

ECONOMIC REFORM AGENDA FOR THE NEW GOVERNMENT

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INTRODUCTION

The international experiences of countries that have succeeded in implementing economic reforms, suggest that reform execution must be quick and without any delays. Sluggish and slow reforms have not led to good results, since in this case there is enough time for the opposition to create a strong resistance, and interested influential circles have the ability to slow down the reform process.

Only swift and bold reform program has a chance of success. After the collapse of the Soviet Union in Eastern Europe those who chose to do drastic reforms rapidly, experienced the smallest decline in production. In addition, they were able to more quickly develop their economy.

The new Ukrainian government has considerable credibility and a clear mandate of the people to carry out reforms aimed at fostering economic development and improved living standards. Now is a good time to take the window of opportunity to "break away" from the past and introduce reforms rapidly.

The Government team should perform three basic tasks that are equally important. In particular, it is necessary to (i) quickly resolve the conflict in the east, (ii) to stabilize the economy, and (iii) carry out structural reforms.

However, these strategic directions for addressing political-military issues, stabilization of the socio-economic sphere and reforms in all sensitive areas of functioning of the state have their own priorities and call for available resources, develop clear plans, time frame for their implementation - on the one hand, and are interdependent and interrelated - on the other.

(i) Resolution of the conflict in the east

Without de-escalation of military tension in eastern Ukraine, any attempts to stabilize the economy and carry out structural reforms are impossible.

To resolve the conflict in the east, the decision-makers would be well advised to consider the following actions:

- Improve coordination and update management systems for the implementation of military operations, not from the classical academic definitions of warfare (based more on experience and methodology of construction of the Armed Forces of the USSR), and based on the realities of war in the conduct of so-called "hybrid war" (military tactics and sabotage groups, the opportunities and the deployment of territorial defense, attract potential informal military units, etc.);
- Establishment of appropriate logistics, including by way of international assistance on military-technical, methodological and financial matters;
- Rapid deployment (urgent) logistics and testing schemes mobilization, of evacuation nature;
- Encourage broad ideological advocacy aimed at raising the morale and patriotism among the general population in the actual struggle for a sovereign territory of Ukraine;
- Provide information security and protection in the development of military and tactical operations plans Defense - Security Policy;
- View staff filling power unit with a focus on those who are able to comprehend the level and nature of the threats, the level and requirements of military and tactical operations based on actual status and availability of their own resources and reserves;
- Provide accurate and timely operational information about the situation, which is needed to make good, timely and objective decisions;
- Testing of the system of social protection and state support for people involved in the conduct of ATO;
- Consider and possible international forces, which then serve as the basis of international regional military cooperation on a new basis.

Already, many companies have stopped their activities in the field of the highest concentrations of terrorists and fierce fighting. Given that in the Donetsk and Lugansk regions, many enterprises are export-oriented, the longer it will last conflict, the more foreign exchange earnings from exports lose Ukraine. Accordingly, there are risks of further devaluation pressure on the hryvnia.

Moreover, delays in terminating the conflict will cause a postponement in the launch of shale gas projects, large deposits of which are found near the town Slovyansk, which recently has been the epicenter of the conflict. Shale gas project delays affect the implementation of measures to increase the energy independence of Ukraine in the medium and long term, which is a major component of sustainable economic development.

As a result of the fighting and damage to infrastructure, there is significant stress in the energy system of Ukraine. In the absence of natural gas supplies from Russia and the existing restrictions on reverse gas supplies to Europe (both technical and political), the energy market of Ukraine is putting its hopes on the successful passage of a mild heating season. However, due to problems with the supply of coal to thermal power plants, today they are using reserves accumulated for the winter, while timely replenishment of these stocks are under threat. This creates additional risks for the economy in the autumn-winter period and can lead to greater social tension in the society.

After all, investors are reluctant to the country in which there are armed conflicts. Accordingly, even if the implementation of many needed reforms and working closely with international financial institutions Ukraine can not expect a significant increase in foreign direct investment without solving the Eastern Question. In addition, the eastern region itself requires significant investment, because most companies in the region not to update the fixed assets from the Soviet era.

(ii) Economic stabilization

Ukraine's economy is in a difficult position. Last year, GDP declined (annual terms) for three quarters. The growth of GDP in the fourth quarter avoided a falling of GDP for the whole year, but that this was not caused by the improvement in the economy, but mostly by favorable climatic conditions that permitted obtaining a record agricultural harvest. Annexation of the Crimea and Russia fighting in the east also did not contributed to economic growth in the first half of 2014. International financial institutions and rating agencies expect drop in GDP Ukraine from 6% to 8% in 2014.

