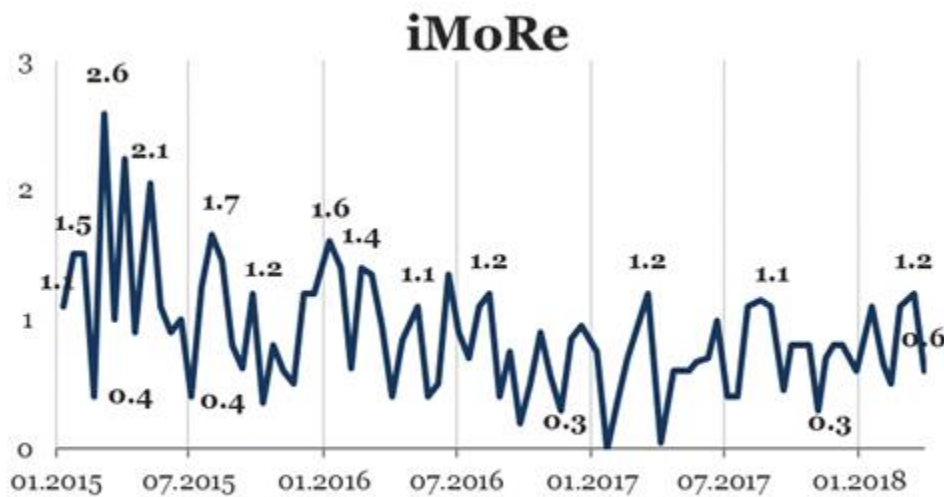


iMoRe №81. Sluggish pace: toll roads and corporate agreements were not enough

The index for monitoring of reforms (iMoRe) is +0.6 points for the period from March 12 – March 25, 2018. Positive developments were recorded in legislation regarding governance, public finances, and business environment. The major events of the round are the law on building toll roads and on the limited and additional liability companies.

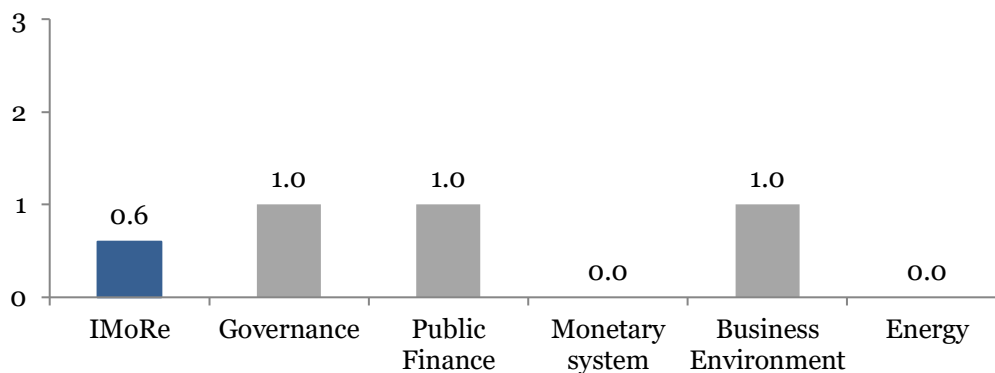
The previous round index was pointed at +1.2 from potential -5.0 till +5.0.

Chart 1. iMoRe dynamics*



iMoRe can take values from -5 to +5
with value above +2 considered an acceptable pace of reforms

Chart 2. iMoRe and its components in the current round



The major events of the release

1. Law on building toll roads, +2.0 points

According to the World Economic Forum [report](#), Ukraine gets 130 place from 138 countries due to the level of quality of roads. In accordance with data from Ministry of infrastructure, more than [90% of autoroutes](#) are needed to be replaced. Budget money is [not enough](#) to provide repairing for present routes and to build new ones in a proper quality.

To improve quality of roads in limited budget financing it is expedient to attract private investors with public-private partnership (PPP) instruments. In particular, common world [PPP practice](#) in Roads related to construction, retention and service roads by private investors, who get payment from highway usage or land for infrastructure development. And investors receive routes for the long-term management.

