative reform.

In 2014, USAID/Ukraine conducted a financial review of FINREP-II procurement and personnel policies. USAID did not identify any major problems, but noted a number of areas for improvement. The field team and FMI HQ addressed recommendations and implemented changes.

Despite the successes of the FINREP-II program, USAID determined to terminate it on October 31, 2015 so that it could design a new program to respond to the imminent post-Maidan challenges facing Ukraine and the revised IMF reforms package that the Government of Ukraine has agreed to implement.

FMI duly executed the termination and implemented it in two phases: 1) partial phase out of some activities and personnel by June 30, 2015; and 2) full demobilization and conclusion of all activities by October 31, 2015.

**FINREP-II Website**

<table>
<thead>
<tr>
<th># of Page Views</th>
<th>215,543</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visits</td>
<td>91,149 from 141 countries</td>
</tr>
<tr>
<td>TOP-3 countries:</td>
<td>Ukraine (91.69%), U.S. (2.16%), Russia (0.61%)</td>
</tr>
<tr>
<td>Top 5 Searched Terms</td>
<td>USAID FINREP, Financial Literacy (in Ukrainian), Program for Financial Literacy course (in Ukrainian), FINREP-II Program (in Ukrainian), Pension Legislation (in Ukrainian)</td>
</tr>
<tr>
<td>Top 5 Popular Content</td>
<td>Financial Literacy in Schools (in Ukrainian), News (in Ukrainian), Cooperation with the Go Women Program (in Ukrainian), Financial Literacy for All (in Ukrainian), Pension Legislation (in Ukrainian)</td>
</tr>
</tbody>
</table>

**Social Media**

FINREP-II used Facebook and YouTube to promote and disseminate information. FINREP-II posted 90 videos on the FINREP-II YouTube Channel. These include recordings of the FINREP-II Workshops, TV News stories on USAID activities, remarks by the USAID Administrator Shah at the Go Women launch event, DGF videos, and winning videos of the SAVE! Competition. We regularly updated the Program’s Facebook page and used it as communication tool for Program activities.

**Going Forward**

The GOU’s economic policy goals can be simply stated: implement reforms that restore macro-economic stability, strengthen transparency and eliminate corruption, and generate sound and sustainable economic growth while protecting the most vulnerable. Detailed roadmaps to achieve these goals have been accomplished, many by FINREP-II. Indeed, if there is a silver lining to the Ukrainian political and economic turmoil, it is that the economic problems have been thoroughly analyzed, with solutions set forth.
Implementing economic reform must occur in the following areas: pension reform; capital markets development; government corruption; macro-economic stability; budget and fiscal policy; government debt management practices; bank stability via recapitalization; DGF assistance with bank resolutions; increased SME access to finance; Naftogaz reform; exchange rate flexibility and currency management; IFRS and XBRL reform; tax policy, agricultural sector reform, and financial education.

The donor community is committed to assist, and it offers a profuse field of actors with the IMF, World Bank, European Union, USAID, U.S. Department of Treasury, and others. The strategic course for USAID should be to avoid duplication with other donors. By example, the World Bank has been the leading donor with the NBU on banking sector legal reform, banking solvency, and DGF capacity building. The U.S. Treasury offers complementary assistance on bank intervention and resolution strategies for the DGF, monitoring and enforcement schemes for the NBU, and debt management strategies for the MOF. And, the IMF stands out with mandates on monetary policy liberalization, fiscal austerity, and anti-corruption—all tied to billions in bail-out funds.

USAID should thus provide assistance in those areas where it has the strongest legacy, institutional memory, and credibility. USAID could properly lead in the following financial sector areas: 1) Implementing long lasting pension reform, working with the MLSP, PFU, and NSSMC; 2) Assisting capital markets development under a new commitment by the NSSMC to reform with adherence to IOSCO principles; 3) Developing new financial instruments, including derivatives in agriculture products, interest rates, currencies, metals, stock indices, and asset-backed instruments; 4) Supporting legal and regulatory development with sustained capacity assistance to financial regulators and private financial sector entities; 5) Completing the IFRS adoption (if the EU has not invested heavily in this areas as of yet); 6) Developing loan guarantees, including sovereign debt, DCAs, and revitalize commercial bank lending; 7) Completing anti-corruption activities that affect the financial sector; and 8) Institutionalizing the national financial education, financial literacy, and consumer protection effort.

Pension Reform

Pillar II pension reform involves mandatory funded systems with individualized accounts. The purpose of Pillar II funds is to provide a higher pension replacement level for future retirees, without excessive stress on government spending. The MLSP has prepared Pillar II legislation with a two tier phased-in commencement schedule that requires revision.

Technical assistance is needed in three areas. First, to help the GOU establish the precursors necessary to successfully commence Pillar II reform. This involves technical assistance for achieving sound macro-economic policies as measured by real
GDP growth, inflation, the fiscal deficit, government debt, and development assistance as a percentage of the government budget.

Second, it is imperative to develop the fledgling Ukrainian financial sector that must be able to absorb the capital collected in Pillar II investment funds, and effectively grow businesses to generate profits and develop a robust securities market. This requires technical assistance for the development of new financial instruments, securities payments settlement systems, trading platforms, accurate financial reporting of valuations and reliable transparency, and training auditors to protect financial integrity.

And third, USAID could help develop the management skills necessary for Pillar II pension fund implementation—a hurdle for every nation, and Ukraine is no exception. Technical assistance is required to train asset managers, administrators and custodians, and to assist the MLSP, FSR, NSSMC, PFU in writing the regulatory and operational rules and procedures and to enforce them.

