



German  
Advisory Group  
Ukraine



Deutsch-Ukrainische  
Industrie- und Handelskammer  
Німецько-Українська  
промислово-торговельна палата

Policy Briefing Series [PB/10/2019]

# „Unlocking investments through reforms:

Proposals from German  
business in Ukraine“

First update

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- Summary of findings -



# Structure

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1. Background
  2. Methodology
  3. State of implementation
  4. TOP-10 Reforms
  5. Next steps: Our vision
- Contacts

# 1. Background

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## Original study of GAG and AHK

- German Advisory Group Ukraine and AHK published joint study with reform proposals in 2018
- 28 proposals from German business in Ukraine to improve business climate and help attract more investment

## Current economic situation

- Sound macro fundamentals, revived growth
- But Ukraine still needs more growth and investment to catch up
- Ambitious government programme & presidential decree on reforms
- Reform proposals remain relevant, complement government efforts

## Purpose of the update

- Monitoring of implementation of proposals
- Restate not or incompletely implemented proposals

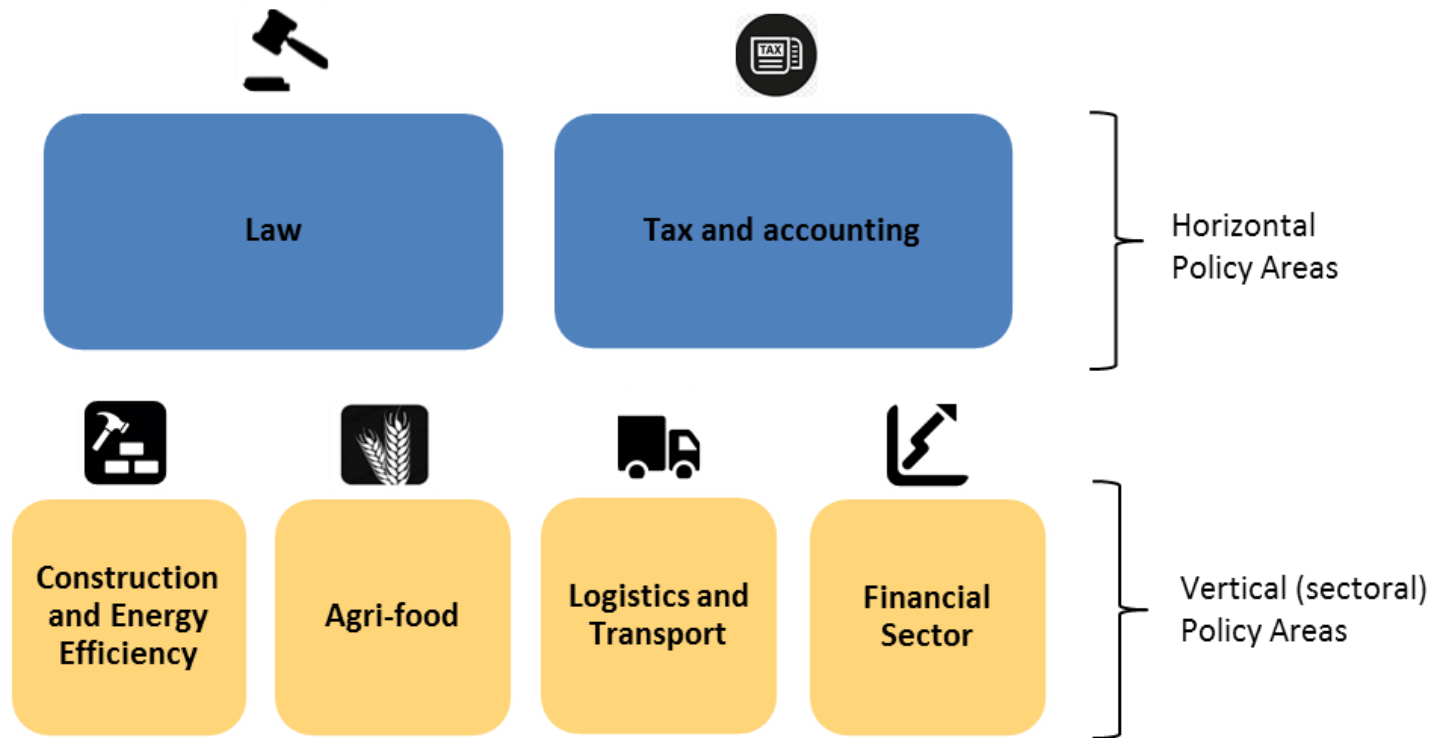
## 2. Methodology (1/4)

