



A Message from the Ukrainian Business Community to the Government



For more information,
please contact:

**Institute for
Competitive Society**

Predslavinskaya St. 28
Office 521
Kyiv, Ukraine
(tel) +38 044 529 6756

**Ukrainian Center for
Independent Political
Research**

4/26 Pyrogova Street
Suite 20
Kyiv, Ukraine, 01030
(tel) +38 044 235 6505

In his message to the Verkhovna Rada of Ukraine on “The Domestic and Foreign Situation of Ukraine in 2005,” President Viktor Yushchenko declared, “The new status of the country creates fundamentally new development opportunities for us, it poses new challenges in our nation-building process, and it defines the new environment in which our society will live... The first task is to create a modern system of government... We must travel the path to economic prosperity – which took centuries for the rest of Europe – in five to seven years... Ukraine cannot become a full-fledged state until it makes an economic leap forward. It must meet this challenge and become the cradle of new models of economic development.”

A new model of government, in which the individual is the focus of society and the state, and in which the economy is based on reality and pragmatism rather than populism and general promises, requires that nongovernmental institutions and professional associations participate in the formulation and implementation of government policy.

Democratic elections for the Verkhovna Rada of Ukraine were held in March 2006. Members of the Parliament were elected based on political party lists and factions. An independent professional analysis of the platforms of the political parties demonstrates that they all talk about the need for economic and social stability in Ukraine, but they do not clearly specify the steps that must be taken to achieve these goals.

In the past, citizens and the business community were just gears in the government machine rather than consumers of government policy. Today, business is becoming the customer of the government – it sets its terms and insists that the government implements and complies with them. The national business community should take an active position, set forth its views on the priorities for economic and social policy, and demand that the political parties elected to the Parliament be guided by these views when forming coalitions and setting up the government agenda.

This message contains a list of the most important issues that the business community expects the Ukrainian government to act upon.

The Issues

Privatization and Protection of Property Rights

- Protect private property rights. Draft and enact a new version of the Law on Property.
- Enact a Law on Joint Stock Companies establishing modern “rules of the game” for corporate governance, promoting increased activity on the stock and securities markets, and enhancing the reliability of these markets.
- Draft and adopt amendments to the laws on Police, the Office of the Prosecutor, Judicial Due Process, Tax Service, Fire Inspection Service, Public Health and Epidemiological Welfare, and the Code of Administrative Violations.

- No revision of the results of privatization. Procedures for verifying the legality of privatization should focus on the seller or the privatization agency. Privatization should be based on the principle of a presumption of a good-faith purchase. Ensure that the agency conducting privatization is accountable to the public.
- Reduce the inventory of property owned by the government, based on the nation's strategic interests and/or efficiency. Accelerate public sale of companies in the food, alcohol, and wine industries. Eliminate restrictions on the sale of land (including agricultural land), which is a constitutionally protected right, and ensure unrestricted transferability of ownership rights and use.
- Establish administrative and criminal liability for government officials and agencies that make arbitrary statements about businesses. Adopt amendments to this effect to the Code of Administrative Infractions and the Criminal Code.
- Improve the nation's laws protecting trademark rights.

Tax Reform

- Develop and implement urgent and effective changes in the tax system to promote the development of industry and free enterprise. Draft and enact a Tax Code.
- Tax reform in the country should be based on the following principles:
 - a) Rule of law;
 - b) Presumption of innocence in relations between government agencies and taxpayers;
 - c) Equality and mutual accountability of the government and taxpayers;
 - d) Compliance by government agencies with the "letter of the law." Any changes in the tax laws must take effect in strict compliance with the Budget Code of Ukraine, the Law on the Tax System, and the Law on Government Regulatory Policy in the Business Sphere;
 - e) No conflict of interest in the tax system;
 - f) Reliable oversight and control over the tax and customs agencies by relevant government bodies;
- Tax reform in the country should pursue the following basic objectives:
 - a) Improve tax administration and review legal provisions governing the tax base in order to make tax provisions simpler and unambiguous. High-priority steps toward achieving this objective:
 - o Thorough reform of the value-added tax;
 - o Tax on real property;
 - o Simplified procedure of fixed assets depreciation;
 - o Tax break on expenses on running business;
 - o Elimination of taxes and fees that exceed revenues.
 - b) Review tax rates to optimize the overall tax burden and its distribution
 - c) Pass legislation creating a system of simplified taxation, accounting, and reporting for small business, including:
 - o Simplicity and transparency of tax regulations;
 - o Simplicity of calculating the taxable base;
 - o Simplicity and accessibility of accounting procedures
 - o Simplicity of enforcement procedures.
 - d) Standardize tax reporting forms
 - e) Establish material liability for infractions committed by tax service officials

Improving the System of Government

- Urgently enact laws regulating rights and operation procedures of executive branch agencies, specifically, a law on the Cabinet of Ministers, a law on the central executive branch agencies, a law on legal and regulatory acts, and a law on administrative procedures.
- Reform Ukraine's laws on local government to clearly define the powers of local government agencies, the mechanisms by which these powers are exercised, and the liability of local government officials.
- Enforce strict compliance with the requirements of the law regarding the openness of information in national and local government agencies. Provide access to current information on revenues and expenditures by governments at all levels and require opportunities for public input in the preparation of budgets for subsequent periods.