Capital Markets Development

Securities and commodities markets development contributes to economic growth. Ukraine is not providing the functioning capital markets necessary to propel growth largely because the legal system that pertains to the capital markets is incomplete, unreliable, and prone to corruption. The NSSMC needs, and seeks, technical assistance in the following areas: 1) financial and operational independence; 2) statutory authority to conduct effective investigations; 3) express jurisdiction over non-registered persons; 4) consequential sanctioning authority sufficient to protect the integrity of the capital market and investors; 5) outreach capability to educate the judiciary on potential securities market wrong-doing and internationally common punishments; 6) authority to conduct appropriate compliance examinations of market participants; 7) authority to engage in meaningful international cooperation and join the IOSCO MMOU; 8) procedures to license, monitor, and enforce the actors and activities of managers of capital pools created by Pillar II pension reform; 9) coordination with the MLSP, PFU, and FSR on these activities.

Commodity Derivatives in Agriculture Products, Interest rates, Currencies, Metals, Stock Indices, and Asset-Backed Instruments and Regulatory Framework

Ukraine is the only major agricultural producer without a modern commodity derivatives market.

The World Bank has stressed for over a decade that derivatives markets – with price discovery and hedging for risk mitigation – are a core part of any nations’ economic development strategy. The Ministry of Agrarian Policy and Food’s recent strategy and the NBU’s “Comprehensive Program of Financial Market Developments of Ukraine until 2020” stress the economic value of and need for derivative markets. A critical first development step, as asserted by the NBU, is “improving legislation on the
functioning of commodity markets to ensure transparent price formation and the development of efficient supervision.”

In support of this priority, FINREP-II developed a comprehensive report, “Roadmap: Commodity Futures Markets Development in Ukraine 2015 Onward.” It was vetted with all classes of actors in the agriculture sector, from producers large and small, processors, elevator operators, transporters, exporters, banks, and GOU regulators who are (or should be) involved in the development of derivatives markets. The purpose of the Roadmap was to assist policymakers and market participants to achieve two objectives. First, to create an environment for properly structured commodity exchanges. Second, to establish the infrastructure that will facilitate greater access to finance, and develop numerous risk management products.

These objectives have been thwarted in the past by market-distorting interventions by previous GOU actors (e.g., the imposition of quotas, export contract registration requirements, the creation of the state-owned exchange ACX, and NBU currency restrictions). These actions have alienated the natural users of commodity futures contracts. Ukraine’s immediate priority must be to end those former distorting actions, which the Cabinet of Ministers and Prime Minister has pledged to do.

While the USAID sponsored Roadmap concentrates on the agriculture sector, the essential development point is understanding that the economic concept and regulatory oversight needs are identical for all underlying commodities. Soybeans or wheat, gold or nickel, interest rates or currencies or stock indices—all commodity futures products require the same legal, regulatory, and operational protections. Proven models exist. International protocols have been established. The International Securities and Derivatives Association (ISDA) and IOSCO provide established methods and rules for successful derivatives markets operations.

USAID could commit to providing the technical assistance required for developing derivatives markets in Ukraine with technical assistance in the following areas: 1) Provide on-going legislative drafting assistance to the NSSMC and Rada on the passage of two draft Commodity and Derivatives Laws; 2) Support GOU practices to adhere to the elimination of market-distorting practices; 3) Establish a legal and regulatory regime for commodity exchanges that ensures financial and operational integrity; 4) Support GOU membership in IOSCO and ISDA to ensure adoption of international best practices and necessary protocols; 5) Develop greater transparency of spot market prices via an electronic platform and other means; 6) Support the NBU removal of administrative barriers for access to FX for legitimate hedging in offshore markets; 7) Support corrective taxation reform so that the application of VAT and income tax laws that apply to on-exchange commodity futures transactions conform to international practices; 8) Establish certification requirements and procedures for all agricultural commercial storage facilities; 9) Develop training programs on risk management and the uses, benefits, and risks of commodity derivatives for hedgers and speculators, commodity derivatives regulators and SROs, and facilitating
institutions, such as banks; 10) Implement all initiatives as detailed in the USAID FINREP-II Roadmap.

Legal and Regulatory Reform, Monitoring, and Capacity Building

USAID has led in assisting the GOU’s financial sector agencies. This support could continue through technical assistance with legal and regulatory drafting, legislative monitoring and commentary, financial sector analysis, public outreach, and leading public-private dialogues. USAID could support greater integration of financial sector regulators into international networks (e.g., IOSCO, U.S. SEC, ISDA, IFRS, FDIC, etc.). USAID could continue its direct financial support of GOU financial sector counterparts by assuming costs related to training, capacity building, administrative issues, IT systems upgrades, and development and implementation of monitoring and enforcement tools such as ESCRIN.

IFRS

Numbers are the language of finance, and the *lingua franca* is IFRS. A single set of high quality, understandable, enforceable, and globally accepted financial reporting standards exist with IFRS, and must be implemented by Ukrainian companies that seek capital. Capital markets can only be robust when financial records meet these standards of uniformity and reliability. This is the foundation of good corporate governance. Technical assistance is needed for the Ukrainian accounting professions, and at the NSSMC, MOF, FSR, and the NBU. IFRS compliant training is also necessary for the leading banks, and the bank’s customers, the leading businesses borrowers. The securities exchanges in Ukraine require IFRS training, and they should in turn offer training to all listed and prospective listed companies. With USAID technical assistance, trained entities would then have a sustainable fees-for-service activity. Training could be coordinated with local entities such as UFPAA and international leaders such as the IASB and AICPA.

