



STRENGTHENING THE INSTITUTIONAL AND REGULATORY CAPACITY OF THE NATIONAL BANK OF UKRAINE TO IMPLEMENT EU-UKRAINE ASSOCIATION AGREEMENT

The National Bank of Ukraine has got a new source of external support. This is a twinning project, fully funded by the European Union. It was launched on 1st October 2020 and first activities within the project were started in December last year.

The legal basis for the project is the Twinning Grant Contract concluded between the European Commission and a consortium of central banks of Poland (Narodowy Bank Polski - NBP; the lead partner) and Lithuania (Lietuvos bankas – LB; junior partner). Up to EUR 1 million will be spent till June 2022 for training, advisory and related activities in four areas:

- ➔ developing banking supervision by introducing more adequate requirements for capital adequacy;
- ➔ designing a model for the instant payments architecture and a road map to implement the model;
- ➔ establishment of integrated system of strategic planning, execution and monitoring; strengthening of the NBU international cooperation function.

The overall objective of the project is to contribute to the macroeconomic stability through institutional strengthening of the National Bank of Ukraine, and through building a reliable banking and payments infrastructure for economic operators.

Polish and Lithuanian experts will be reinforced with representatives of European Central Bank, and central banks of Greece, Hungary, the Netherlands, Portugal and Sweden.

For the time being, due to the Covid-19 pandemic, all activities are carried out remotely.



PROJECT LEADERS



Mr Paweł Samecki
Project Leader

Adviser to the NBP President,
Narodowy Bank Polski

Enormous experience in the field of economy and banking (among others in the areas of payments architecture, banking supervision, change management and strategic planning) gained during many years of work in NBP as the Member of the Board.

Born in Łódź, Poland in 1958. Ph. D. in economics (1988). Former deputy minister of finance (1997-1998) and undersecretary of state at the Office for European Integration (1998-2002). European Commissioner for regional policy (2009-2010). Member of the Management Board of Narodowy Bank Polski (2004-2009 and 2014-2020).



Ms Vilė Urbonienė
Junior Project Leader

STE in Component 4,
Director of International Relations Department,
Lietuvos bankas

Excellent knowledge of EU central banking regulations and policies, extensive international and leadership expertise as head of International Relations Department

Key responsibility for the Bank's participation in the Eurosystem, ESCB and the decision-making process within the EU, as well as cooperation with international financial institutions and other CBs.

MA in Law and in Business Administration. Member of the ESCB International Relations Committee, Economic and Financial Committee (EC), Nordic Baltic Monetary and Financial Committee (NBMFC). Currently co-responsible for LB's participation in the ESCB and close cooperation with international financial organisations.



PROJECT LEADERS



Mr Dmytro Sologub
**Beneficiary Country Project
Leader**

Deputy Governor, National Bank of Ukraine

Excellent knowledge in the field of international relations, monetary policy, macroprudential policy to ensure financial stability, economic analysis, collection and analysis of statistics, reporting and research. Vast experience gained during work in the International Monetary Fund's resident representative office.

MSc in economics and in theoretical economics. From 2015, NBU Deputy Governor and Member of the Board. Unique experience in many areas of economics gained during work in NBU and international financial institutions and banks.



Mr Dariusz Lewandowski
Resident Twinning Adviser (RTA)

Expert in the International Department, Narodowy Bank Polski

Unique experience in developing and implementing international regulations in different areas of central banking, especially banking supervision and financial stability. Actively involved in the process of transformation of the banking system in Poland, particularly modernization and adaptation of banking supervision to the best international standards.

MA in Finance and Statistics and Certificate of Management Executive Programme. Over 28 years of professional experience in central banking, mainly in the area of banking supervision, financial stability, international cooperation and risk management. In 2018-2019 he worked as the RTA in the Twinning Project Strengthening the National Bank of Belarus.



PROJECT LEADERS



Mr Volodymyr Kuchyn
RTA Counterpart

Head of Office for European Integration and International Programmes,
National Bank of Ukraine

Long-term experience in international relations while working for the government and the central bank of Ukraine. Position of a Deputy Head of Trade and Economic Mission at the Embassy of Ukraine to USA.

MSc in economics and banking and in applied mathematics. Extensive experience in international relations acquired during many years of work in a central bank. Practise in public finances and public financial management. Leadership expertise gained as a Deputy Director and a head of departments.