In these circumstances, it is necessary to take immediate action on macroeconomic stabilization. The program of cooperation with the IMF is quite balanced and contains quite adequate measures to stabilize and reform the economy. It contains, in particular, the priority measures to be taken in the fiscal, monetary and financial sectors. Implementation of this program by the Government of Ukraine may allow to stabilize the economy and further economic development.

Implementation of the IMF program is also important because it allows the country to get financial help from other international financial institutions, the EU and the USA. The vast majority of financial assistance from the World Bank, European Investment Bank and individual countries are linked to Ukraine's cooperation with the IMF. Accordingly, the failure of the IMF program will not only to freeze funding from the Fund, but also to freeze the remaining funds.

Without international funds, the achievement of rapid economic stability is almost an impossible task. The fact is that developing countries, that in the past experienced financial crisis, were able to stabilize their financial situation only after they attracted sufficient amounts of medium-term

external financing and convince foreign creditors that they have sufficient foreign exchange reserves for the maintenance of all its short-term debt (eg, growth in Mexico after 1996 would have been completely impossible if in 1994 it had failed to attract external funding of \$ 50 billion. dollars from the IMF and other financial institutions. In 1997, three Asian countries (Thailand South Korea and Indonesia) received foreign aid worth more than 112 billion dollars and provided a way out of a deep crisis).

Finally, the implementation of the IMF program will contribute to confidence-building on the new Ukrainian authorities by foreign investors. This will facilitate private enterprises and banks to external funding and investment. Starting from 15 May to 8 July this year, the cost of insurance risks at work in Ukraine (CDS - credit default swaps) declined from more than 1200 basis points (bps) to 750 bps However, in mid-August, the cost of insurance rose again to 950 basis points, due to the escalation of the conflict in the east, the deterioration of macroeconomic indicators and defer receipt of Ukraine the second tranche of the IMF at the end of August and early September 2014. This means that once again narrowed the possibilities for entering foreign markets for Ukrainian private sector.

The program stand-by with the IMF in the short term will have some negative consequences. Tight monetary and fiscal policy during the 2014-2015 will lead to depression of the economy. Almost a 50% devaluation of the hryvnia, against the background of very low capacity for lending to the private sector and low possibilities of the state budget to stimulate the economy, all could lead to a reduction in real incomes, which in turn may result in increased social tension in the society. Of course it should be noted that the negative impact on the economy in the short term is not in comparison with the possible loss of Ukraine in the absence of cooperation program with the IMF (the free fall of the economy, the exchange rate, the collapse of the banking system, sudden poverty, etc.).

Moreover, this short term negative factor is more than offset by the benefits in the medium and long term. In fact, the performance of a broad reform program that is tied to an agreement on financial assistance from the IMF may enable Ukraine to make a qualitative leap in its development and achieve new, higher level of economic growth by improving the quality of the investment climate in the country and the relevant foreign direct investment . To avoid a negative public attitude towards cooperation with the IMF there is a need to carry out a large-scale awareness campaign to explain that the negative trends are short-term and that much more negative consequences could come in the event of termination of funding and benefits in the medium term.

It would be useful to prepare proposals for strict schedules of the IMF Program, with the possibility of adjustment, with the help of international advisors (primarily the United States), targeting, intended use, efficient allocation of financial resources provided by the software

system and international legal guarantees for the protection of investments, credit and innovative projects.

(ii) Implement structural reforms

Analytical support of structural reforms. To enhance the effectiveness of government policies and predicting possible consequences of their decision, the government should rely on an experienced team of analysts. These teams must be formed quickly in different areas of expertise and, if necessary carry out "testing" for complex topics.

In particular, it would be useful to form an advisory body (council) in the field of strategic reforms in the economic, social, political, law enforcement, human rights, defense, security, science and technology, innovation, investment and interfaith blocks.

In Ukraine there is an urgent need for rapid structural reforms. The Ukrainian authorities need to focus on key areas, including: (1) upgrade and strengthening of public administration and governance; (2) judicial and legal reform; (3) cessation of government intervention in private sector activity and further deregulation of business activities; (4) fight against corruption; and (5) the liberalization of foreign trade and international capital movements.

1. Upgrade and strengthening of public administration and governance

Reform of the general government should have the highest priority. Without it, the effects of the introduction of the rest of the reforms will be significantly reduced.