Loan Guarantees

Capital is more readily mobilized if the repayment risk is mitigated. For example, sovereign debt guarantees from international donors (IMF, EU, U.S., etc.) greatly reduce interest costs. USAID could introduce money-backed guarantees that immediately spur lending. By example, USAID could promote the success of the USG’s previous sovereign debt guarantees, and support their continuation. USAID could also support the roll-out of DCAs to encourage lending in certain growth sectors, such as technology and agriculture. Likewise, USAID could consider establishing a Ukrainian Credit Guarantee Fund (previously discussed by other donors, including OPIC) which would guarantee bank loans to targeted SME clients in a prudent and sustainable manner. This Fund would greatly increase “additionality,” so that capital is mobilized to

---

4 FMI recognizes that USAID cannot unilaterally accomplish a sovereign debt guarantee. USAID can, however, promote sovereign debt guarantees through public outreach, financial analysis, and independent monitoring and evaluation.
businesses that were previously un-bankable. Technical assistance is also needed at the firm-level to improve SMEs financial management skills and profitability.

**Anti-corruption Activities in the Financial Sector**

The *Maidan Revolution* was a catalyst for accountability and transparency at all levels of government. It is now openly acknowledged by the GOU that corruption has spoiled previous attempts at reform, so the people and current administration have made anti-corruption a leading reform priority. USAID’s Democracy & Governance Office will assuredly support the GOU’s efforts to fight corruption. But, there are specific financial sector anti-corruption complementary activities that USAID’s Economic Growth Office could promote. First, FINREP-II’s ICRM and LCIR tools are in place at the DGF and NSSMC, and supported by the MOJ. These tools could be expanded to other GOU agencies. Second, USAID could support FINREP-II’s key financial sector counterparts to implement corruption prevention plans (CPPs) that address specific arcane financial sector issues. This includes conflict of interest management, broker-dealer ethics, obtaining clarity on ultimate beneficial ownership, licensing, securities registration, insider trading, and capital pools management. USAID could also train judges and prosecutors on financial sector issues so they better understand, identify, and prosecute financial malfeasance. USAID could also assist financial sector institutions with procurement reform, financial decentralization, and other national reforms targeted at reducing corruption.

**Financial Education and Consumer Protection**

The benefits of financial education are manifold. People with financial knowledge do a better job of saving for important life moments, such as buying a home, paying for a child’s education, or planning for retirement. They understand banking, borrowing, credit, and avoid large transaction fees and usurious interest rates. Financially savvy investors diversify risk. The individual decisions of financially knowledgeable people benefit themselves and their nation’s economy.

FINREP-II continued the expansion of its Financial Literacy Course for students. It is now being rolled-out nationally as a core part of schools’ curricula. USAID could continue support of this national roll-out, in addition to creating new courses for university students entering the workforce.

USAID could also continue supporting key GOU institutions to strengthen financial literacy and consumer protection by facilitating the launch of the DGF Financial Literacy Website and the NBU adoption of a National Financial Literacy Strategy. USAID could also promote restoring public trust in commercial banks (of which one-third failed during the recent financial crisis), and provide training for vulnerable groups such as woman, the poor, and adults approaching retirement.
Appendix A: List of Publications

The following list compiled by subject-matter, follows the organization of this Final Report. Under each section, materials are listed in chronological order beginning in 2012 and ending with 2015. All documents can be found at www.finrep.kiev.ua.

Objective 1: Strengthening Supervision and Regulation of the Financial Industry

2012-2013

Memorandum on the Concept of the Draft Law “On Amending Certain Laws of Ukraine regarding Qualified Investors”

Analysis of “Reporting and Public Disclosures by Non-State Pension Funds”

Report on “Improving the Corporate Governance of the Non-State Pension Funds and Protecting Pensions Savings”

Concept Note on Prudential Supervision for Non-State Pension Funds

48-minute Instructional Video on “Features of IFRS Financial Reporting in 2012;” contains training on IFRS reporting during five regional SSMNC seminars. Available at: www.youtube.com/watch?v=tlEoP2kBu04


Report on “Pillar II Pension Funds International Experience & Implications for Ukraine” (prepared for the Verkhovana Rada Committee Hearings on Pillar II in 2013)

“Global Experience in Pension Reform,” Issue No.1, Semi-Annual Pension Journal (disseminated at the Verkhovana Rada Committee Hearings on Pillar II in 2013)

2014

Commentary for the Law on “The Moratorium on Foreclosure of Property of Debtors Securing FX-Denominated Loans”

Commentary on the FSR’s “Information Notice (Guidance) on Activities of Financial Institutions and Their Segregated Subdivisions Located on the Territory of the Autonomous Republic of Crimea and the City of Sevastopol”

Presentation on two internationally recognized anti-corruption tools: (1) the Institutional Corruption Risk Management (ICRM) and (2) Legal Corruption Impact Review (LCIR) tools
Analysis on “Calculating the NPF market’s weighted average return as a performance indicator for comparison against an individual NPF’s average weighted return”

Analysis of “International Practice in Investing Assets of Private Pension Funds”

Analysis on “The experience of other countries’ reform of privileged pensions and recommendations on how to implement such a system in Ukraine”

Analysis “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”

Analysis on “IMF-related aspects on pension expenditures and cross-cutting aspects related to social protection for pensioners”

Presentation on “International Practice of Mitigating Investment Risks in Private Retirement Schemes”

Pre-NUPAS assessments for two accounting NGOs (EBS audit firm)

Chapters on “Consumer Protection” for the NBU Banking Strategy 2020

Training Presentation on “Crisis Communications Issues” for the NBU

Analysis on “Reporting and Public Disclosures by Non-State Pension Funds”

Concept Note on “Prudential Supervision for Non-State Pension Funds”

Commentary on the SSMNC’s “Corporate Governance Principles”

Analysis of “Major Pension Developments in OECD and non-OECD Countries”

Training Seminar on “Risk Management” to regulators from the SSMNC and FSR

Concept Paper on “Accounting Reform Moving Forward in Ukraine” for USAID

Consistency Review for MOF “Comparing XBRL Taxonomy for IFRS to the IFRS Glossary of Key Terms”

