

## Issue 33: WTO government procurement market and reform of special permits for the use of mineral resources

In the first half of April Index for Monitoring Reforms reached to **+0.8 points** (possible range from -5.0 to +5.0). According to experts there were quite a few positive developments, especially in the areas of competition policy and foreign trade, still they were incremental and their overall impact was rather low. This time experts assigned the highest grade to Ukraine's enactment of the WTO Government Procurement Agreement and improvement of procedures for issuing special permits for the use of mineral resources. Overall, the index value remains far from acceptable pace of reform, which in our opinion is 2 points or higher.

### The most important positive developments

#### 1) The Law on Ukraine's enactment of WTO Government Procurement Agreement: **+4.0 points**

The WTO Committee on Public Procurement approved Ukraine's accession to the agreement in November. Recently the Parliament ratified it (the law 1029-VIII of 16.03.2016) and opened access for Ukrainian companies to new international markets. Ukraine's accession to the agreement indicates that the country is moving in the right direction to create an efficient, transparent and non-corrupt system of government procurement. The agreement also positively affects Ukraine's integration with the EU.

*“Accession to the WTO Agreement on Government Procurement allows Ukrainian producers to participate in tenders conducted by the governments of the EU, USA, Japan, China, Israel, Norway, Canada and others. It is a tremendous opportunity. It depends upon producers whether they will be able to offer competitive products and services to win these tenders. For Ukraine, the ratification of the Agreement means irreversibility of public procurement reforms aimed at improving the efficiency and transparency of public spending.”*

Veronika Movchan, The Institute for Economic Research and Policy Consulting

#### 2) The government improved the procedures for issuing and auctioning of special permits for the use of mineral resources: **+2.5 points**

CMU decree 277 of 06.04.2016 amends the procedure for issuing and auctioning special permits for usage of extractable resources. It significantly reduces the list of exceptional cases when special permits can be granted without an auction. This should promote competition and increase budget revenues. For example, previously un-auctioned permissions could be given to enterprises with at least 25% state ownership, and now this share is increased to 100%.

*“This is positive news that will allow moving away from the corrupt practices of distribution of licenses without auctions to companies in which the state is only the nominal owner. With the development of gas market and reduction of household subsidies this practice should be abandoned for public companies as well”.*

Denis Sakva, investment company Dragon Capital

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Auction procedure was enhanced as well. It became more open and transparent. Thus, the regulation prescribes live broadcasting of auctions and publication of each step of the documents' review. Moreover, the decree clearly formulates the reasons for permits termination.

There was also an improvement in permit approval procedure. In particular, introduction of the “silent consent” rule for approvals.

(Please see charts on the next pages and on the website [http://imorevox.in.ua/?page\\_id=577](http://imorevox.in.ua/?page_id=577), [http://imorevox.in.ua/list\\_rounds.php](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:

1. Governance and Anti-Corruption
2. Public Finance and Labor Market
3. Monetary Policy and Financial Markets
4. Industrial Organization and Foreign Trade
5. Energy Independence

For details please visit [imorevox.in.ua](http://imorevox.in.ua).

[VoxUkraine](http://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.

