Report on implementation of the EU-Ukraine Association Agenda and the European Union-Ukraine Association Agreement

for January – May 2016

Government Office for European Integration of the Secretariat of the Cabinet of Ministers of Ukraine
The EU-Ukraine Association Agreement and Association Agenda\(^1\) envisage monitoring and assessment of implementation of these documents, both jointly and separately by each Party.

This report represents an assessment by the Ukrainian Party and contains an overview of the most important actions and results of implementation of the Association Agenda and Association Agreement planned for and achieved in January-May 2016, and other important events concerning implementation of the European integration policy.

The purpose of this report is to inform Ukrainian citizens, nongovernmental organizations and international community (in particular, EU institutions and Member States) about Ukraine’s progress in achieving the goals of political association and economic integration with the EU to facilitate broad discussion and analysis of actions taken by public bodies.

This report is structured according to the structure of the Association Agreement and Association Agenda, and has been supplemented with other up-to-date information.

This report is based on the analysis of information provided by close to sixty public bodies engaged in the performance of particular tasks.

The report includes information regarding draft laws returned under Article 105 (3) of the Regulation of the Verkhovna Rada of Ukraine and submitted to the Verkhovna Rada as a legislative initiative by the new Cabinet of Ministers of Ukraine.

In addition, this report offers information regarding international technical assistance projects engaged in performance of European integration- and Association Agreement-related tasks, and cites examples of using this assistance to achieve particular results.

This report also lays down generalized expert assessments by the Government Office for European Integration of draft laws pending hearing by the Verkhovna Rada of Ukraine and concerning Association Agreement implementation priorities (first of all, establishment of a free trade area and sectoral cooperation), for their conformity with the Association Agreement and EU legislation.

Finally, the report sums up the key further actions.

\(^1\) - on 16 March 2015, the EU-Ukraine Association Council has approved an updated Association Agenda.
KEY RESULTS

I. IMPLEMENTING PRIORITIES OF THE ASSOCIATION AGENDA

1. **Constitutional reform**
2. **Election reform**
3. **Preventing and combating corruption**
4. **Judicial reform**
5. **Public administration reform**
6. **Deregulation**
7. **Public procurement reform**
8. **Taxation reform, including VAT refunds**
9. **External audit**
10. **Energy sector reform**

II. POLITICAL DIALOGUE AND REFORMS, POLITICAL ASSOCIATION

- Functioning of democratic institutions
- Reform of law enforcement agencies
- Human rights and fundamental freedoms
- Freedom of speech
- Foreign and security policy
- Combating terrorism

III. JUSTICE, FREEDOM AND SECURITY

- Visa liberalization
- Legal cooperation
- Cooperation on border management, migration and asylum, readmission
- Police cooperation, organized crime and money laundering
- Situation in Eastern Ukraine and Crimea

IV. TRADE AND TRADE-RELATED MATTERS

- Market access for goods
Technical barriers in trade

*Technical regulation*

*Standardization*

*Metrology*

Sanitary and phytosanitary measures

*Approximation of legislation*

*Strengthening administrative capacity*

Customs and trade facilitation

Freedom of establishment, trade in services and e-commerce

Intellectual property

Competition

*State aid*

Transparency

Dispute resolution

V. ECONOMIC AND SECTORAL COOPERATION

Energy cooperation

*Integration of energy markets and energy security*

*Energy efficiency*

*Nuclear safety*

Management of public finances: budget policy, internal control and external audit

Taxation

Banking

Transparent privatization

Company law, corporate governance, accounting and auditing

Statistics

Transport

*Marine transport*

*Rail transport*
Road transport

Dangerous cargoes

Common Aviation Area

Environment

Education

Youth policy

Science and technology

Space

Social policy

Industrial and enterprise policy

Financial services

Culture

Sport and physical activity

Information society and audio-visual policy

Agriculture and rural development

KEY FURTHER ACTIONS
KEY RESULTS

Association Agenda priorities

**Constitutional reform**
- On 2 June 2016, the Verkhovna Rada of Ukraine has adopted the draft Law of Ukraine *On the Amendment of the Constitution of Ukraine (Regarding Justice System)* (registration No 3524) and passed a revised version of the Law of Ukraine *On the Judicial System and Status of Judges*.

**Election reform**
- Amendments to Article 87 of the Budget Code of Ukraine regarding financing of political parties (Law of Ukraine No 732-VIII) have entered into force.
- The budget has allocations to finance political parties.

**Preventing and combating corruption**
- Public bodies responsible for preventing and combating corruption become operational:
  - National Anticorruption Bureau of Ukraine;
  - Specialized Anticorruption Prosecutor’s Office;
  - National Agency for Prevention of Corruption.
- Legislation passed:
  - Law of Ukraine No 1022-VIII “On the amendment of certain legislative acts of Ukraine regarding the procedure of filing declarations of property, income, expenses and financial obligations by public officials in 2016”.
- The National Agency of Ukraine for Identification, Search and Management of Assets Gained from Corruption and Other Crimes was established.