Regional IFRS Training Presentation for NSSMC, FSR and, financial sector professionals

Training Presentation on “Communications Issues” for the DGF

A “Bridge” Document for important communication purposes developed between DGF Executive Management, the NBU, and the MOF
Recommendations on “NBU 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

Recommendations to improve all Functional Area checklists used by the DGF’s closing personnel

Recommendations on collection strategies that will maximize the recovery for the benefit of the provisional administration/conservatorship or receivership estate

DGF Report on “Managerial staff that will indicate projects, priorities, and plans for the timely liquidation of assets”

Report on “Strategies for the timely disposition of multiple types of foreclosed properties”

Recommendations on disposition strategies for distressed assets whose collection probability is nominal

Strategy Report on “Call Center equipment and software upgrade to the DGF”

Recommendations to improve a “Strategic Resolution Plan” developed for banks possibly subject to resolution

DGF brochure on “The Deposit Guarantee System in Ukraine”

DGF brochure on “Questions and Answers About the Deposit Guarantee System”

DGF brochure “What Should a Depositor Do if A Bank Fails? How and When Does the Deposit Guarantee Fund Make Deposit Payouts?”

DGF Video “Family Savings Protected”

DGF video “If You Know How to Make Money, Learn How to Save It”

Training Materials for the DGF on “Focused marketing procedures utilized by the U.S. FDIC”

Commentary on “Introduction of Mandatory Occupational Pension System for Special Categories of Occupations Dealing with Hazards to Life.”

Analysis on “International practices regarding performance indicators provided to regulators by mandatory accumulation pension system entities subject to disclosure”
Analysis on “international experiences regarding state guarantees for protecting and returning contributions to mandatory accumulation pension systems by participants”

2015

Report on “Recommendations for Ukraine’s Debt Management — Ministry of Finance Alternatives in a Period of Crisis” for the MOF

Recommendations for “Fiscally Sound Pension Reform in Ukraine,” utilizing the latest macroeconomic forecasts by the IMF, the NBU, and CabMin

Two issues of “Global Experience in Pension Reform,” regular periodical on pension systems and international best practices.


Anti-Corruption Final Report, with Lessons Learned for the DGF

Anti-Corruption Final Report, with Lessons Learned for the SSMNC

Anti-Corruption Analysis of the “Current Condition of IT Security at Key Counterparts”

Anti-Corruption Analysis of the “Current Condition of Internal Audit Systems”

Roadmap for the “National Roll-Out of XBRL”

Analysis on “XBRL Pilot Program Results”

Webinar on XBRL Pilot Program

Roadmap for the “National Roll-Out for DPM”

Analysis on “Judicial Practices of Financial Consumer Protection,” with results based on a review of court rulings in over 10,000 court cases entered into the Single State Register of Court Rulings.

FINREP-II-U.S. SEC Trip Report on “Recommendations to USAID on Critical Areas of Technical Assistance to the NSSMC”

Objective 2: Financial and Derivatives Markets

2012-2013

Report on the “Draft Derivatives Law” for the Ministry of Economic Development & Trade
Conceptual Framework for Draft Law of Ukraine on Commodity Exchange Market

Update on FINREP Recommendations to the NBU on FX Policy and the Introduction of FX Derivatives

2014

Draft Law on Financial Instruments

Conceptual Framework for Draft Law of Ukraine on Commodity Exchange Market

First Draft of the FINREP-II “Derivatives Roadmap” for USAID and other Counterparts

2015


Survey of “Prospects for the Commodity Exchange Market and Commodity Derivatives Market to Increase Agrarian Sector Profitability in Ukraine.” The survey polled commodities market stakeholders, including producers of agricultural products (private farms, agricultural enterprises, agro-holding companies), processors, elevators/warehouses, brokers, commodity exchanges, exporters, shippers, and financial intermediaries involved in the agrarian market.

Workshop Presentation on “Commodity futures market survey and commodity futures recommendations”

Draft law on “Derivatives”

Draft law on “Commodity Exchange Market”

**Objective 3: Increase Financial Literacy for the General Population**

2012-2013

Report on “Financial Literacy Course Assessment and Next Steps”

Report on “Recommended Next Steps in the Development of a National Financial Literacy Website for Ukraine”

2014

Key Updates to Laws “On Amendments to Certain Legal Acts regarding Creation of the System for Financial Consumer Protection” and “On Consumer Lending”
Draft Laws on “Consumer Lending” and “Amending Certain Legal Acts to Increase Protection of Financial Services Consumers”, as well as “Explanatory Notes”

Brochure “To a Consumer of Non-Banking Services” for the FSR

Training Materials for two All-Ukrainian Financial Literacy Course Workshops

Digitalization of Financial Literacy Course materials, including “Interactive Textbook” and “User Guide”

Action plan on “Development of a National Financial Literacy Website” for the NBU, NBU-BU, and MOES.


2015

Brochures on “Smart Money. Financial Stories of the Ivanenko Family” and “Talking to Kids about Money”

Final Report and Recommendations on “Recommendations for future Financial Literacy Course implementation”

Presentation on the Financial Literacy Course on “Organization and Implementation of Innovative Programs in Education: Experience, Challenges, and Prospects.”

Presentation on “Protection of Financial Services Consumer Rights: Practical Aspects.”