- Establish liability for national and local government officials who have (or tolerate) conflicts of interest.
- Implement the principles of the “Framework for Providing Government Services” by enacting appropriate legislation. Establish standards for providing government services.
- Expand self-regulation of business. Delegate certain powers of government agencies to self-regulating organizations in the business community.

Regulatory Policy

- Enforce strict compliance by national and local government officials with the requirements of the national laws on regulatory policy. Create a National Commission on Regulatory Policy and Business, an independent collegial body accountable to the Parliament.
- Hold executive branch and local government officials liable for violations of the Law on Regulatory Policy in Business. Adopt appropriate amendments to the Code of Administrative Infractions and the Law on the Civil Service. Bring laws on specific subject areas into compliance with the Law on Regulatory Policy in Business.
- Implement the Law on the Business Permit System in order to:
 - a) Simplify procedures for obtaining plots of land and simplify construction procedures;
 - b) Eliminate unnecessary permit requirements;
 - c) Revise the types of activity for which special government permission is required.
- Enact legislation to improve procedures in the business registration system in the areas of:
 - a) Reorganization and liquidation of business entities;
 - b) Formation, reorganization, and liquidation of nongovernmental legal entities.
- Draft the Law on Government Oversight of Business Activities.

Judicial Reform

- Develop and implement a framework for Judicial Reform, which should include:
 - a) Election of judges;
 - b) Elimination of judges’ immunity from prosecution;
 - c) Elimination of the practice of hearing cases and announcing the verdict without the parties being present;
 - d) Mandatory publication of court information and decisions in the media.
- Reform and improve the system of execution of court orders and make it accountable to the public. Establish liability for violations of court orders execution
- Develop mechanisms to protect the independence of judges from national or local government agencies.
- Promote and expand the use of arbitration panels to resolve business disputes.

Increasing the Competitiveness of Domestic Business

- Reduce the number of goods and services subject to technical regulation and price control by the government.
- Create mechanisms for the government to support domestic business entities on foreign markets through Ukraine’s diplomatic missions abroad, its representative offices in international organizations, etc.
- Regulate government-owned monopolies and relationships between government-owned monopolies and the business entities that use their services. Guarantee transparency in decision-making. Create a system to make such monopolies accountable to the public.
- Enact a law to make the general principles and requirements of the laws on food production and the official monitoring of food production and hygiene consistent with EU Regulations. Create a single government agency to oversee the safety and quality of food products and raw materials by combining the functions of the Main Public Health and Epidemiological Service in the Ministry of Health, the State Department of Veterinary Medicine, the State Plant Quarantine Service in the Ministry of Agrarian Policy, and the appropriate subdivisions of the State Committee on Consumer Standards.

- Reform the system of certification of nonfood products, food products, and raw materials based on these principles:
 - a) Move from mandatory certification of nonfood products to less costly methods of verifying conformity with standards by promulgating appropriate technical regulations consistent with European regulations;
 - b) Eliminate mandatory certification of food products and raw materials used for food products because this practice is not scientifically justified and is not followed in any developed country.
- Reform the system of technical regulations based on practices conducted by EU and WTO member nations by enacting a Law on the General Principles of Technical Regulation and a Law on Market Oversight.

Social and Labor Relations

- Enact a Labor Code.
- Enact a law establishing a single social security contribution and develop a program to gradually reduce the amount of the single social security contribution for all businesses.
- Introduce a single 20% social security contribution for small businesses that use the simplified taxation system and have fewer than ten employees.
- Improve the system of unemployment and reform the system of government-supported training programs.
- Develop a framework for implementing and promoting a system of private pension funds parallel to the state pension system.
- Conduct audits of all mandatory government social insurance funds.



Institute for Competitive Society

The Institute for Competitive Society (ICS) is an independent, non-governmental, non-profit organization that was established in December 1998 as an analytical group created to do research and produce policy recommendations.



Ukrainian Center for Independent Political Research (UCIPR)

The Ukrainian Center for Independent Political Research (UCIPR) is an independent think tank that was established in 1991 by a group of young Ukrainian professionals. UCIPR works to promote awareness of the values of democracy through ongoing discussion of key political, economic, and social issues, publications and conferences, and analyses of economic and democracy-building issues targeted at the Ukrainian policymaking community.