

Index of Reform Monitoring (IMoRe)

Release 1



Monitoring period: December 28, 2014 – January 11, 2015

VoxUkraine begins regular monitoring of the reform progress in key areas of economic policy and the index of reform monitoring calculation (IMoRe). The index is based on experts' assessment of changes in regulatory environment along five directions. See more details on the Index at imorevox.in.ua.

The IMoRe value over the first monitoring period (December 28, 2014 - January 11, 2015) is +1.1 points out of maximum possible range of -5.0 to +5.0. This is below the 2-3 points, which we consider an acceptable pace of reforms, but still indicates of positive changes in the regulatory environment, which upon proper implementation, will be conducive to reforms progress.

The key event of the first monitoring period was the adoption of the "budget package", including the Law On the State Budget for 2015, changes to the tax system and Budget Code and related regulations. Our experts rated positively the cancellation of a number of benefits (Law of Ukraine dated 28.12.2014 № 76-VIII «On amending or abolishing some legislative acts of Ukraine»), the Law On Transfer Pricing and changes to the Budget Code. However, they negatively evaluated the Law On the State Budget for 2015, noting the overestimated assumptions of the budget revenues and hidden deficit. The Law On the Rate Reduction of a Single Social Payment received 0 points. The experts noted that despite the positive incentives to reduce the tax burden the law discriminates against honest taxpayers and will slightly promote making salaries transparent given the possible tax rate revision. **The overall progress in the Public Finance direction was estimated at +1.0 points.**

The experts noted progress in creation of a competitive environment mainly through the adoption of an improved Law on Transfer Pricing. However, there have not been any noticeable advances in the fight against corruption. As a result, **the Governance and Anti-Corruption direction was rated at +0.9 points.**

The most notable progress has been viewed in the Energy Independence direction, which was rated at +2.0 points. The experts positively assessed the both government and parliamentary initiative on the cancelation of a number of preferential tariffs on electricity and the direction given by Verkhovna Rada to the National Commission for State Energy and Public Utilities Regulation to increase gas prices.

A mark of 0.8 points was given in Monetary Policy and Financial Markets direction, which reflects the contradictory impact of two laws: the positive assessment of the Law on the Simplification of the State Capitalization of Banks was largely cancelled out by the Law on the State Budget which according to many experts limits the monetary policy independence of the NBU.

The positive but low mark of +0.6 points in the Foreign Trade direction was caused by two events: the abolition of exemptions for imported energy-saving materials and preferential prices for electricity exports. The possible introduction of additional import duties was not included in this round of assessment since the decision is yet to be made.

(Please see charts on next page)

For information: **VoxUkraine** is a group of global economists and members of the Ukrainian policy community who are working on reforms in Ukraine. The goals of VoxUkraine are to promote research-based policy analysis and commentary on economic developments in Ukraine, to formulate a systemic approach to reforms, to provide high-quality discussion platforms, and to integrate Ukraine into the global network of economists and public policy leaders. One of VoxUkraine's activities, blog <http://voxukraine.org/>, is rapidly becoming an important place for exchange of ideas on Ukraine's economy as well as a resource for the independent Ukrainian and foreign media.

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Chart 1. Value of IMoRe and its components over the period December 28, 2014 – January ,11 2015

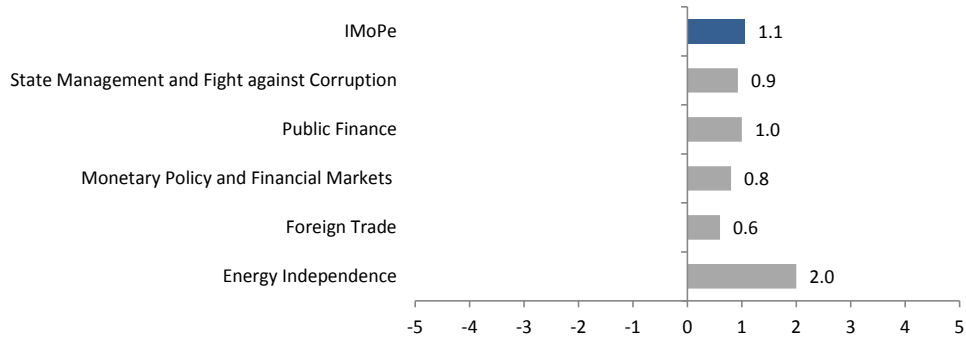


Chart 2. Value of Index components and the number of events over the period of December 28, 2014 – January 11, 2015