Go Women Program


Go Women Program Strategy Financial Component Recommendations

Go Women Program Strategy and Partners Assessment

Survey on “Self-Assessment of Potential Partners’ Capacity to Implement Financial Literacy Programs for Women”

Go Women Final Report on Achievements made by Change Agency “Perspectives”

Go Women Final Report on Achievements made by Extra Consulting
Go Women Final Report on Achievements made by Ukrainian Women’s Fund

Go Women Final Report on Achievements made by Women’s Perspectives

Go Women Final Report and Key Statistics
## Appendix B: Performance Monitoring and Evaluation Plan

<table>
<thead>
<tr>
<th>Indicator (Indicator Definition &amp; Unit of Measure)</th>
<th>Baseline</th>
<th>FY13 Target</th>
<th>FY13 Actual</th>
<th>FY14 Target</th>
<th>FY14 Actual</th>
<th>FY15 Target</th>
<th>FY15 Actual</th>
<th>FY16 Target</th>
<th>FY17 Target</th>
<th>Cumulative End-of-Project Target</th>
<th>Cumulative End-of-Project Actual</th>
<th>Data Source</th>
<th>Frequency of Collection &amp; Responsible Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard Foreign Assistance Indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Objective 4. Economic Growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program Area: 4.2 Trade and Investment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Program Element: 4.2.1. Trade and Investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enabling Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Program Element: 4.2.2. Trade and Investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program Area: 4.3 Financial Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Program Element: 4.3.1. Financial Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enabling Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Program Element: 4.3.2 Financial Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program Area: 4.7 Economic Opportunity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Program Element: 4.7.3 Strengthen Microenterprise Productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>USAID Overall Project Progress and Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement of Ukraine’s investment climate and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>its attractiveness to investors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Business Association (EBA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Attractiveness Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit: 1-5 EBA scale, with 1 being “very poor”</td>
<td>2.18</td>
<td>2.2</td>
<td>2.39</td>
<td>2.3</td>
<td>2.74</td>
<td>2.5</td>
<td>2.66</td>
<td>2.8</td>
<td>3.0</td>
<td>3.0</td>
<td>2.66 EBA</td>
<td></td>
<td>Quarterly</td>
</tr>
<tr>
<td>Improvement of the financial regulatory environment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Economist Intelligence Unit (EIU)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Regulatory System Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit: 1-5 EIU scale, with 1 being “very poor,” 5 “very good,” and 3 “fair”</td>
<td>1.3</td>
<td>1.3</td>
<td>1.5</td>
<td>1.5</td>
<td>1.3</td>
<td>1.7</td>
<td>1.5</td>
<td>2.0</td>
<td>3.0</td>
<td>3.0</td>
<td>n/a</td>
<td>EIU</td>
<td>Annually</td>
</tr>
<tr>
<td>Regulatory environment is more conducive to starting and operating a local firm.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Protecting Investors Index (WB Doing Business Report)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit: Country ranking, from 1-183</td>
<td>111</td>
<td>110</td>
<td>128</td>
<td>105</td>
<td>87</td>
<td>100</td>
<td>88</td>
<td>95</td>
<td>90</td>
<td>90</td>
<td>109 WB</td>
<td></td>
<td>Annually</td>
</tr>
<tr>
<td>Development of non-bank financial institutions.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBRD non-bank financial institutions reform index (EBRD Transition Report)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit: 1-4+ EBRD scale, with 1 being “little progress,” and 4+ being “the standards of an industrialized market economy”</td>
<td>2+</td>
<td>2+</td>
<td>2+</td>
<td>3-</td>
<td>2</td>
<td>3</td>
<td>n/a</td>
<td>3+</td>
<td>4</td>
<td>4</td>
<td>n/a</td>
<td>EBRD</td>
<td>Annually</td>
</tr>
<tr>
<td>Deposit Interest Rate lowered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average cost of local currency term deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit: Deposit Interest Rate (NBU)</td>
<td>9.4%</td>
<td>9.4%</td>
<td>10.1%</td>
<td>9.1%</td>
<td>11.68%</td>
<td>9%</td>
<td>13.1%</td>
<td>7%</td>
<td>6.5%</td>
<td>6.5%</td>
<td>13.1% NBU</td>
<td></td>
<td>Annually</td>
</tr>
<tr>
<td>Financial market development and strengthening.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Economic Forum (WEF)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Market Development Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(WEF Global Competitiveness Report)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit: 1-7 WEF scale, with 1 being “very poor”</td>
<td>3.4</td>
<td>3.4</td>
<td>4.1</td>
<td>3.6</td>
<td>3.5</td>
<td>3.9</td>
<td>3.2</td>
<td>4.0</td>
<td>4.6</td>
<td>4.6</td>
<td>3.5 WEF-GCR</td>
<td></td>
<td>Annually</td>
</tr>
</tbody>
</table>

