

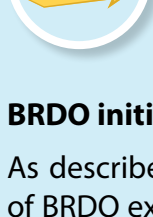


IMPROVING REGULATION BY ESTABLISHING PARTNERSHIP BETWEEN GOVERNMENT AND BUSINESS



BRDO DIGEST

FACTS, OPINIONS, ANALYTICS



BRDO INITIATIVES

BRDO initiatives implemented in 2015-2020 saved UAH 25 billion for businesses in Ukraine

As described in the [BRDO Annual Report 2020](#), legislative acts and digital tools developed with the participation of BRDO experts in 2015-2020 saved for Ukrainian small and medium-sized businesses almost **UAH 25 billion** while at the same time saving government **UAH 5.5 billion** in budgetary outlays. During the past 5 years of BRDO activity: **166 legislative acts** (co)drafted by our experts were **adopted (in 2020 — 27, of which there are 10 laws); 1,245 outdated regulatory acts** that greatly impeded business activity were **repealed (36 in 2020); 5 unique online tools** used by SMEs, civil servants, and local self-government bodies **were developed**. Also, in 2020, BRDO experts conducted market analysis resulting in the publication of 18 **sectoral Green Books** in construction, energy, transport and infrastructure, IT&Telecom, agriculture, and supervision and control sectors. That analysis and BRDO-proposed regulatory solutions have become or will become the basis for reforming the regulatory environment, thus expanding economic activity and adding to the transparency and efficacy of the system.



The Law on Electronic Communications is signed by the President. BRDO developed a list of acts required for the implementation of the Law

President of Ukraine Volodymyr Zelenskyy signed the Law [“On Electronic Communications”](#) that defines the e-communication sphere of economic activity in Ukraine. The enacted law provides for the enhanced protection of subscribers' rights, as well as simplifies licensing procedures for companies. It allows for subscribers to engage with operators to use out-of-court settlement opportunities, while businesses will face fewer bureaucratic obstacles in the introduction of new technologies. **BRDO experts prepared** a list of regulatory acts provided for by the Law “On Electronic Communications” and sent the final list of regulatory acts to the relevant authorities and market participants. The Law will enter into effect on **January 1, 2022**. In the meantime, it is important to revise some bylaws, so that the law can become fully effective.



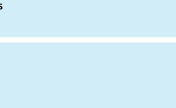
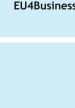
Monopolists without control: six months of delays in government decisions resulted in a tariff crisis in the gas market

The government reported at the last minute (mid-2020) cancellation of ISO (imposition of special obligations on natural gas suppliers) and the transition to market pricing for gas for household consumers. However, when the ‘unexpected’ winter began, the energy cost has traditionally increased on world exchanges, resulting again in higher gas prices in Ukraine. Adding pain to injury the usual season increase in gas prices was further increased by the boundless greed of gas oligarchs. Through the ownership of gas utility companies, they further increased the price by 30-40% compared to independent traders and did not allow consumers to freely switch to other suppliers. **BRDO calls** on the government to mobilize all efforts to ensure that the reform results are supported, as well as to simplify and speed up the enactment of procedure that will allow to switch energy supplies and prevent the abuse of regional gas distribution companies in this process. It is also important to ensure the provision of targeted subsidies to consumers critically affected by the increase in gas prices. In addition, **BRDO** filed a complaint with the AMCU regarding possible competition law violations by regional gas distribution companies.



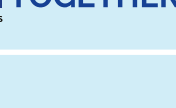
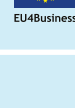
Regional Doing Business – 2020: BRDO identified the best region for doing business in Ukraine

Regional Doing Business – 2020 is the third annual study of the business climate in Ukrainian regions conducted by **BRDO**. The rating is based on a survey completed according to the **World Bank's Doing Business methodology**. Based on the [results](#), **Zhytomyr region is shown to be the best Ukrainian region for doing business in 2020**. The other 4 top regions according to the 2020 ratings are: Chernihiv region (2nd position), Kyiv city (3rd position), and Rivne region (4th position). Vinnytsia and Ivano-Frankivsk regions gained the same number of points and are both ranked fifth in the rating. Learn more about the [methodology](#). Download the [presentation](#).



