



German
Advisory Group
Ukraine



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

Policy Briefing Series [PB/07/2018]

„Unlocking investments through reforms:

Proposals from German
business in Ukraine“

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- Summary of findings -



Structure

1. Background
 2. Methodology
 3. TOP-10 Reforms
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- Contacts

1. Background

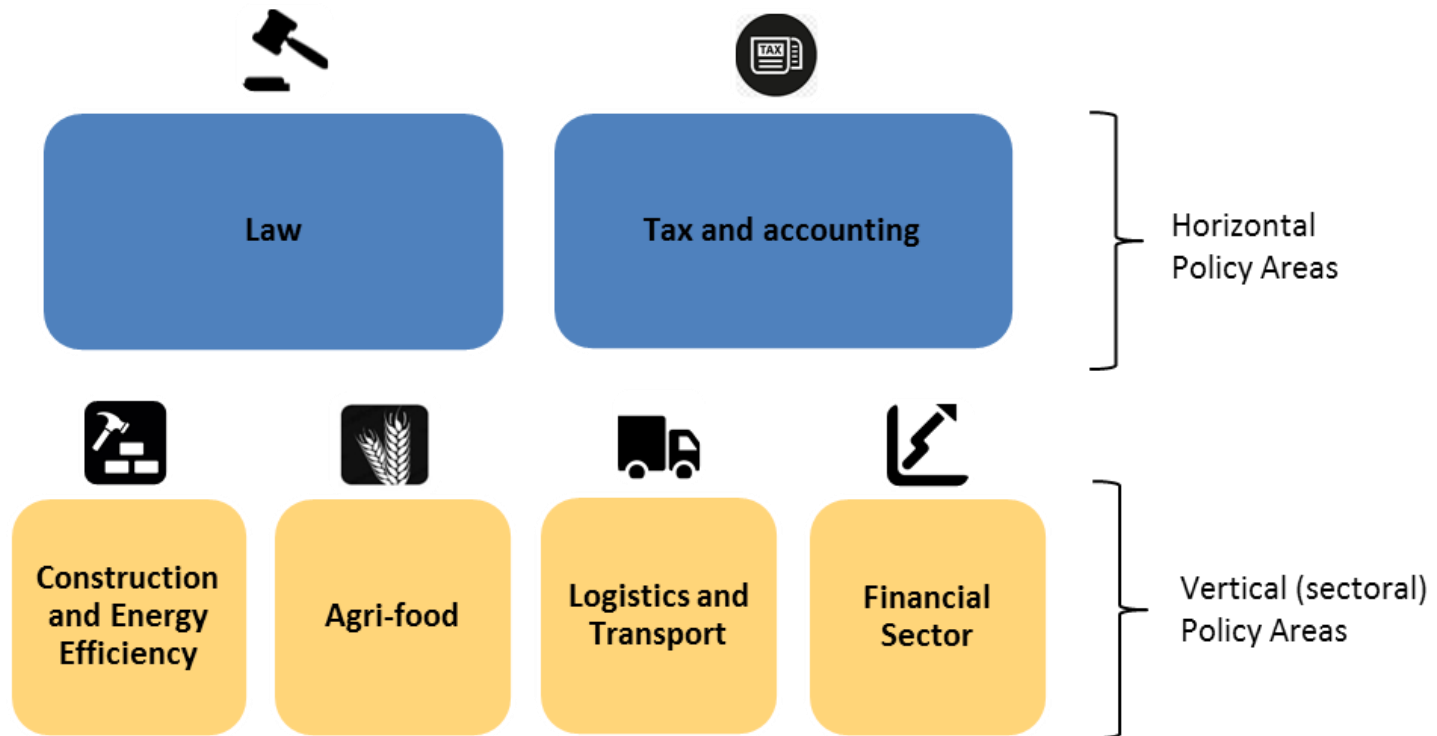
- Economic growth in Ukraine must be driven by higher investments
- Otherwise: No quick recovery in sight
 - Assuming real growth of 3% p.a. implies that 2013 level of GDP will only be reached in 2022
- Investment/GDP in Ukraine is 20.8% (2017)
 - Peer group (“B”-rated countries): 24.5%
 - Ukraine (2006): 24.5%
- How can higher investments be achieved?
 - Reforms that improve the investment climate of key importance
- Objective of our joint report
 - Reform proposals by German business active in Ukraine
 - But positive impact of such reforms on any business:
Local/foreign, existing/new