**Notes:**
- Cumulative End-of-Project Target and Actual columns are not filled in the table.
- The table represents the performance indicators monitored for the USAID Ukraine FINREP-II Final Report for November 2015.
<table>
<thead>
<tr>
<th>Indicator (Indicator Definition &amp; Unit of Measure)</th>
<th>Baseline FY13 Target</th>
<th>FY13 Actual</th>
<th>FY14 Target</th>
<th>FY14 Actual</th>
<th>FY15 Target</th>
<th>FY15 Actual</th>
<th>FY16 Target</th>
<th>FY17 Target</th>
<th>Cumulative End-of-Project Target</th>
<th>Cumulative End-of-Project Actual</th>
<th>Data Source</th>
<th>Frequency of Collection &amp; Responsible Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROJECT OBJECTIVE 1: Strengthen Supervision and Regulation of the Financial Industry</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1.1.a-c: Financial Sector Policy Development and Monitoring</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Person hours of training completed by financial sector supervisors in international standards Unit: # of person hours of training completed by financial sector supervisors</td>
<td>0</td>
<td>200</td>
<td>512</td>
<td>500</td>
<td>1,718</td>
<td>600</td>
<td>1,104</td>
<td>400</td>
<td>200</td>
<td>1,900</td>
<td>3,334</td>
</tr>
<tr>
<td>b. The GOU uses independent analyses and public-private dialogue to adopt more sustainable financial sector policies.</td>
<td>EIU Sovereign Debt Risk Model Unit: EIU score, 0-100, with lower scores meaning lower risks</td>
<td>67</td>
<td>67</td>
<td>69</td>
<td>65</td>
<td>79</td>
<td>62</td>
<td>77</td>
<td>58</td>
<td>50</td>
<td>50</td>
<td>77</td>
</tr>
<tr>
<td>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.</td>
<td>Local organization can conduct the financial sector monitoring functions and meets USAID pre-obligation requirements Unit: Y/N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td><strong>Component 1.1.f: Financial Sector Policy Development and Monitoring</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. A local accounting association successfully promotes IFRS nationwide and meets USAID pre-obligation requirements by the end of Year Two.</td>
<td>Local accounting associations meets USAID pre-obligation requirements Unit: Y/N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td><strong>Component 1.2: Application of International Norms and Principles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator</td>
<td>Data Source</td>
<td>Frequency of Collection &amp; Responsible Individual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>-------------</td>
<td>---------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Person hours of training completed by financial sector professionals in international standards</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Person hours of training completed by female financial sector professionals in international standards</td>
<td>WEF-GCR</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WEF-GCR Strength of Auditing and Reporting Standards Index</td>
<td>DGF, FINREP-II</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of material improvements in the DGF that provide better financial safety to retail depositors</td>
<td>MSP, PFU</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pillar II mandatory accumulation system is launched and provide full disclosure on a regular basis.</td>
<td>MSP, PFU</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage increase of share of private pension funds to GDP</td>
<td>FSR</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PROJECT OBJECTIVE 2: Develop Financial and Derivatives Markets**

5 Includes 1,027 hours of XBRL-related training that took place in FY16-Q1
6 Includes 486.5 hours of XBRL-related training that took place in FY16-Q1
### Component 2.1: Enabling environment

<table>
<thead>
<tr>
<th>Indicator (Indicator Definition &amp; Unit of Measure)</th>
<th>Baseline FY13</th>
<th>FY13 Target</th>
<th>FY13 Actual</th>
<th>FY14 Target</th>
<th>FY14 Actual</th>
<th>FY15 Target</th>
<th>FY15 Actual</th>
<th>FY16 Target</th>
<th>Cumulative End-of-Project Target</th>
<th>Cumulative End-of-Project Actual</th>
<th>Data Source</th>
<th>Frequency of Collection &amp; Responsible Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Derivatives and commodity exchange legislation framework is finalized, including regulations and oversight responsibilities and is compliant with the international investment framework.</td>
<td>Number of material improvements in the derivatives and commodity exchange legislation framework</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>19</td>
<td>6</td>
</tr>
<tr>
<td>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.</td>
<td>Person hours of training completed in trade and investment capacity building supported by USG assistance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>300</td>
<td>70</td>
<td>800</td>
<td>400</td>
<td>1,500</td>
<td>70</td>
</tr>
<tr>
<td>c. Ukraine’s private sector increasingly uses stock market instruments and modern risk management systems and practices.</td>
<td>Stock market capitalization as % of GDP</td>
<td>28.6%</td>
<td>30%</td>
<td>9.3%</td>
<td>35%</td>
<td>15%</td>
<td>45%</td>
<td>4.2%</td>
<td>55%</td>
<td>100%</td>
<td>100%</td>
<td>4.2%</td>
</tr>
<tr>
<td>d. Improved the efficiency of the judicial system in resolving a commercial dispute</td>
<td>Cost of enforcing contracts as % of claim</td>
<td>41%</td>
<td>40%</td>
<td>44%</td>
<td>37%</td>
<td>46.3%</td>
<td>34%</td>
<td>46.3%</td>
<td>30%</td>
<td>25%</td>
<td>25%</td>
<td>46.3%</td>
</tr>
<tr>
<td>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</td>
<td>Person hours of training completed by financial sector regulators in trade and investment enabling environment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>400</td>
<td>0</td>
<td>400</td>
<td>200</td>
<td>1,000</td>
<td>0</td>
</tr>
</tbody>
</table>
### Component 2.2: Financial Instruments

#### a. New financial investment products are tested and introduced to market participants.

<table>
<thead>
<tr>
<th>Indicator (Indicator Definition &amp; Unit of Measure)</th>
<th>Baseline</th>
<th>FY13 Target</th>
<th>FY13 Actual</th>
<th>FY14 Target</th>
<th>FY14 Actual</th>
<th>FY15 Target</th>
<th>FY15 Actual</th>
<th>FY16 Target</th>
<th>FY17 Target</th>
<th>Cumulative End-of-Project Target</th>
<th>Cumulative End-of-Project Actual</th>
<th>Data Source</th>
<th>Frequency of Collection &amp; Responsible Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new financial instruments tested and introduced to market participants Unit: # of instruments</td>
<td>N N N N N N N N Y Y Y Y N</td>
<td>SSMNC, NBU, FINREP-II</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 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.

