

Ukraine  
Debt and International Financial Policy  
Department in the Ministry of finance of Ukraine

Ukraine  
Financial economy crisis  
countermeasure project  
Project Completion Report

June 2013

Japan International Cooperation Agency (JICA)

KPMG AZSA LLC

IL
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## 1. Engagement background and purpose

### (1) Background

During the global financial crisis, Ukraine was affected by the crisis and has fallen into the economic recession. The Ukraine government has been asked to strengthen its fiscal management, strengthen the energy sector, improve weak financial areas, promote bank loans, effectively manage monetary policy, and realize a high level and continuous economic growth within the International Monetary Fund report. In addition, it has been mentioned that the rapid increase in the public debt has become one of the most vulnerable factors in Ukraine's economy. As such, the government is required to strictly control expenditures of general government and state-owned companies, as well as strive to increase budgeted revenues through the expansion of its taxation base and through the increase in taxation to high-income earners. Through these measures, it will be crucial to reduce financing costs and to recover the credibility of the government in the current financial markets.

### (2) Purpose

We held lectures, seminars and consultations about the following matters and provided Debt and International Financial policy Department staff in the Ministry of finance of Ukraine (hereinafter referred to as "C/P") with materials that were useful for the consideration of the future direction.

- (i) Public debt management and risk management;
- (ii) Strategy for government debt management; and
- (iii) Development of bond markets and participation in the Euro bond market.

## 2. Activities

KPMG AZSA invited additional personnel in the following table and we executed seminars about the matters as discussed above 1(2) (i) (ii) (iii) in order to achieve the project purpose.

<additional personnel and their area of focus>

Affiliation	Name / Title	Area of focus
Economics Department, Keio University	Naoyuki Yoshino / Professor	(1)Public Debt Management (2)Risk management (3)Strategy for government debt management
Otsuna Women's University	Nobusuke Tamaki / Professor	(4)Development of bond markets (5)Issuance of Euro bond

### (1) Preparation period in Japan (4 days)

- A) Collected, organized and analyzed information that was available in Japan;

- B) Discussed with Japan International Cooperation Agency (JICA) staff, prepared an operating plan document/inception report and submitted the report to the JICA industry development and public policy department.
- C) Prepared presentation materials of each session in accordance with the matrix set out in (2). Please note we did not translate the materials into Ukrainian and prepared English materials.

(2) Work period (12days including 5days in Ukraine)

Our schedule of the sessions was as below based on the request from Ministry of finance of Ukraine.

Date		Theme	The agenda
1-Apr	AM	Government bond and Risk assessment	Ukrainian Ministry of Finance and JICA professional team discuss the category of government bond and fundamental of risk monitoring
	PM	Strategy for government debt management, government bond, Risk evaluation	Ukrainian Ministry of Finance and JICA professional team exchange opinion concerning 1. Criterion for judgement with regard to fund-raise based on issuance of government bonds 2. Plan and prospect with regard to issuance of government bonds for the next 3 years
2-Apr	AM	Loans for economic entities / execution of guarantee liabilities	Ukrainian Ministry of Finance make a presentation related to present status of Ukrainian government guarantee  JICA professional team make a introduction of experience of Japanese central government and local government related to 1. loans for economic entities (insurance and guarantee) 2. Application of public fund in cases where subrogation occurs when a government provided assurance
	PM	Strategy for national debt management	Ukrainian Ministry of Finance make a presentation related to present status and awareness of 1. Public debt strategy 2. What the coordination among public debt management policy, financial policy, and monetary policy should be to Application of public fund in cases where subrogation occurs when a government provided assurance  JICA professional team make a presentation related to 1. Public debt strategy 2. What the coordination among public debt management policy, financial policy, and monetary policy should be to Application of public fund in cases where subrogation occurs when a government provided assurance
5-Apr	AM	Loans for economic entities / execution of guarantee liabilities	JICA professional team express an opinion concerning the present status of Ukraine, and Ukrainian Ministry of Finance and JICA professional team exchange opinion concerning 1. Policy option with regard to execution of guarantee liabilities 2. Policy option with regard to application of public fund in cases where subrogation occurs when a government provided assurance
	PM	Strategy for national debt management	Ukrainian Ministry of Finance and JICA professional team exchange opinion concerning possible solution for national debt management; including risk assessment
8-Apr	AM	Development of Ukrainian domestic government bond market and participation in the Euro bond market	Ukrainian Ministry of Finance make a presentation related to what the currency composition (proportion of local currency to foreign currency) should be on public debt  JICA professional team make a presentation related to what the currency composition (proportion of local currency to foreign currency) should be on public debt
	PM	Development of Ukrainian domestic government bond market and participation in the Euro bond market	Ukrainian Ministry of Finance and JICA professional team discuss the optimization strategy for foreign debt and basic approach of holding presentation meetings for overseas investors; so called load show.
9-Apr	AM	General overview session	JICA professional team express an general overview comment, and Ukrainian Ministry of Finance and JICA professional team exchange opinion based on that comment.

Attendees of C/P at the 5days' sessions were listed in the following table. (14 people)

Affiliation	Title	Name
Department of Debt and International Financial Policy	Deputy Head of Department	Mr. KHRYSTOFOROV
Debt Management Division, Department of Debt and International Financial Policy	Head of Division	Mr. KUZNETSOV
Debt Management Division, Department of Debt and International Financial Policy	Deputy Head of Division	Ms. KOVAL
Debt Management Division, Department of Debt and International Financial Policy	—	— (two other members)
State Guarantee Division, Department of Debt and International Financial Policy	Head of Division	Ms. TEPLA
State Guarantee Division, Department of Debt and International Financial Policy	Deputy Head of Division	Ms. SHYPILOVA
State Guarantee Division, Department of Debt and International Financial Policy	—	— (two other members)
Capital Markets Division, Department of Debt and International Financial Policy	Head of Division	Mr. BARANOV
Capital Markets Division, Department of Debt and International Financial Policy	—	— (four other members)

(3) Closeout period after returning to Japan (10days)

- A) Prepared the project completion report (both in Japanese and in English. English version is only in summary format.), and submitted the report to the JICA industry development and public policy department.
- B) Attended a debrief meeting held by the JICA industry development and public policy department and provided feedback.

### **3. Achievement of the Project Purpose**

Goal of this project for KPMG AZSA LLC and additional personnel was to hold seminars to provide information related to public debt management and assist C/P' s enhancement of public debt management in the medium and long terms..

Per explanation provided from C/P upon arrival in Ukraine, status of public debt in Ukraine remained uncertain and C/P showed significant commitment to our 5 days seminars as discussed above 2(2).

Inquiry from C/P ranged from academic area related to public debt management to practical experience of Japanese Ministry of Finance and Bank of Japan. We provided thorough response by utilizing professors' expertise and abundant experience as well as our result of research of our emerging bond market and investors' trend. This resulted in interactive and intensive discussion.

Additionally, on the final overview session, we provided several practical suggestions in consideration of C/P status and Mr. Kuznetsov (Head of Debt Management Division) was very satisfied with various information provided from Japan.

After we returned Japan, we have been consecutively contacted by C/P with additional consultations. We believe this demonstrates firm relationship between us and C/P, and achievement of the project purpose.