

# Index of Reform Monitoring (IMoRe)

Release 5

Monitoring period: February 23 – March 8, 2015



## Reforms accelerated significantly thanks to the IMF package

The IMoRe value for the fifth monitoring period (February 23<sup>th</sup> – March 8<sup>th</sup> 2015) amounted to **+2.2 points** out of the possible range from -5.0 to +5.0 points. It is the highest Index value since the start of monitoring (December 2014) and corresponds to acceptable pace of reform (2-3 points). Considerable reform progress was to a great extent attributed to fulfillment of the IMF requirements, such as hike in gas and heating tariff for households and approval of a package of important laws.

**Significant increase in heating and gas tariffs for households** by the National Commission for State Energy and Public Utilities Regulation (NERC) **was the most important event in this round**. This decision received **9.0 points, which is the highest value for an individual event from the beginning of the monitoring**, namely from mid-December 2014 (we remind that an event grade is the sum of grades this event receives along several directions of reforms and therefore can exceed +5.0 points). Tariffs hike was one of the main conditions of the IMF program. Experts pointed out that this decision will reduce fiscal deficit, diminish incentives for corruption and encourage energy saving, though noted that gas sector remains non-transparent and inefficient, therefore reform should not be limited to tariffs hike.

**The adoption of the law on strengthening bank owner responsibility** was another significant event that **received 7.0 points**. According to experts, this law from the "IMF package" will facilitate cleaning of the banking system from failed banks and reduce government expenditures on the rehabilitation of the banking sector, but only if executed properly.

Several more laws from the "IMF package" attributed to the high IMoRe value, namely, temporary restriction of pensions for working pensioners (2.0 points), changes in the State Budget 2015 (2.0 points) and the Budget Code (1.5 points) as well as establishing procedures for appointing and dismissing Director of Anti-Corruption Bureau (3.0 points).

At the same time, experts pointed out several important changes **beyond the IMF requirements**. **The law on the transparency of using public funds (4.0 points) scored the third highest number of points**. Other events with high grades were NERC decision to increase electricity tariffs in 5 stages (3.0 points), the law on voluntary association of local communities (2.5 points) and decision of the Cabinet of Ministers on some issues of deregulation of economic activity (2.5 points).

Consequently, **the significant progress in reforms was observed in four out of the five areas covered by the Index**: progress in the Governance and Anti-Corruption direction was estimated at 2.9 points, Monetary Policy and Financial Markets, as well as Energy Independence received 3.0 points, while the direction of Public Finance scored 2.0 points. At the same time, the External Trade direction received 0 points.

*(Please see charts on next page)*

For information: Index for Monitoring Reforms (IMoRe) from VoxUkraine aims to provide a comprehensive assessment of reform efforts by Ukraine's authorities. The Index is based on expert assessments of changes in the regulatory environment in five areas. For details please visit [imorevox.in.ua](http://imorevox.in.ua). 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. IMoRe dynamics