Ms Erika Balaikienė
Leader for Component 1 (A)

Head of Banking Supervision Division,
Lietuvos bankas

Vast expertise in banking supervision. Specialist for on-site as well as off-site inspection, organisation and performance of SREP in accordance with EU/EBA/SSM regulations, and preparation of SREP reports.

Over 22 years of experience in the field of banking supervision. MA in management. Component Leader in the Twinning Project Strengthening the National Bank of Belarus (2018-2019). Representing LB at European institutions - European Banking Authority (member of the SCOP committee) and in the ECB Single Supervisory Mechanism network (member of Senior Management Network). Actively participated in the Lithuania's integration to the Banking Union.



PROJECT LEADERS



Mr Robert Klepacz
Leader for Component 2 (B)

Deputy Director of the Payment System Department, Narodowy Bank Polski

Extensive expertise in supervising the policy and development of payment. Co-author of regulations on accounting rules, interbank clearing and settlement systems, and participated in the payment systems reform as well as in creation of the Clearing House (SYBIR and ELIXIR systems).

MA in economics, Polish-Dutch Postgraduate European Studies, Postgraduate Banking Studies. Over 30 years of work experience in the payment systems field.

Component Leader in the Twinning Project Strengthening the National Bank of Belarus (2018-2019), deputy Component Leader in the ongoing Twinning Project Strengthening the National Bank of Georgia Capacity in the Field of Banking and Payment Services in Line with other EU Standards and STE in the Twinning Project Strengthening National Bank of Ukraine through the approximation to EU standards of central banking (2009-2011).



Ms Gytautė Peseckaitė-Kibickienė
Leader for Component 3 (C)

Head of Performance Management Division, Lietuvos bankas

Excellent knowledge of process management establishment and implementation of performance measurement. Vast experience in coordination of annual planning of activities and budgeting.

MA in Business Management. Responsible for strategic planning and execution control, performance review and change management at LB. Member of Eurosystem Organization Development Committee and a member of Eurosystem Strategic Planning and Collaboration Informal Network.



PROJECT LEADERS



Mr Tomasz Ciszak
Leader for Component 4 (D)

Deputy Director of the International Department, Narodowy Bank Polski

Extensive knowledge in the area of international relations and European integration issues. Co-responsible for cooperation within the ESCB and other EU institutions and bodies.

MA in economics. Expert in the field of international cooperation with over 22 years of professional experience. Economic and Financial Committee Alternate member, and a member of the ESBC structures. Participant of the ECB General Council meetings and informal Ecofin meetings.

STE in the Twinning Project Strengthening NBU potential through the approximation to EU standards of central banking (2009-2011) and an expert in the ESCB programme Strengthening of the institutional capacities of the National Bank of Serbia (2011-2013).



BRIEF DESCRIPTION OF FOUR TWINNING PROJECT COMPONENTS

Project components - descriptive form

Component 1 (A): Further transposition of Basel Core Principles for Effective Banking Supervision

The mandatory result of this component is defined as "Transposition of Basel Core Principles for Effective Banking Supervision and the EU capital requirements legislation in the area of internal capital adequacy assessment process (ICAAP), internal liquidity adequacy assessment process (ILAAP) and assessment of the banks' risk profiles through the SREP". To achieve the mandatory result, MS STEs will develop recommendations for ILAAP origination and implementation and they will assist in enhancing the SREP Regulation and developing Regulation for banks' ILAAP based on EBA-compliant methodologies. Also specialized trainings and workshops focused on ILAAP, ICAAP and SREP implementation will be organized. The Regulation on SREP (including ICAAP, ILAAP and aggregated risk level assessment) will be tested at 3 pilot SREPs banks. MS experts will provide recommendations for developing bank on-site inspection process. During the course of this Component, a study visit to LB will be organized to learn about the practical aspects of the SREP process functioning in Lithuania.

Component 1 (A) ownership: LB (CL and app. 3 STEs from LB). Also STEs from DNB and BoG will participate in selected activities.

Component 2 (B): Instant Payment Settlement System

The component's mandatory result is defined as "A model is developed for the instant payments architecture in Ukraine, and a road map to implement it". In order to achieve the mandatory result, MS STEs will support NBU in selecting an optimal model for processing instant payments in Ukraine with ISO 20022 and will organize the targeted training session on technical aspects of the selected model. Also an expert forum will be organized to allow the exchange of views and present best practices on instant payments architecture in MS national frameworks. A study visit to NBP and MNB will be arranged to present the practical side and functioning of two different systems for processing instant payments. All the measures planned will make it possible to develop a road map for implementing the model and establishing infrastructure for instant payments processing.