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- Joint report prepared by German Advisory Group and German Ukrainian Chamber of Commerce (AHK Ukraine)
- Collaboration creates a win-win situation:
  - AHK Ukraine: More than 150 member companies covering most economic sectors
  - German Advisory Group: long-term experience in economic policy advisory work in Ukraine
- How was the report prepared?
  - Elaboration of structured questionnaire for each working group of the Chamber
  - Collection of feedback, impact assessment, prioritisation, structuring
  - Preparation of policy proposals
  - Generation of a “Top-10” priority reform list

## 2. Methodology (2/4)

- Overview of working groups / policy areas:

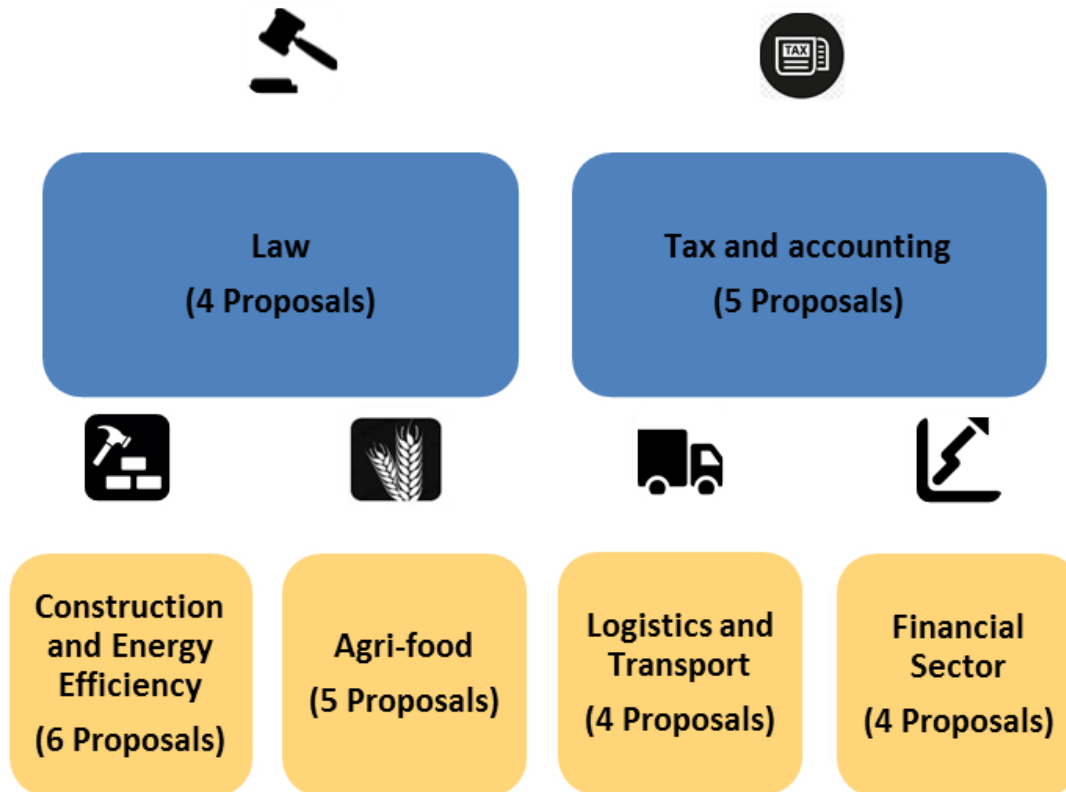


*Source: own display*

- Report structure closely mirrors the activities of these groups

## 2. Methodology (3/4)

- In the report, we identify 28 horizontal and sectoral reform proposals, relatively evenly distributed across policy areas:



Source: own display

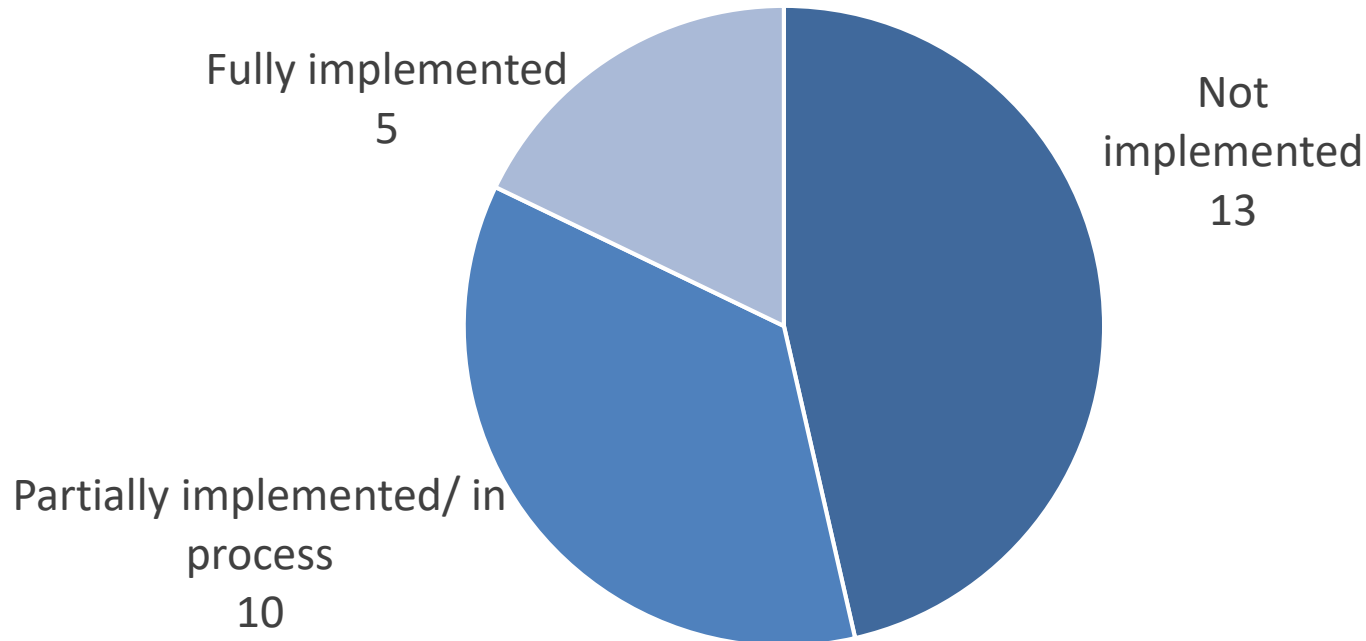
## 2. Methodology (4/4)

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- Each proposals has the same underlying structure:
  - Responsible government institution: who is the counterpart?
  - Problem statement: what is the problem for businesses?
  - Suggested reform measure: how could the problem be solved?
  - Estimation of effect: what would be the likely impact of the reform?
- Proposals focus on practical reform steps important for business
- Complementary to ambitious macroeconomic and structural reform agenda jointly developed and implemented with the support of IFIs and international donors

### 3. State of implementation

#### Implementation state of the 28 reform proposals as of November 2019



*Source: Own analysis*

- More than 50% of proposals have been at least partially tackled
- But 23 out of 28 have not yet been fully implemented
- Useful to restate the proposals



### 3. TOP-10 Reforms (1/3)

- What are the TOP-10 priority reform measures?

#	Number	Title
1	C-3	● Improving energy connection of companies
2	LT-1	● Negotiate an increase of transportation permits for trucks going into the EU

- Proposals 1-2 are more complex than other measures, but are likely to have strong and noticeable effects on investment and business activity
  - Energy connection (C-3): Key importance for investors in order to produce in Ukraine. World Bank Indicator “Getting electricity”: 281 days until energy connection deters real sector investments.
  - Increase in number of transport permits (LT-1): Negotiating an increase in transportation permits for trucks entering the EU is important for enabling an increase in goods exports to the EU – Ukraine’s export market No. 1.

### 3. TOP-10 Reforms (2/3)

- Proposals 3-7 are aimed at removing unnecessary bureaucratic and administrative burdens, sometimes dating back to Soviet times:

#	Number	Title
3	L-2	● Improved execution of court decisions for claims against the state
4	T-2	● Eliminating penalties for late/no registration of tax invoices not provided to buyers
5	T-3	● Limit arrests of money on bank/tax accounts in criminal proceedings
6	LT-3	● Acceptance of EU invoice prices
7	LT-2	● Simplification of documentation requirements for transport and tax

- Improved execution of court decisions for claims against the state (L-2)
- Eliminating penalties for late/no registration of tax invoices not provided to buyers (T-2)
- Limit arrests of money on bank/tax accounts in criminal proceedings (T-3)
- Acceptance of EU invoice prices (LT-3)
- Simplification of documentation requirements for transport and tax (LT-2)

### 3. TOP-10 Reforms (3/3)

- Proposals 8-10 are measures aimed at generating a level playing field for all companies:

#	Number	Title
8	F-2	● Ensure fair competition between state and private banks
9	A-3	● Treatment of new crop protection products
10	T-1	● Combatting fictitious private entrepreneurship

- Ensure fair competition between state and private banks (F-2)
- Treatment of new crop protection products (A-3)
- Combatting fictitious private entrepreneurship (T-1)
- TOP-10 measures should be tackled by the government with the highest priority in order to generate relatively quickly benefits for business activity, investment and hence economic growth

## 4. Next steps: our vision

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- 23 reform proposals remain to be implemented
  - 10 partially implemented
  - 13 not at implemented yet
- Our vision:
  - Joint elaboration or improvement of draft reform legislation together with Government, Parliament and other stakeholders involved
  - Possible format:
    - Government
    - Parliament
    - Other state institutions
    - Representatives of AHK Ukraine working groups
    - Representatives of German Advisory Group



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