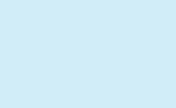
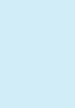
Draft Law “On Road Construction Optimization” adopted in the second reading: benefits and risks

On February 4, 2021, the Verkhovna Rada adopted the draft law “On Optimization of Road Construction and Improvement of Urban Development Legislation” (registration [#2680](#)) that was drafted with participation of BRDO experts. **BRDO welcomes the simplification of procedures necessary to commence road construction and improve the e-system in the construction sector but warns that amendments to the law regarding the proposed powers of chief architect carry potential corruption risks**. To be more specific, these include the power to approve project designs for a large number of objects. At the same time, there are poorly defined procedures and no established criteria for such approvals. Under present provisions a chief architect may use subjective decisions, made with unlimited discretion, without any liability for wrongful rulings. [More details](#).



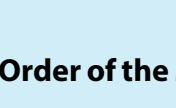
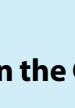
The number of IT bachelors in Ukraine will increase by 23% by 2024 – BRDO analysis

In 2024, more than 20,000 students will obtain a bachelor's degree in IT (this is 23% more than in 2020). This is evidenced by the [results](#) of the “Analysis of IT education in Ukrainian universities” developed and conducted by **BRDO experts**. In Ukraine, the annual demand for new IT specialists is about 30 000-50 000. In turn, higher education institutions annually grant on average 16 200 IT bachelor degrees. In the future, the number of IT graduates will also depend on the positive demographic situation and the proportion of university applicants who chose to be IT specialists. Experts developed [three scenarios](#), under which this forecast may change.



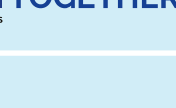
Ukraine's export of IT services exceeded \$5 billion for the first time

Despite the challenging year, IT exports increased significantly. In 2020, Ukraine's export of IT services exceeded \$5 billion a year for the first time. Same increase tendencies were seen in the exports of transport services and mineral products. These findings based on the NBU data on external accounts and foreign trade, were shown in the [presentation](#) prepared by **BRDO experts**. According to the NBU, Ukraine's total exports decreased by 4.6% in 2020. Both exports of goods and services also decreased. At the same time, IT industry exports increased by \$853 million, or more than 20% per year. Thus, the share of computer services in total exports reached 8.3%. However, the possibility of further increasing Ukraine's exports of IT services will depend on the [growing](#) number of IT specialists within the labor market.



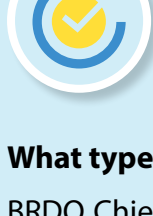
Local authorities can not set opening hours of cafes and restaurants — clarification in the Order of the Ministry of Economy and State Regulatory Service

The Ministry for Development of Economy, Trade, and Agriculture of Ukraine annulled its regulatory authority to approve the opening hours of private restaurants and cafes. In response to [BRDO's request](#) to the State Regulatory Service, the agency clarified that local authorities may not set opening hours of restaurants and cafes under its jurisdiction. Previously, local authorities mis-interpreted the provisions of the Law of Ukraine “On Local Self-Government” and the Order of the Ministry of Economy as authorizing them to set operational times both public utility companies and private companies that would be convenient for the work schedules of the population. From now on, entrepreneurs will have [legal grounds](#) to refuse to comply with the unlawful requirements set by local authorities regarding opening times for their business of local self-government bodies.



The Verkhovna Rada has registered new draft laws on facilitating conduct of business in the brewing industry

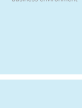
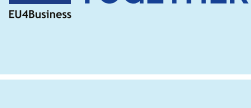
The first is a draft law registered in Verkhovna Rada deals with the introduction of reduced rates of excise tax on alcoholic beverages (beer) for small beer producers (registration [#5118](#)), and the second draft law concerns the simplification of requirements for economic activities in the production of beer, grape wines, fruit wines, and honey-based beverages (registration [#5119](#)). Adoption of documents, according to forecasts, will increase the share of small beer producers by more than 10%. Today this share is only 3%. The draft laws were [developed](#) by BRDO experts and were based on the analysis of Ukrainian fermented alcoholic beverages market, as well as numerous consultations with producers of malt beverages.



INSPECTION REFORM

What type of state inspections can entrepreneurs expect in 2021 and how to prepare for them?