Component 2 (B) ownership: NBP (CL and app. 2-3 STEs from NBP). Also experts from MNB, LB, ECB and the Polish National Clearing House will participate in component's activities.



BRIEF DESCRIPTION OF FOUR TWINNING PROJECT COMPONENTS

**Component 3 (C):
Institutional strengthening through the
establishment of an integrated system of
strategic planning, execution and monitoring,
process-based model of planning and
management**

The component's mandatory result is defined as "Process-based planning and management model, including a performance management system, is introduced in NBU". To achieve the mandatory result, MS STEs will present best practices and their experience regarding central bank's business processes. Then, they will develop recommendations on further enhancing current strategic planning and the process-based model of planning and management at NBU. Also the workshop will be organized to create the platform for discussions about best practices and experience of automation solutions in the area of the strategic planning process, KPIs, monitoring and reporting. With the assistance of MS experts, the NBU staff will prepare guidelines on initial functional requirements for automation of selected processes. Finally, an expert forum on strategic management in public institutions will be organized (i.e. strategic planning, business process management, performance management).

Component 3 (C) ownership: LB (CL). Also STEs from BdP and SR will participate in selected activities.

**Component 4 (D):
Strengthening of the NBU international
cooperation function and capacity in the area
of European integration of Ukraine**

The mandatory result for this component is defined as "The NBU international cooperation function is strengthened, in particular with regard to the implementation of the Association Agreement". To cover this component fully, MS STEs will present the expertise and practical experience resulting from the overall process of integration with the EU/ESCB. At this stage, MS STEs will share with the NBU staff the knowledge and hands-on experience of NBP and LB as regards the cooperation with International Financial Institutions (IFIs) and will prepare recommendations on enhancing cooperation of NBU with IFIs, ECB, ESCB, EBA and other central banks. During the targeted expert missions, MS STEs will also share their work experience in the field of terminology management systems and will prepare practical recommendations on development of the centralized terminology management system. Finally, all achievements and other Project results will be shared with the central banks of Eastern Partnership countries to promote best practices in strengthening the central bank international cooperation function with particular focus on European integration.

Component 4 (D) ownership: NBP (CL and app. 8-10 STEs from NBP). Also STEs from LB will participate in component's activities.



THE SHORT DESCRIPTION OF THE PROJECT ACTIVITIES WITHIN THE REPORTED PERIOD OF OCTOBER 2020 – JANUARY 2021

Before each mission, the MS and BC experts started to work together well in advance, agreed on an agenda of upcoming mission, discussed priorities, and sequenced activities and also talked about the relevant participants to be invited. Many presentations in Power Point were prepared earlier and sent to the NBU. Already after the first missions it can

be concluded that the experts became very involved in joint work, got to know each other and started expert dialogue and exchange of experience, which is the essence of Twinning projects. Due to the COVID-19 pandemic all Project activities within the reported period were carried out in on-line format.

Below is a brief description of the results of the missions and the short info about the first SCM (SCM description might be a separate section in TN) .



Two **preparatory missions** (Work Plan preparation) of the Project were held on October 23 and 28, 2020. The ultimate objective of the missions was to discuss and agree on the scope and sequence of Project activities in Components 2B and 4D (NBP is responsible) and Components 1A and 3 C (LB is responsible) which should be included into draft Initial Work Plan (IWP) of the Project and cover its activities over the next seven months. In the course of both missions MS PL briefed participants from NBU and observers from Lietuvos bankas about the progress made in the first weeks of implementation of the project. All four MS Component leaders presented the description of the activities to be carried out within each Component of the Project in the course of its implementation as well as their vision on the scope and timing of missions within the IWP until end-April 2021.

As a result of discussion that followed, wherein the NBU counterparts expressed their views, comments and suggestions, the scope of activities within the IWP and preliminary mission dates were agreed as well as the next steps to be taken to finalize the IWP. These very fruitful initial preparatory missions also allowed to agree the remote work format of the RTA and RTA Assistants agreed with the NBU (on the basis of the EU Delegation's notification) till 31 December 2020. Furthermore, preliminary dates for the Project Steering Committee Meetings and further actions needed to finalize the Communication and Visibility Plan were agreed upon.



THE SHORT DESCRIPTION OF THE PROJECT ACTIVITIES WITHIN THE REPORTED PERIOD OF OCTOBER 2020 – JANUARY 2021

Component 1A



Fact Funding Mission in that Component took place on January 19-20, 2021.