In countries that have successfully carried out reforms, the upgrade of the general government has been a prerequisite for positive changes in the economy. New Zealand conducted a fundamental reform of the public administration to support significant policy reforms. In the process of reforming, a number of agencies and ministries were consolidated to create a "core public administration". The transfer of responsibility for a wide range of public services to private and semi-independent structures was key. Also, the reorganization of state structures was necessary to increase their efficiency by introducing competition and a clear statement of work for the purposes of analyzing the effectiveness of labor and establish rewards for good work.

In general, the international experience of public administration reforms shows that large-scale and rapid reform of public administration is more likely to succeed than a gradual and phased reform as a gradual strengthening of individual organizations will be difficult and painful process that only demoralizes the entire organization of public administration. Moreover, attempts to enhance the particular structures of a certain segment will not be as successful in the short term because low salaries of civil servants is not a problem of individual units but of the entire system. Following international experience, we have made recommendations for reform of the general government of Ukraine based on local features.

First of all, in order to facilitate the implementation of public administration reform in Ukraine, the government should create a separate high-level unit in charge of the process. The unit must have direct contact with the President and the Prime Minister. The Government has a major reform of the approval of a plan of action for implementing the concept of administrative reform. The action plan should identify the different components of the public administration reform program, guided by the following principles:

a. Review of the role of government as that of promoting private sector

In Ukraine, the number of employees in the central government is relatively small. However, the structure of the central government is complex, with many units that do not have clearly defined roles and often overlapping roles and responsibilities of each other. Furthermore, they see their role as replacing or competing, rather than promoting, the private sector.

Thus, the action plan should begin with a clear definition of the role of government. It should be clear that the government's role is limited to non-commercial activities and providing adequate "public goods" (goods, the provision of which usually can not guarantee the private sector because of "externalities" and other factors) such as education, public health, defense, regulatory services, policy formulation and implementation and more. The main purpose of government - to promote economic growth, driven by the private sector, rather than compete with it in production activities.

b. Functional reorganization

Having a clear definition of the role of government, functional reorganization will aim to review the role and functions of key state institutions. This review will lead to the elimination of fragmentation and duplication through consolidation, relocation and / or elimination of certain units.

Thus, the functional review involves four steps:

- Review the role and functions of the Presidential Administration, as the agency primarily provides effective decision-making based on a valuable analytical framework.
- Review the Cabinet Secretariat, change its role, structure, and enhance the effectiveness of decision-making by the Prime Minister. The role of the Cabinet of Ministers shall be limited to primary this purpose - namely secretariat duties for the Prime Minister, not making decisions that belong to the Cabinet ministers.
- Review the Cabinet. This can be achieved by eliminating duplication by the Cabinet of Ministers as a whole and in individual ministries, line ministries and the transfer of authority to perform certain functions (including compliance with and implementation of government policy). The existing decision-making process that requires collecting many signatures to resolve

most issues should simplify and speed by transferring a significant power to take certain decisions to individual line ministries. Cabinet structure inherited from the Soviet era, the ministries impedes potential for development and implementation of government policies.

- Review the role and functions of ministries and government agencies to consolidate and reduce their number. The purpose of this process - to minimize duplication of functions and responsibilities, establish a clear system of accountability. Ministry should be formed rather by "functional" basis, rather than the industry or the sector.
- Establish a list of public services, the provision of which can be transferred to the private sector by entering into contracts (separate funding for the purchase and delivery of public services and introduce competition among service providers, together with the introduction of quantitative criteria of efficiency) or through the implementation of public-private partnerships.
- Define the terms of reference, which can be transferred to the regional level.
- Continue government practice of open public consultations on issues of importance to improve the business environment.

c. Reorganization of government procedures

After reviewing the distribution of functions and new organizational structures need to review operating model of all ministries and government agencies to facilitate their modus operandi (mode of action).

Reorganization of government procedures should include the following:

- View internal decision-making procedures with a view to simplification and transparency.
- Separation and formulation of public policy analysis and strategy of their implementation process in order to increase the efficiency of government decision-making.
- Developing open and transparent procedures for determining performance criteria, performance and costs with a view to measuring, monitoring, and an open public information about the results of the public authorities, which would increase the transparency of government information.
- Introduction to the practice of "open files", which includes publishing and monitoring information on the activities of government agencies to improve management accountability of these institutions. Inefficiencies should include specific penalties up to and including dismissal of those responsible.
- Improve processes for accounting and auditing in the public sector through changes in legislation and procedures.

