

Index for Reform Monitoring (iMoRe)

Release 25

Monitoring period: December 7 – 20, 2015



Issue 25: The long-awaited reforms acceleration

The iMoRe value for the 25th monitoring period (December 7 – 20, 2015) stood at **+1.4 points** out of the possible range from -5.0 to +5.0 points, marking the highest level since end-August 2015. Contributing to the Index increase were (i) cancellation of a number of outdated national technical standards, (ii) the sharp increase in salary cap for managers of state enterprises, (iii) decentralization of government functions such as registration of real estate and enterprises, and (iv) some anti-corruption initiatives from "EU visa-free package".

The highest grade in the monitoring period of **+3.0 points** was assigned to the **abolition of 12 776 outdated national technical standards** (orders of SE "Ukrainian Scientific-Research and Training Center of Standardization, Certification and Quality Problems" 175 of 10.12.2015, 182-188 of 14.12.2015) that took place in the framework of broader reform of the system of technical regulation. Formally, the use of standards- all developed before 1992 - was not mandatory by law, but secondary regulation forced many companies to continue applying them in a mandatory manner. Most of the canceled standards will remain in force for two years, which gives enterprises enough time to adopt new rules. The decision is consistent with Ukraine's obligations under the EU-Ukraine Deep and Comprehensive Free Trade Area.

The largest number of regulations fell into Governance and Anti-Corruption sub-index. **The 20-times hike in cap of salaries of the state enterprises management** (CMU decree 1034 of 11.11.2015) received **+2.0 points**. Bringing salaries closer to market level should improve governance of state-owned enterprises, provided fair competitive selection of management team. Olena Bilan from Dragon Capital said: *"The measure was absolutely necessary to cut incentives for corruption and involve professionals in the management of state enterprises. It is unclear why it was delayed for so long."* Still other experts expressed caution. Ilona Sologub from Kiev School of Economics mentioned: *"On the one hand, the introduction of market-level salaries is the right thing, on the other, fixed salary will amount to only 25% of the total compensation, while 75% will come as a bonus, which is wrong and allows ministries or other authorities influence the management."*

Also, experts assigned **quite high grades to the decision to transfer some functions from central to local authorities**. Transfer of state registration of real estate to local authorities received +2.0 points and that of legal entities and individual entrepreneurs scored +1.5 points (laws 834-VIII, 835-VIII and 836-VIII of 26.11.2015). In addition, **the law on National Agency of Ukraine for identifying, tracing and management of assets derived from corruption and other crimes** (772-VIII of 10.11.2015) adopted within the package of EU visa regime liberalization for Ukraine scored +1.5 points.

A significant number of important and positive decisions over past two weeks caused two sub-indices - **Governance and Anti-Corruption** and **Industrial Organization and Trade Policy** – to reach **+2.0 points, which corresponds to acceptable pace of reforms**. At the same time, three other sub-indices - Public Finance, Monetary Policy and Financial Markets, as well as Energy Independence - stood at + 1.0 point dragging down iMoRe value.

(Please see charts on the next pages and on the website http://imorevox.in.ua/?page_id=577, http://imorevox.in.ua/list_rounds.php)

Note: 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. 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