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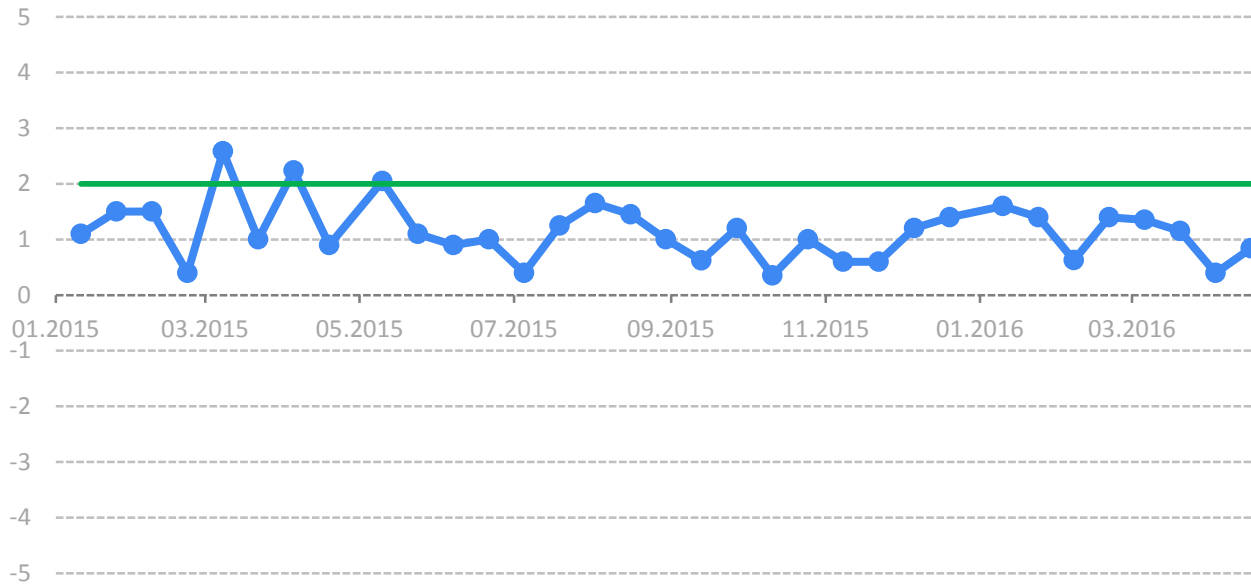
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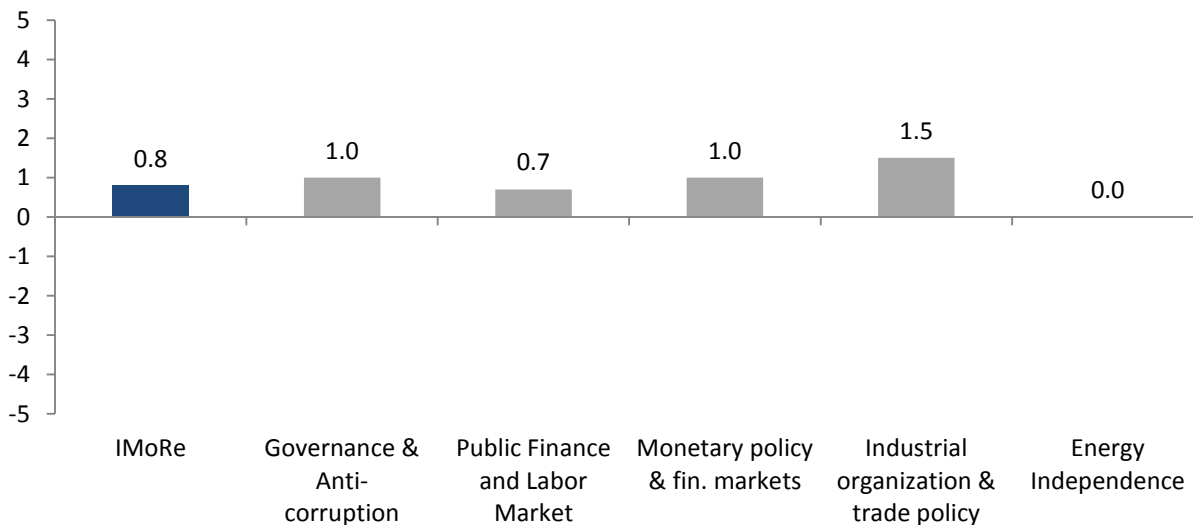


Chart 1. iMoRe dynamics\*



\* iMoRe team considers index value of at least 2 an acceptable pace of reform

Chart 2. iMoRe and its components in the current round



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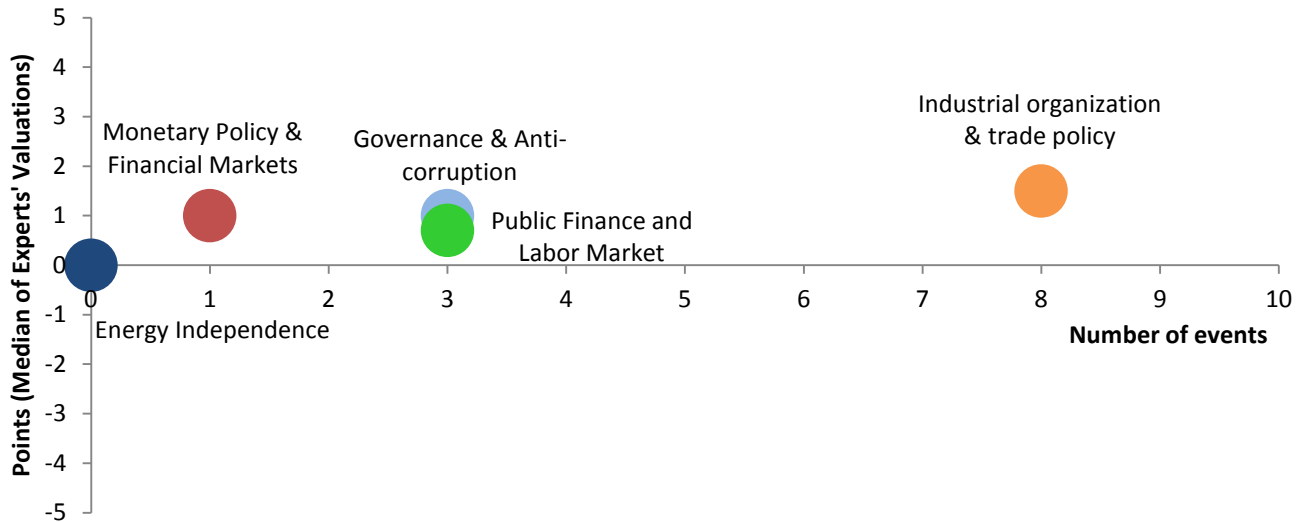
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Chart 3. Value of iMoRe components and number of events April 4 –17, 2016



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