- Improving the transparency and openness of information will be an important tool to combat corruption, which is the main cause of irregularities in the behavior of public sector workers.
- Further improvement of public procurement procedures in order to increase their transparency and competitiveness.

d. Reorganization of the Civil Service

The purpose of civil service reform - raising the level of public servants. With this aim in this area provides, inter alia, the following:

- Introduce the principles of managerial job corps high level used in the United States and New Zealand, when manager's qualifications offered higher wages instead of job security that will encourage them to work with high efficiency.
- Reform should include the development of "incentives" and "control mechanisms" to promote the efficiency of civil servants, in particular, the introduction of criteria for evaluating the effectiveness and fair procedures for recruitment, promotion and dismissal of personnel. A key measure of effective staff motivation is to establish a clear link between the tangible part of the salaries (approximately 20-30% for most staff) and the achievement of measurable goals under the conditions previously concluded working arrangements. This will require the definition, measurement, and tracking performance of both individual units and individual employees.
- It is also necessary to improve the system of non-monetary motivation of staff; including strengthening public perception of the importance and skills of people working in the public sector, by involving employees in setting goals and work plans and providing them with sufficient autonomy and responsibility for achieving it.
- Adopt legal provisions that ensure effective management of state shares of those companies where the state is still a shareholder. Attention is drawn to the practice of transferring management of public enterprises to private companies.

The above measures will allow the government to reduce the number of civil servants, and this, together with an increase in salary and benefits package, should reduce the tendency of government officials for corruption.

e. Delegation of powers to local and regional authorities

The basic principle of operation of government should be a clear division of responsibilities between central government and local authorities. Central authorities should develop a national strategy and policy development, while implement these strategies and policies should rest with local authorities. Thus, decentralization of public services and resources at the sub-national levels of government should be a key element in the reform of the public sector. A review of

central authorities should determine which production of public goods can be sent to the regional, provincial and community level. In our opinion, the provision of social services such as health, education and public services must fully pass to local government.

The aim of decentralization is to ensure closer contact between agencies, decision-makers and the expected beneficiaries of public services (improvement of information and feedback), which will have better control over the implementation of the goals.

Decentralization will also provide opportunities for local initiatives, accelerate internal communication and reduce the cost of decision-making (reduction of time and money costs of consultation and coordination with the center). Decentralization of public services to the lowest level, as is economically feasible, and improve the return on their services. International experience shows that the closer to the users are the authorities responsible for setting tariffs for public services, the higher the level of payment for these services.

However, decentralization is one of the institutional reforms that bears the highest risk of failure, mainly because of conflicts between the different levels of responsibility, authority and funding. The success of decentralization, it should include:

- The exact definition of the functions, powers and responsibilities transferred to the local level.
- Clear definition of local institutions at the lowest possible level that will get transferred functions.
- Mechanisms to ensure appropriate funding, technical assistance and leadership training that will enable local authorities to effectively carry out their new responsibilities.

2. Judicial and Legal Reform

The main problem of the Ukrainian judicial system is not only flawed legislation but also deficiencies in law enforcement. Court decisions can be very unpredictable and often politically motivated. In addition, they are often difficult to implement. Reform of the judiciary is necessary for improvement in the area of enforcement.

Independence of the judiciary remains a major stumbling block. More precisely, the problem is not the independence of the judiciary itself, but a proper balance of authority, responsibility and influence of government and other judges. The current lack of funding for the court makes judges vulnerable to the requirements of various government agencies - from local authorities and law enforcement agencies to utility providers. It also makes the judiciary vulnerable to corruption. However, giving judges complete independence without appropriate anti-corruption measures will only worsen the situation, since corruption is still high and hidden. So to the fore there must be measures to ensure transparency of judgments and trials, a truly "blind" distribution of cases by computer (de jure it exists, but de facto - not), transparency revision

cases, punishment of judges for corruption and etc. World Bank has enough experience of such reforms in different countries and can provide appropriate technical assistance.

With the adoption in 2002 of a new law on the judicial system, the state began to implement a large-scale reform of the judicial system, which aimed at improving the efficiency of the judiciary as an independent and reliable system of protection of fundamental freedoms.