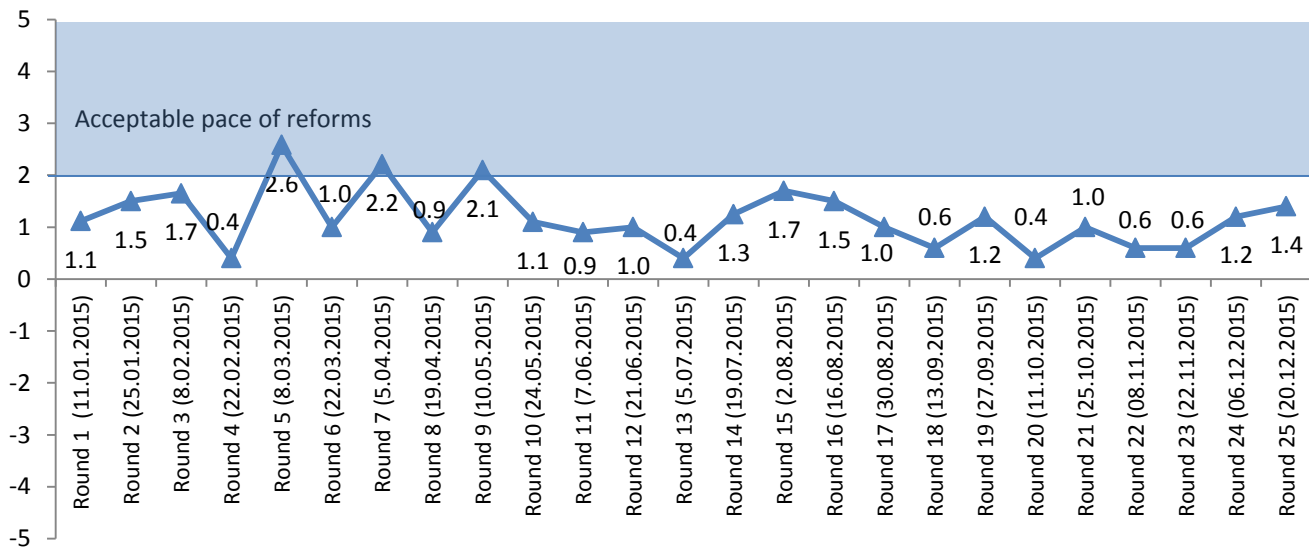
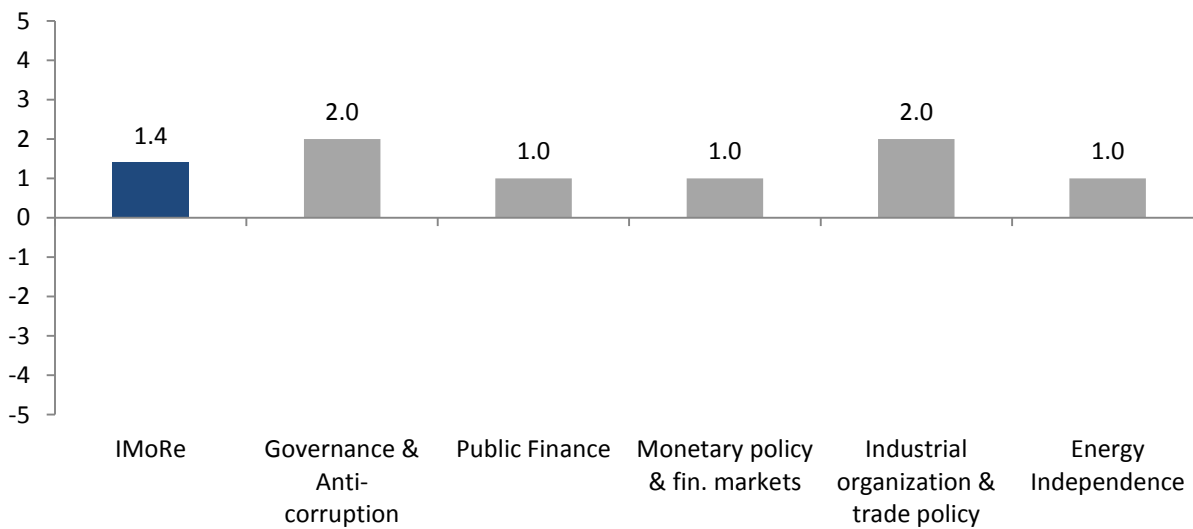


Chart 2. iMoRe and its components in the current round



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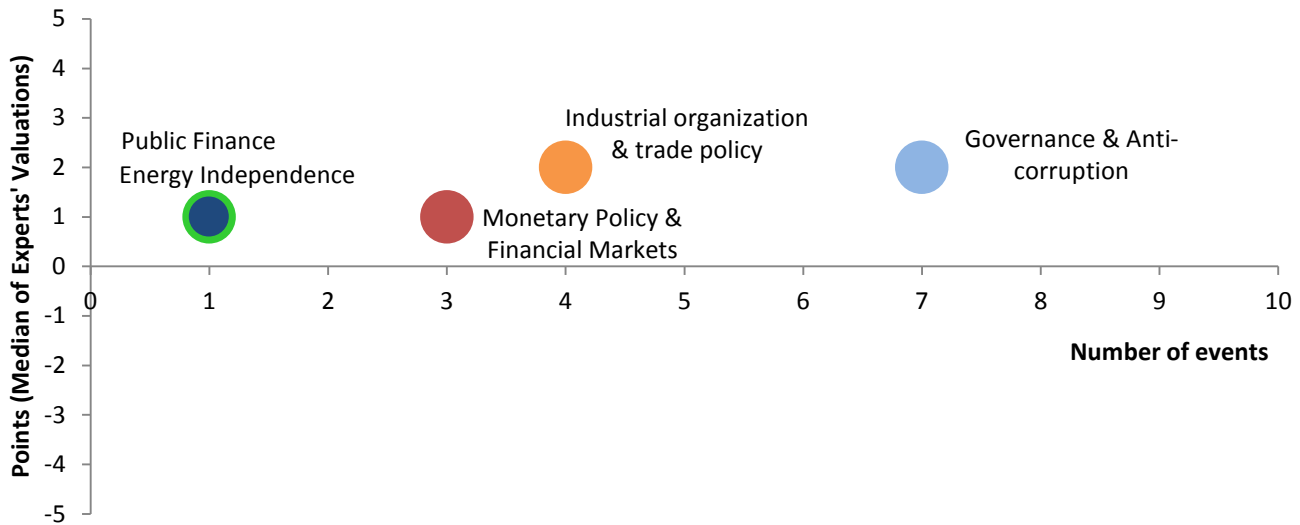
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Chart 3. Value of iMoRe components and number of events December 7 –20, 2015



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