

# What Have the Ukrainian Economic Reforms Accomplished?

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# Many Achievements

1. Floating exchange rate: Current account balanced
2. Energy reform: Gas consumption -20%
3. Major fiscal adjustment: Budget balanced
4. 65 of 180 banks closed
5. Increased transparency: Owners revealed
6. Substantial deregulation
7. E-procurement
8. IMF financing & debt restructuring

# Financial Stability

- IMF program, March 11, 2015, \$6.7bn disbursed
- Fiscal Adjustment: Reduced public expenditures from 53% of GDP to 44% of GDP
- Budget deficit from 10% of GDP to 2% of GDP
- Debt restructuring postponed \$15bn in debt service
- Major tax reform cut payroll tax from 45% to 22%

# Energy Reform

- Household prices raised 4 times to 50 of cost recovery
- International energy prices fell by half
- = almost all energy subsidies eliminated
- Provide social cash compensation:  
Done
- Sharply reduced gas purchases from Russia to 6.1 bcm

# Successful Monetary Policy

- Floating exchange rate: Current account balanced
- Got large foreign financing to replenish reserve, \$5bn in March to \$13.5bn March 2015
- 68 of 180 banks closed
- Increased transparency: Owners revealed

# Major Deregulation

- Increased transparency: All kinds of property registries revealing real owners
- E-procurement: ProZorro should save 2% of GDP
- Substantial deregulation: Cut 15,000 GOSTY, though 25,000 remain
- Abolished a dozen inspection agencies, but most remain

# 7 Key Reforms 2016

1. Judicial Reform
2. Complete Energy Reform
3. Privatization: 1,833 state enterprises
4. Civil Service Reform
5. Reform Budget Process
6. More Deregulation
7. School reform

# Main Shortcoming: No Judicial Reform

- Lustration: Sack Prosecutor General & lustrate 18,000 prosecutors
- Lustrate 10,000 judges



# Energy Reform

- Unify energy prices
- Abolish all energy subsidies: most done
- Provide social cash compensation: Done
- Create markets for all energy: Legislated
- Stimulate private energy production
- Stop buying gas from Russia!

# Privatization

Ukraine has 1,833 operating state enterprises – sucking resources & breeding corruption

- Sell off 1,600 firms of minimal value at regional auctions
- Sell 100 best enterprises after improved governance at sophisticated open international auctions
- Restructure 120 companies on Ukroboronprom

Aims: Stop corruption, stimulate economy & breed revenue

# Upsides

- Russia seems to seek exit from or freezing of Donbas
- Fiscal & foreign balances achieved
- Strong pressure to clean up corruption
- Economy appears to have bottomed out: recovery may

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# UKRAINE

What Went Wrong and How to Fix It



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