Although Ukraine has made significant progress in the making of economic legislation, the legal framework is still lagging behind other emerging economies due to deficiencies in non-judicial authorities in ensuring compliance with the laws and commercial contracts. In our opinion, the legal system must implement the following reforms:

- Given widespread corruption reported in the past, carry out a comprehensive review/audit of the past performance of all judges to identify cases of corruption and subject corrupt cases to strong disciplinary action.
- Increase the salaries of judges and court staff to curb corruption and ensure independence.
- Improve financing of the courts to ensure their financial independence.
- Increase the number of judges and administrative staff to reduce workload and eliminate the accumulation of pending cases.
- Provide commercial courts the power to decide disputes.
- Ensure effective application of the Law on the Judiciary.
- End the practice of making any judgments that are retroactive in time.
- Require careful consideration of any legislation adopted, including in terms of their consistency with existing legislation.
- Ensure better enforcement of the law on the protection of intellectual property, clearly dividing powers between law enforcement agencies.

3. Stopping government intervention in private sector activity and further deregulation of business activities

Usually there are three main components of a functioning business: starting a business, closing a business, and managing daily activities. Business activities relating to these components are governed by the terms and conditions that are established by the state. If these terms and conditions are too restrictive, business in the country will not develop. Since Ukraine was part of the Soviet Union, after its collapse, it found itself in a situation where all three components of the

running of the business were too "regulated". It remained a problem very long time because the necessary reforms were implemented too slowly.

Over the past few years, Ukraine has made some progress in the area of deregulation. In particular it noted its success in the World Bank's authoritative ranking of countries on "Ease of Doing Business. According to the report Doing Business, Ukraine had risen from the 152nd position in 2011 to 112th position in 2013. However, despite this, there is still a need for the implementation of government policy and actions aimed at reducing excessive state intervention in private enterprise.

Especially, Ukraine made notable progress in removing barriers to starting a business. However closure through bankruptcy is still ranked as negative, despite the relatively progressive bankruptcy law in the country. This is because the implementation of laws and regulations in the country are still far from the desired level.

The elimination of government interference with daily business activities is more complex. In this area also Ukraine achieved significant progress, but still has many problems to be solved. In particular, all permits should be consolidated into one comprehensive list, fixed by law. The Doing Business report estimates that the getting permits in construction has significantly improved - in this index rating in Ukraine rose from 180th position in 2011 to 41st place in 2013. However, a comprehensive list of permits is still too long. The positive is that it can significantly reduce even without immediate cancellation of permits. After all, if it is made a full reform of the general government with the elimination of unnecessary government agencies, institutions, organizations, and services are automatically eliminated permits that are currently issued by these bodies. That's why browsing feasibility of various regulatory measures should continue after the reform of public administration.

A large number of inspections by authorized state bodies remain significant obstacles to normal business. Inspections are carried out mostly by tax inspectors and fire service. The results of inspections are often just a demand for informal payments. Unfortunately announced reduction in the number of inspections by the tax authorities did not significantly corrected the situation. The new government should take more decisive and wide-ranging measures to address this issue.

Taxation is one of the most serious problems of business in Ukraine. A large number of taxes, tax exemptions granted to certain undertakings, and unclear procedures for collecting taxes lead to significant problems for business. Moreover, this uncertainty leads to corruption and abuse by the tax authorities. Widely publicized tax reform by the previous government did not bring significant results. The published results are referred to Doing Business reports show that in terms of taxation Ukraine has risen from 181st position in 2011, only to 164th position in 2013.

Comparison of Ukraine and other countries of the Eastern Europe shows that the overall level of liberalization and deregulation of business activity is too low (Ukraine lags behind Russia in the

20 position, and from Moldova up by 34 in the latest ranking of Doing Business). Therefore, to activate the process of deregulation and reduction of government interference in business activities proposed to implement the following measures:

- Continue to reduce the list of permits and licenses after full public administration reform.
- To simplify the process and reduce the cost of doing daily business.
- Eliminate incentives for excessive intervention of government in business activities.
- Provide a schedule of inspections in advance.
- Simplify and reduce the number of inspections to stop the practice of extraordinary inspections.
- Develop clear procedures for liquidation, including disclosure.

4. Fighting Corruption

Corruption is one of the most serious obstacles to the successful development of a competitive market economy in Ukraine. This problem has engulfed almost all spheres of economic, political and social life. According to a recent report "Transparency International" in 2013 on the corruption index, Ukraine is 144 out of 177 countries surveyed and shares this place with Cameroon, Central African Republic, Iran, and Papua New Guinea. During the year the country has not moved forward on this indicator. Meanwhile, neighboring Russia takes place 127. According to the latest report, rising in the ranking at position 6 in the last year.

This sad state of affairs in the fight against corruption, partly due to lack of specialized anti-corruption teams in government and the lack of measures to prevent corruption of officials in groups most prone to such unlawful acts.