<table>
<thead>
<tr>
<th>Indicator (Indicator Definition &amp; Unit of Measure)</th>
<th>Baseline</th>
<th>FY13 Target</th>
<th>FY13 Actual</th>
<th>FY14 Target</th>
<th>FY14 Actual</th>
<th>FY15 Target</th>
<th>FY15 Actual</th>
<th>FY16 Target</th>
<th>FY17 Target</th>
<th>Cumulative End-of-Project Target</th>
<th>Cumulative End-of-Project Actual</th>
<th>Data Source</th>
<th>Frequency of Collection &amp; Responsible Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of small/medium farmers trained in risk management systems and practices Unit: # of small farmers trained</td>
<td>0 0 0 0 0 0 1 0 2 2 5 0</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of producers trained in risk management systems and practices Unit: # of producers trained</td>
<td>0 0 0 0 0 250 0 250 250 750 0</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of bankers trained in risk management systems and practices Unit: # of bankers trained</td>
<td>0 0 0 0 0 50 0 75 50 175 0</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of traders/brokers trained in risk management systems and practices Unit: # of traders/brokers trained</td>
<td>0 0 0 0 0 10 0 10 10 30 0</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

#### Component 3.1: Policy Dialogue on Financial Literacy (in close cooperation with the World Bank)

<table>
<thead>
<tr>
<th>Indicator (Indicator Definition &amp; Unit of Measure)</th>
<th>Baseline</th>
<th>FY13 Target</th>
<th>FY13 Actual</th>
<th>FY14 Target</th>
<th>FY14 Actual</th>
<th>FY15 Target</th>
<th>FY15 Actual</th>
<th>FY16 Target</th>
<th>FY17 Target</th>
<th>Cumulative End-of-Project Target</th>
<th>Cumulative End-of-Project Actual</th>
<th>Data Source</th>
<th>Frequency of Collection &amp; Responsible Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank’s NPLs as % of total loans Unit: Nonperforming loans to total loans ratio</td>
<td>15.3% 15% 14.1% 13% 10.8% 10% 24.27% 8% 7% 7% 24.27%</td>
<td>NBU</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator (Indicator Definition &amp; Unit of Measure)</td>
<td>Baseline</td>
<td>FY13 Target</td>
<td>FY13 Actual</td>
<td>FY14 Target</td>
<td>FY14 Actual</td>
<td>FY15 Target</td>
<td>FY15 Actual</td>
<td>FY16 Target</td>
<td>FY17 Target</td>
<td>Cumulative End-of-Project Target</td>
<td>Cumulative End-of-Project Actual</td>
<td>Data Source</td>
<td>Frequency of Collection &amp; Responsible Individual</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------------------------</td>
<td>---------------------------------</td>
<td>------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Credit as % of GDP</td>
<td>73.8%</td>
<td>75%</td>
<td>49.5%</td>
<td>80%</td>
<td>65%</td>
<td>85%</td>
<td>76%</td>
<td>90%</td>
<td>100%</td>
<td>100%</td>
<td>76%</td>
<td>USAID/Ukraine FINREP-II</td>
<td>Annually</td>
</tr>
<tr>
<td>Interest rate spread</td>
<td>-3.9%</td>
<td>3.8%</td>
<td>5.4%</td>
<td>3.6%</td>
<td>3.54%</td>
<td>3%</td>
<td>5.6%</td>
<td>2.8%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>5.6%</td>
<td>USAID/Ukraine FINREP-II</td>
<td>Annually</td>
</tr>
<tr>
<td>Total private sector loans to total deposits</td>
<td>163.7 %</td>
<td>170%</td>
<td>135%</td>
<td>175%</td>
<td>150%</td>
<td>180%</td>
<td>146%</td>
<td>185%</td>
<td>190%</td>
<td>190%</td>
<td>146%</td>
<td>USAID/Ukraine FINREP-II</td>
<td>Annually</td>
</tr>
<tr>
<td>Local organization can promote financial awareness nationwide and meets USAID pre-obligation requirements by the end of Year Three.</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>FINREP-II</td>
<td>Annually</td>
</tr>
</tbody>
</table>