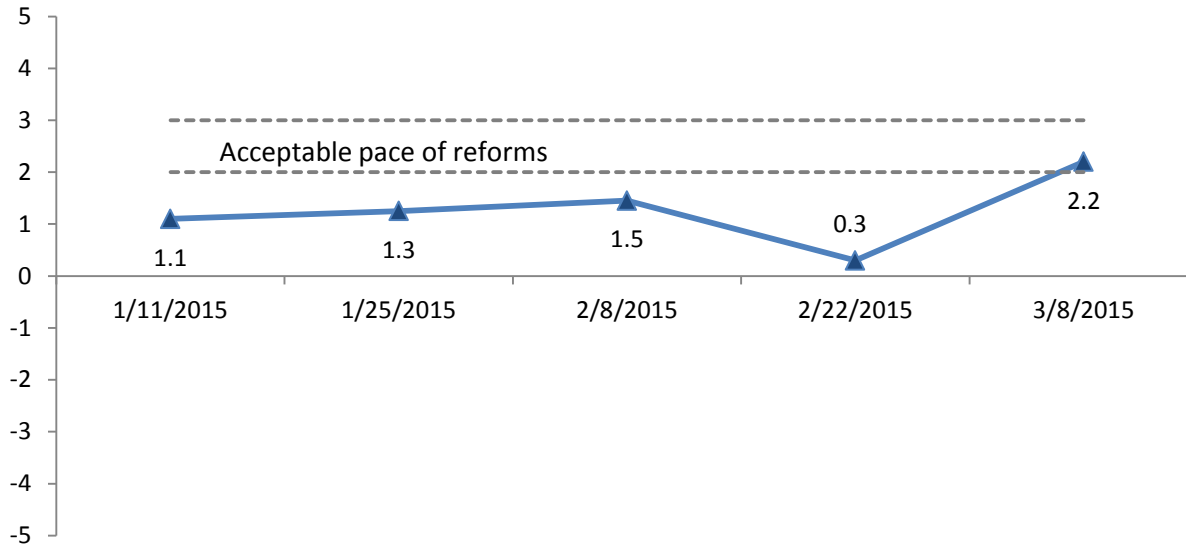
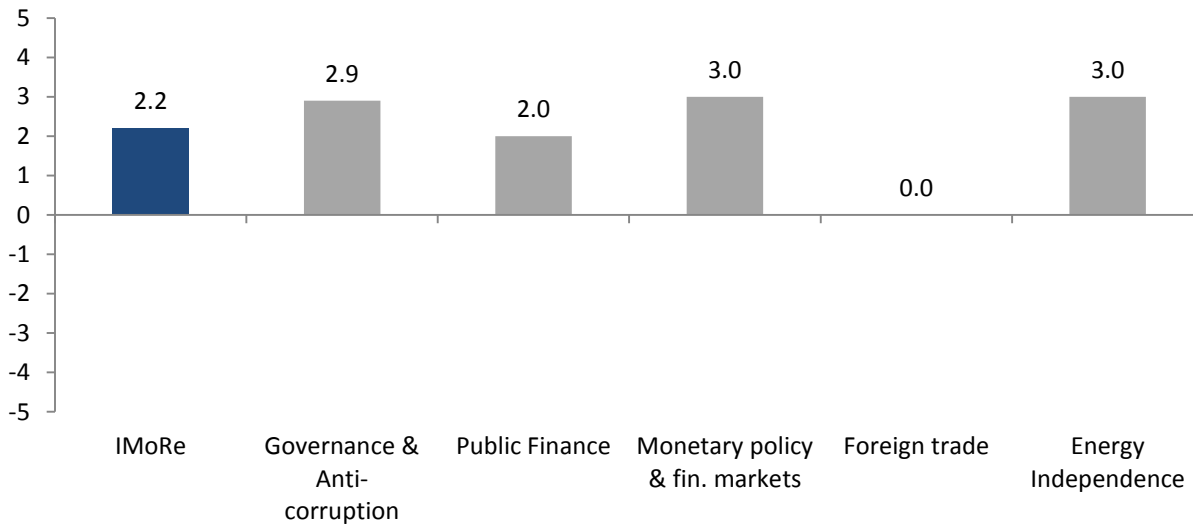


Chart 2. IMoRe and its components in the current round



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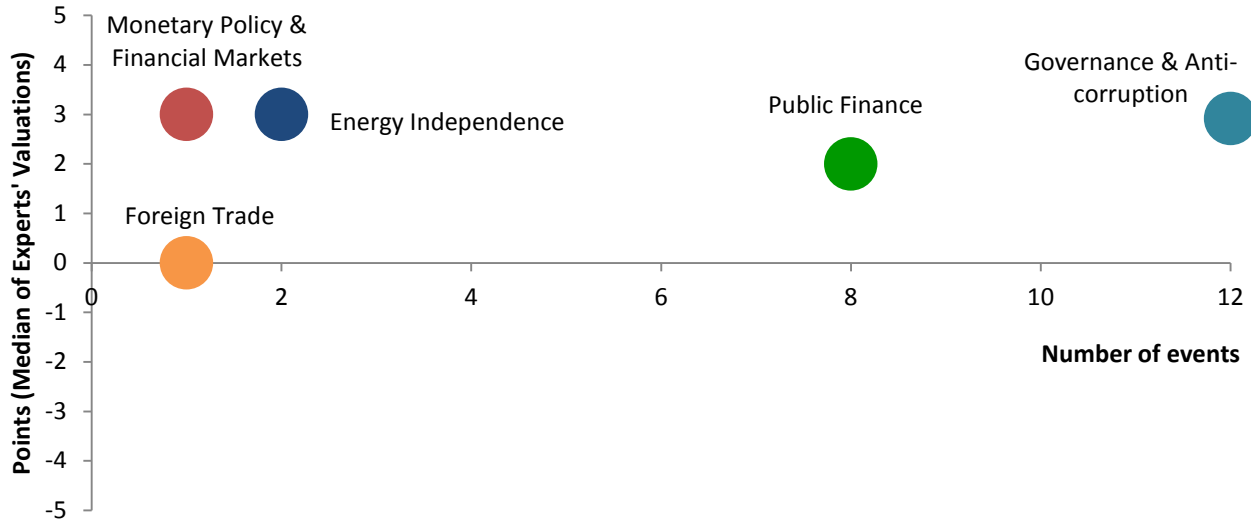
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Chart 3. Value of IMoRe components and number of events February 23 – March 8, 2015



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