2. Methodology (1/4)

- Joint report prepared by German Advisory Group and German Ukrainian Chamber of Commerce (AHK Ukraine)
- Collaboration creates a win-win situation:
 - AHK Ukraine: almost 130 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:

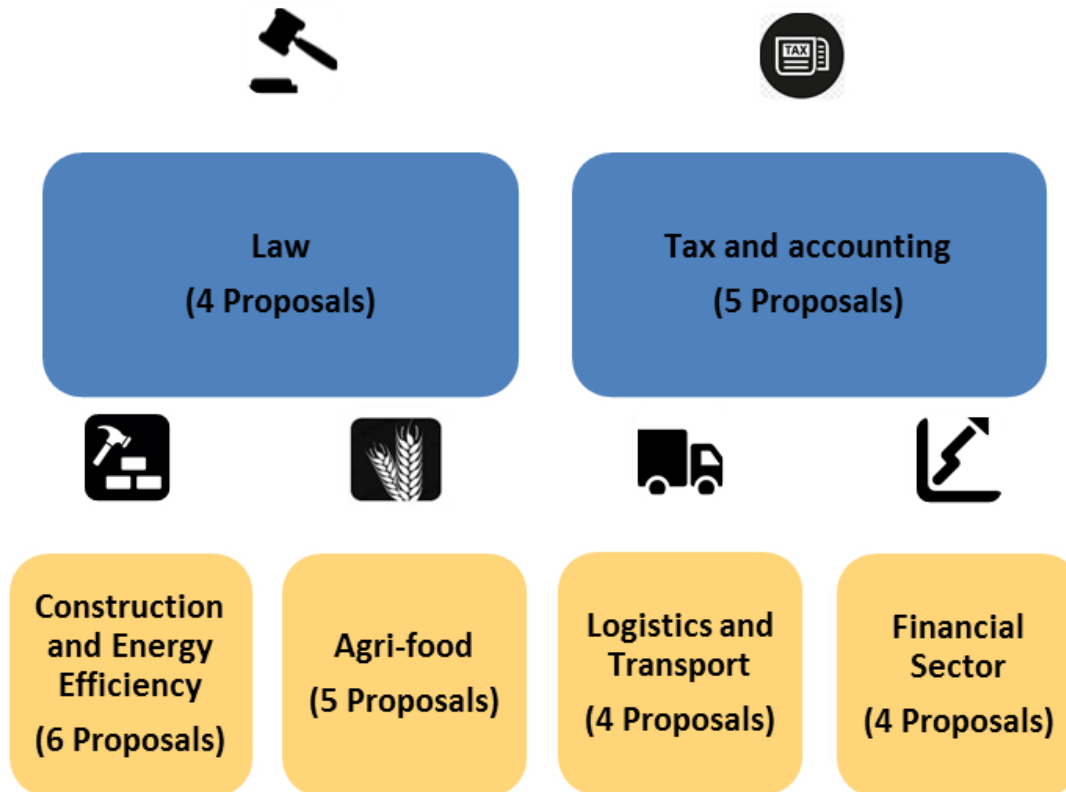


Source: own display

- 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)

- 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. 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 (especially energy connections) than other measures, but are likely to have very strong and noticeable direct 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

- Our joint report highlights 28 reform proposals in a structured form
- But: reform of legislation and its implementation is key!
- 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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