During the mission the NBU colleagues presented an expanded information about the Ukrainian banking sector, its composition, number of operating institutions, including systemically important ones, degree of the market concentration, distribution of bank to groups, share of state-owned and foreign banks, typical business models of Ukrainian banks, their asset and liabilities structure, funding sources, main risks and other general indicators pertinent to their activities. They also presented the NBU's organizational structure of banking supervision and an overview of the existing legal and regulatory framework, particularly focusing on recent developments in the area of risk management and ICAAP. The presentations were followed with lively discussions, professional exchange of views, questions and answers. Mission participants agreed to share with additional information and documents needed for better understanding of regulatory requirements set by the NBU, on one hand, and common EU and Euro area regulatory and supervisory practice, on the other hand, and discussed organizational issues of further mutual work. Immediately after the mission, the MS STEs exchanged their thoughts with the NBU Colleagues in a working mode (in the form of e-mail correspondence, but also during short ad-hoc working meetings online), provided comments on e.g. the NBU draft regulations, etc.



Component 3C

A general **fact finding mission** in the Component 3C was held on December 16 and 18, 2020. It was dedicated to reviewing and assessing the current Ukrainian regulatory framework and experience in the strategic planning area. The NBU colleagues made presentations, followed by Q&A sessions, exchange of views, and the round-table discussion. Then they presented the historical view on changes in the NBU's strategic planning, review of the NBU current (2017-2020) Strategy implementation and monitoring process.

The MS experts also discussed the NBU's Strategic planning process and provided their reflections, observations and recommendations. Discussions, among others, covered the topics of client perspective in strategic planning, flexibility of the framework, involvement of different levels of management in the strategic process, governance model of the strategy, resource allocation for the strategic projects and decision making.

The NBU counterparts also made a presentation of the NBU new Strategy (2021-2025) and familiarized MS experts with the development process structure and the current progress.

The next expert mission in that Component was held on January 27-28, 2021. In the course of on-line meetings, the NBU made the presentation on the financial planning, controlling process and the structure and the process of Project management at the NBU. MS experts shared with the practice of their central banks in integrated system of strategic planning, process management and financial planning (presentations were delivered by experts from Bank of Portugal, Riksbank and Lietuvos bankas). Based on the presentations and discussions held, it was concluded that the NBU should conduct an internal discussion of the information and examples provided.



THE SHORT DESCRIPTION OF THE PROJECT ACTIVITIES WITHIN THE REPORTED PERIOD OF OCTOBER 2020 – JANUARY 2021



Component 4D

Fact-finding mission on Component 4D took place on December 15-18, 2020. Every day of that mission was dedicated to a separate subcomponent.

During the mission participants identified the NBU needs in view of the implementation of EU-Ukraine Association Agreement and other strategic documents as well as strengthening the NBU cooperation with EU bodies, in particular, European Central Bank, European Supervisory Authorities and European Systemic Risks Board, as well as international financial institutions (e.g. the International Monetary Fund) and central banks. The mission also helped familiarize MS experts with the NBU's International Technical Cooperation Programme and identify the NBU's needs and priorities in the area of the technical cooperation. Participants also focused on establishing facts with regard to the centralized terminology system management already existing at the NBU and the needs of its improvement. The mission proved to be a solid basis for specifying directions of future works, thanks to the NBU's comprehensive and frank presentations.

One of the most significant events of the reported period, the first Steering Committee Meeting (SCM) was held on December 1, 2020.

Representatives of Member State central banks, the NBU, European Commission and European Union Delegation to Ukraine, in their greeting speeches, highlighted the importance of the Twinning Project for further NBU transformation, strengthening the NBU institutional capacity and fostering the implementation of the EU-Ukraine Association Agreement. During the meeting, general information about the Project was presented to the participants which was followed with the presentation of the Initial Work Plan (IWP), that contained the detailed description of all relevant activities within the Budget Headings: The Components Mandatory Results and Horizontal activities related costs, the implementation schedule, information on risks, risk factors and planned mitigation techniques, detailed information on MS and NBU human resources allocated to every component. The Communication and Visibility Plan (C&V Plan) was also presented along with the general information on communication strategy, assumed results and achievements, human resources and the budget allocated to this very important purpose. Concluding the meeting, the SCM members made a decision to approve the IWP and C&V Plan after incorporating certain amendments and adhering to the EUD relevant approval procedures.