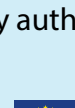
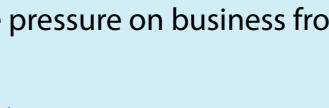
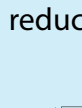
BRDO Chief Information Officer Yana Horiunova answers these questions in the [column](#) of *Economichna Pravda*. To make it easy to prepare for the arrival of inspections, the BRDO has created [“Entrepreneur's Assistant”](#), containing two separate sections – on tax audits and other types of inspections, as well as their unique aspects. This free service for entrepreneurs provides comprehensive information on inspections of various control bodies.



RED TAPE CHALLENGE

BRDO eliminates the shortcomings of the beauty industry regulation

According to a survey of beauty industry entrepreneurs regarding the apparent shortcomings of regulation of their industry, the “Rules of Consumer Services” (Cabinet of Ministers Resolution #313) is one of the regulatory documents that complicates doing business in this sphere. These rules were approved back in May 16, 1994 and provide for the mandatory presence of paper copies of regulations in the Soviet era so called “Consumer's Corner”. The Ministry of Economy, together with BRDO experts and the Reform Support Team, has developed new “Rules of Consumer Services” that eliminate outdated norms and reduce pressure on business from regulatory authorities. [Read more](#).



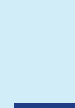
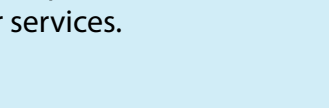
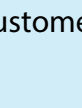
Survey of family doctors concerning problems of their professional regulation

The survey concerns regulatory obstacles encountered by family doctors during their practice and/or while trying to open a family doctor's office. The [questionnaire](#) takes only 3 minutes, and the answers will help to form a list of proposals to facilitate the business environment of private family doctors. The research is carried out within the framework of the Bureaucracy Hunt project, which is jointly carried out by BRDO and the Reform Support Team at the Ministry of Economy.



Against outdated sanitary regulation of the beauty salon sector – BRDO appealed to the Ministry of Health

Back in 1999, the Ministry of Health of Ukraine approved the Sanitary Rules governing the activities of beauty salons and hairdressers. The rules require that a salon have a manager's office, pantry and laundry room. However, all these provisions are outdated and do not meet the needs of the market at all, while the control authorities use the outdated regulation as a source of illicit fines. **BRDO experts**, together with the Ministry of Economy and the Reform Support Team, have [prepared](#) a project that eliminates these unnecessary and burdensome business regulations. The implementation of this initiative will simplify and make less costly the activities of the hairdressing and beauty salon businesses, especially in times of pandemic, when entrepreneurs are forced to reduce fixed costs, such as rent in order to continue and provide employment and customer services.



#STARTBUSINESSCHALLENGE

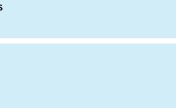
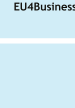
How to officially employ a worker in the company?

A detailed [online instruction](#) has appeared on the [#StartBusinessChallenge](#) info service, which describes the stages of hiring procedures for sole proprietors and legal entities, the peculiarities of employment of minors, the requirements for teleworking and probation. The functionality was developed by **BRDO experts** with the support of the State Labor Service of Ukraine.



The new business case on the #StartBusinessChallenge platform is “Cultivation of technical hemp”

The world has long demonstrated that cannabis can be used in various sectors of the economy. However, this area is overly regulated in Ukraine. Today, to start growing technical cannabis that does not contain psychoactive substances, it is necessary to go through as many as 14 legal procedures and collect 36 documents to be approved. BRDO has analysed all the existing requirements and reform proposals reflected in the new business case [“Cultivation of technical hemp”](#), already available on the platform. BRDO experts are working to make the regulation of technical hemp farming equivalent to the cultivation of conventional crops.



Ivano-Frankivsk has joined #StartBusinessChallenge

From now on, 287,000 residents of Ivano-Frankivsk will be able to use convenient step-by-step [instructions](#) for starting a business. At the first stage, Ivano-Frankivsk has 74 cases, including coworking, a shop, a fitness center and a programming school. A total of 127 step-by-step instructions for starting a business are available on the #StartBusinessChallenge platform, which are grouped in 14 separate clusters. We have also prepared 55 cases with current recommendations on quarantine business operations — there are mandatory quarantine requirements established by the Cabinet of Ministers, as well as recommendations of the World Health Organization and other international organizations.

Do you have an idea for your own business? — Go to the portal <https://sbc.regulation.gov.ua/> and make it real!



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