For many years, Ukraine has a lot of anti-corruption laws and regulations. However, there still lacks systematic action for real combat corruption and its prevention.

Ukraine takes part in international and regional anti-corruption initiatives and is a member of relevant organizations. She joined the list of eighty countries that signed the United Nations Convention on the fight against corruption soon after it was adopted in October 2003. This Convention was the first international initiative to build a balanced policies and practices to prevent and combat corruption. Ukraine also signed a similar Council of Europe Convention.

The main cause of corruption in Ukraine is the lack of institutional traditions of transparent decision-making. At the same time, low living standards of civil servants significantly fueled corruption. Effective measures the government is to ensure sustainable economic growth and raise living standards in the country, is the first step towards solving this problem.

The level of corruption in Ukraine remains high compared to other countries. In this area, Ukraine is far behind countries that recently joined the EU. To solve this problem proposed measures:

- Continue administrative reform to improve transparency of decision-making.
- Eliminate ambiguity rules and regulations of state regulation and reorganize the duties of civil servants, reducing opportunities for making controversial decisions.
- Improve accountability of civil servants for their decisions; strengthen the internal audit service.
- Inform the public about the damage corruption has to society and the economy; encourage people to avoid involvement in corrupt practices and make public observation events.

5. Liberalization of foreign trade and international capital movements

The government will need to take further measures to stimulate exports and imports of goods and international capital flows. This includes the removal of restrictions on exports and imports (including non-tariff barriers), optimization of customs procedures and certification requirements.

During independence Ukraine greatly simplified its foreign trade regime. But it still lags far behind other countries in transition and developing countries. In particular, the World Bank's Doing Business report ranks Ukraine 148th place in the ranking of international trade by 2013. Moreover, during the period from 2011 to 2013 Ukraine not only did not improve its position in the ranking, but vice versa - worsened (dropped from 139th place, i.e. at least 3-position).

To support the growth of foreign trade in general and exports in particular, Ukraine should take certain measures in two priority areas. First, it should reduce the number of documents required for registration of export and import, and the passage of all procedures required to export and import. Secondly, Ukraine should continue to work on signing free trade agreements with various countries, bringing their total to 50-70, as is typical for developed countries and many developing countries. This is particularly important given the need for geographical diversification of exports to Russia against the background of the introduction of restrictions on the import of Ukrainian goods. As for the free trade agreement with the EU, which is actually a part of the economic of the Association Agreement, then it must be ratified as soon as possible and speed up the implementation of technical conditions for the certification of product quality.

Import duties for most goods (except agricultural products, food and excisable goods), set at the WTO are adopted. But the most significant limitation of Ukraine's foreign trade are non tariff barriers. They range from import licensing, standardization and certification to various health, environmental, veterinary and other controls. Despite the progress made in creating a more

transparent regulation and optimization procedures, this area is still suffering from the effects of corruption and selective approach by the authorities. Recent measures have been implemented by the government to address these problems. Much attention was paid to the improvement of legislation (to address existing gaps), funding, and training of customs officials and the establishment of transparent practices impartial cooperation with enterprises.

On the export side, Ukraine actually reduced most export restrictions, leaving only restriction on the export of specific goods (such as weapons or components that can be used to produce weapons). Periodically, Ukraine continues to apply as tariff and non-tariff export restrictions. In 2010, even at sufficiently high agricultural yields (at least above average for the last 5 years), the government introduced grain export quotas. In late 2011 set export duties on grain, and in 2012 was temporarily banned all wheat exports. This practice greatly harms partner trading relationships, business and investment climate, causing reputational damage. Therefore, to avoid imbalances in the domestic consumer market, Ukraine needs to focus on improving forecasting mechanisms of production and consumption of goods and services, increasing the efficiency of market methods of eliminating imbalances (eg, establish effective work of the State Reserve).

The main recommendations for action in the field of liberalization of foreign trade and international capital flows:

- Avoid application of tariff and non-tariff export restrictions, increasing the efficiency of market methods eliminate imbalances in the domestic consumer market.
- Improve forecasting mechanisms of production and consumption of goods and services.
- accelerate implementation of international standards of product quality and manufacturing processes.
- Optimize customs procedures and formalities, ensuring their rapid passage and reduce opportunities for corruption.
- Accelerate the ratification of the association agreement with the EU and its implementation.
- To sign a free trade agreement with the largest possible number of countries, including Canada, Turkey and Israel.