Nominally, legislation that [regulated concessions](#) about building and exploitation autoroutes exists in Ukraine since 2000. However, since then, no concession roads have been built.

Among the bottlenecks of this law was the vague procedure for deciding on construction under concession conditions, the mechanism of land allocation for building, operation and maintenance of the road.

Law [2304-VIII](#) on February 27, 2018, solves these problems. It defines that: public roads of state importance can be transferred into concessions;

- only new roads can be brought into the concession,
- after making a decision on the construction of a road under concession conditions, it is prohibited to take any actions regarding the land plots provided for building and operation;
- the decision on holding a concession tender is taken by the CMU, and it must specify the technical parameters of the motorway, the deadline for which the concession is granted, the maximum amount of compensations to the concessionaire, the route of alternative free travel, etc .;
- the maximum amount of one-time payment is determined by the CMU; it is indexed considering inflation.

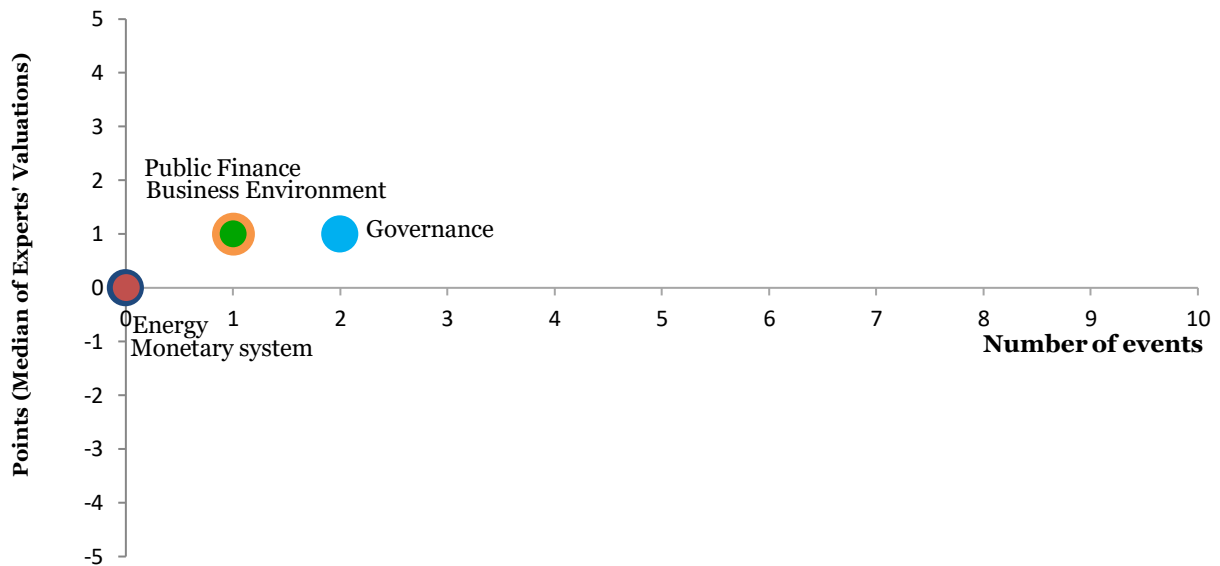
2. Law on the limited and additional liability companies, +1.8 points

The current legislation on limited and additional liability companies is unclear and old-fashioned. It creates a lot of problems in running a business, so business owners have additional incentives to launch their companies in other jurisdictions, including offshore. In particular, among them:

- the members of the partnership are not guaranteed to have access to the financial documents of the company,
- there is no mechanism for excluding the participant from the partnership,
- there is no possibility to create a Supervisory Board,
- there is no proper mechanism to control the activities of the executive body of the enterprise.

Law [2275-VIII](#) on February 6, 2018, solving these problems. It regulates relationships that related to creation, operation, and termination of limited and additional liability companies. Mechanisms that are implemented, in line with European practice and eliminate existing gaps. The new law comes into force in June 2018.

Chart 3. Value of iMoRe components and number of events



(Please see other charts 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:

1. *Governance*
2. *Public Finance*
3. *Monetary system*
4. *Business Environment*
5. *Energy*

For details please visit imorevox.org.