**Component 3.2: Financial Literacy in Schools**

<table>
<thead>
<tr>
<th>Task</th>
<th>Baseline</th>
<th>FY13 Target</th>
<th>FY13 Actual</th>
<th>FY14 Target</th>
<th>FY14 Actual</th>
<th>FY15 Target</th>
<th>FY15 Actual</th>
<th>FY16 Target</th>
<th>FY17 Target</th>
<th>Cumulative End-of-Project Target</th>
<th>Cumulative End-of-Project Actual</th>
<th>Data Source</th>
<th>Frequency of Collection &amp; Responsible Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Train-the Trainers program for public school teachers is designed and implemented</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>USAID/Ukraine FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Number of education specialists successfully trained with USG support</td>
<td>30</td>
<td>40</td>
<td>37</td>
<td>80</td>
<td>165</td>
<td>200</td>
<td>100</td>
<td>100</td>
<td>80</td>
<td>500</td>
<td>302</td>
<td>USAID/Ukraine FINREP-II</td>
<td>Annually</td>
</tr>
<tr>
<td>Implement regional financial literacy pilot course for public schools</td>
<td>15</td>
<td>80</td>
<td>421</td>
<td>250</td>
<td>650</td>
<td>1,000</td>
<td>651</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
<td>651</td>
<td>USAID/Ukraine FINREP-II</td>
<td>Annually</td>
</tr>
<tr>
<td>National financial literacy course roll-out plan is prepared</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>USAID/Ukraine FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>National financial literacy course is digitalized</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>USAID/Ukraine FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Number of students enrolled in financial literacy program and/or equivalent non-school based settings</td>
<td>500</td>
<td>2,500</td>
<td>14,000</td>
<td>5,000</td>
<td>18,000</td>
<td>20,000</td>
<td>19,000</td>
<td>0</td>
<td>80,000</td>
<td>80,000</td>
<td>80,000</td>
<td>20,000</td>
<td>USAID/Ukraine FINREP-II</td>
</tr>
<tr>
<td>Number of female students enrolled in financial literacy program and/or equivalent non-school based settings</td>
<td>250</td>
<td>1,250</td>
<td>7,280</td>
<td>2,500</td>
<td>9,000</td>
<td>10,000</td>
<td>10,450</td>
<td>0</td>
<td>40,000</td>
<td>40,000</td>
<td>40,000</td>
<td>10,450</td>
<td>USAID/Ukraine FINREP-II</td>
</tr>
<tr>
<td>Indicator (Indicator Definition &amp; Unit of Measure)</td>
<td>Baseline</td>
<td>FY13 Target</td>
<td>FY13 Actual</td>
<td>FY14 Target</td>
<td>FY14 Actual</td>
<td>FY15 Target</td>
<td>FY15 Actual</td>
<td>FY16 Target</td>
<td>Cumulative End-of-Project Target</td>
<td>Cumulative End-of-Project Actual</td>
<td>Data Source</td>
<td>Frequency of Collection &amp; Responsible Individual</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>----------------------------------</td>
<td>---------------------------------</td>
<td>-------------</td>
<td>------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Number of textbooks and other teaching materials prepared with USG assistance Unit: # of textbook prepared</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td>14</td>
<td>16</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Proportion of student who demonstrated the improvement of knowledge and skills after the financial literacy course Unit: % increase of entry/exit FL knowledge test</td>
<td>0%</td>
<td>7%</td>
<td>20%</td>
<td>10%</td>
<td>25%</td>
<td>20%</td>
<td>25%</td>
<td>25%</td>
<td>20%</td>
<td></td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Proportion of female student who demonstrated the improvement of knowledge and skills after the financial literacy course Unit: % increase of entry/exit FL knowledge test of female Students</td>
<td>0%</td>
<td>7%</td>
<td>20%</td>
<td>10%</td>
<td>25%</td>
<td>20%</td>
<td>25%</td>
<td>25%</td>
<td>20%</td>
<td></td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td><strong>Component 3.3: Financial Literacy For All – Non-Formal Methods</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Lozitskaya</strong></td>
<td></td>
</tr>
<tr>
<td>Number of financial literacy learning materials prepared Unit: # of learning materials prepared</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>22</td>
<td>10</td>
<td>4</td>
<td>10</td>
<td>5</td>
<td>40</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Number of financial literacy initiatives facilitated and launched Unit: # of financial literacy initiatives facilitated and launched</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>2</td>
<td>22</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>8</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>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</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td><strong>GO WOMEN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Ilina</strong></td>
<td></td>
</tr>
<tr>
<td>Women-focused NGOs and civil society organizations trained and better able to service women</td>
<td>TBD</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>+4</td>
<td>+4</td>
<td>+6</td>
<td>+5</td>
<td>+15</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Indicator (Indicator Definition &amp; Unit of Measure)</td>
<td>Baseline</td>
<td>FY13 Target</td>
<td>FY13 Actual</td>
<td>FY14 Target</td>
<td>FY14 Actual</td>
<td>FY15 Target</td>
<td>FY15 Actual</td>
<td>FY16 Target</td>
<td>FY17 Target</td>
<td>Cumulative End-of-Project Target</td>
<td>Cumulative End-of-Project Actual</td>
<td>Data Source</td>
<td>Frequency of Collection &amp; Responsible Individual</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------------------------</td>
<td>-------------------------------</td>
<td>-------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>b. Implementation of partner training, business development, and access to financial services programs Number of women with increased access to financial services</td>
<td>TBD</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>+1,500</td>
<td>+2,851</td>
<td>+2,000</td>
<td>+1,500</td>
<td>+5,000</td>
<td>+2,851</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>d. Assess and introduce Global Financial Bridge Tool NGOs and financial institutions trained on Global Bridge Financial Tool</td>
<td>TBD</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>+2</td>
<td>0</td>
<td>+6</td>
<td>+4</td>
<td>+12</td>
<td>0</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>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</td>
<td>TBD</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>TBD</td>
<td>n/a</td>
<td>TBD</td>
<td>TBD</td>
<td>n/a</td>
<td>TBD</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>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</td>
<td>TBD</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>+30</td>
<td>0</td>
<td>+60</td>
<td>+60</td>
<td>+120</td>
<td>0</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>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)</td>
<td>TBD</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>+5</td>
<td>0</td>
<td>+3</td>
<td>+1</td>
<td>10</td>
<td>0</td>
<td>FINREP-II</td>
<td>Annually</td>
<td></td>
</tr>
</tbody>
</table>

**Attachment 1: Scorecard of DGF Institutional Development Readiness**

1. DGF training & twinning program with FDIC and other counterparts under the MoU launched in the US and Ukraine 1 point
2. DGF new organizational structure introduced 1 point
3. DGF public communication strategy developed 1 point
4. DGF public communication materials developed 1 point
5. DGF Public communication department is equipped and trained 1 point
6. DGF internal procedures and regulations developed/updated 1 point
7. DGF new business planning, financial management and reporting procedures introduced/updated 1 point
8. DGF IT technology improved/updated 1 point

**Attachment 2: Scorecard on Derivatives and Commodity Exchange legislation readiness**

1. Discussion on commodities derivatives market launched 1 point
2. The road map for derivatives market regulatory and oversight regime developed 1 point
3. The licensing requirements for derivatives/commodities market participants established 1 point
4. Standard/model contracts for different classes of derivatives/commodities drafted 1 point
5. Policies and practices to minimize the costs of enforcing the contracts developed 1 point
6. Drafts Derivatives and Commodity Exchange Laws developed 1 point
7. Drafts Derivatives and Commodity Exchange Laws approved by the Cabinet of Ministers and submitted to the Rada 1 point
8. Draft Derivatives and Commodity Exchange Laws approved by the Rada Committee 1 point
9. Draft Derivatives and Commodity Exchange Laws passed first reading 1 point
10. Derivatives and Commodity Exchange Laws became effective 1 point
11. Regulatory acts to implement the Derivatives and Commodity Exchange Laws developed 1 point
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

**TOTAL POINTS/IMPROVEMENTS**

10
13