**Judicial reform**
- A draft Law of Ukraine *On the Judicial System and Status of Judges* (registration No № 4734) was developed pursuant to future provisions of the Constitution of Ukraine regarding judicial system.
Public administration reform
- Regulatory and departmental acts were adopted for the purpose of implementing the Law of Ukraine On Civil Service.

Deregulation
- The Unified Government Portal of Administrative Services was launched in March 2016 in Ukraine in test mode.
- The Agreement on Ukraine’s Participation in the EU Program for the Competitiveness of Enterprises and SMEs 2014-2020 (COSME) was signed.

Public procurement reform
- The Strategy of Reforming Ukraine’s Public Procurement System for 2015-2032 (the “roadmap”) and the strategy implementation action plan have been approved.
- Ukraine’s accession to the Agreement on Public Procurements has been approved.
- A new public procurement portal was launched, combining ProZorro and Zovnishtorgvydav Ukrainy databases.
- A number of regulatory acts were adopted for the purpose of implementing the Law of Ukraine On Public Procurements.

Taxation reform, including VAT refunds
- Regulatory acts were adopted for the purpose of implementing the Law of Ukraine “On the amendment of the Tax Code of Ukraine and certain legislative acts of Ukraine regarding balancing of budget revenues in 2016”.
- Documents pertaining to reports on taxation with value added tax have been approved.

Energy sector reform
- Amendments to the Customs Code of Ukraine were adopted to create preconditions for a new model of the natural gas market (Law of Ukraine No 994-VIII).
- A draft Law of Ukraine On the National Commission for State Regulation of Energy and Public Utility Sectors (registration No 2966-д) was passed in the first reading.
- Documents developed under the Action Plan of Reforming Corporate Governance of Naftogaz of Ukraine NJSC:
  - draft plan of restructuring Naftogaz of Ukraine NJSC, envisaging establishment of Trunk Gas Pipelines of Ukraine PJSC wholly owned by the State Property Fund of Ukraine;
  - draft separation model for gas transmission system.
- The Energy Community Secretariat has published a conditional approval of the Naftogaz of Ukraine NJSC division model proposed by the Ukrainian Party.

Political dialogue

Strengthening local and regional self-government and decentralization
- A procedure of providing subventions from the state budget to local budgets to finance formation of infrastructure of united territorial communities was devised.
The Standard Regulation on the Agency for Regional Development has been approved.

Reform of law enforcement agencies

- The State Bureau of Investigation was established. Work has begun on organizing a contest for the office of the Bureau’s Director and his deputies.
- Documents approved for the purpose of implementing the Law of Ukraine On the National Police:
  - Regulation on police commissions;
  - Standard procedure of organizing contests for police service and/or vacant position.

Human rights and fundamental freedoms

- Passed in the first reading:
  - legislative changes regarding enforcement of criminal sentences and realization of rights of convicts (registration No 2490a);
  - legislative changes for the purpose of harmonizing antidiscrimination legislation with that of the EU (registration No 3501).
- The Coordination Council for Promotion of Civil Society Development was established.
- The National Strategy for Promotion of Civil Society Development in Ukraine for 2016-2020 has been approved.

Freedom of speech

- The Criminal Code of Ukraine was amended to create conditions for unobstructed work of journalists and to protect them against threats or actual violence.
- The Council for Protection of Professional Activity of Journalists and Freedom of Speech was established.

Justice, freedom and security

Visa liberalization

- The European Commission put forth a legislative proposal regarding introduction of visa-free regime for Ukraine.
- Amendments to certain laws of Ukraine concerning documents that prove Ukrainian citizenship, provide personal identification or prove a person’s status, required for liberalization of EU’s visa regime for Ukraine (registration No 3224), were passed in the first reading.

Cooperation on border management, migration and asylum

- Legislation passed:
  - Law of Ukraine No 991-VIII “On the amendment of the Code of Administrative Judicial Procedure of Ukraine (regarding immediate hearing of applications to court for deportation or detention for identification purpose and deportation of foreigners and stateless persons, or for transfer of foreigners and stateless persons under international treaties on readmission)";
– Law of Ukraine “On the amendment of certain legislative acts of Ukraine regarding improvement of judicial protection of foreigners and stateless persons and regulation of certain matters of combating illegal migration”.

**Cooperation on distribution and combating illegal distribution of narcotics, precursors and psychotropic substances**

- A list of pharmaceutical drugs containing narcotic or psychotropic substances, precursors or other highly potent substances, for which a special manufacturing and distribution regime may be established when martial law is introduced and maintained, was approved.

**Cooperation on combating trafficking in human beings and organized crime**

- The National Social Program of Combating Trafficking in Human Beings for the period until 2020 has been approved.
- The Strategy of Ukraine’s Cybersecurity has been approved.
- The 2016 action plan of preventing and combating legalization (laundering) of proceeds from crime, terrorism financing and WMD proliferation financing has been approved.

**Guaranteeing the rights and freedoms of internally displaced persons**

- The Ministry of Ukraine for Temporarily Occupied Territories and Internally Displaced Persons was established.

### Trade and trade-related matters

Provisions of Title IV “Trade and trade-related matters” of the EU-Ukraine Association Agreement came into provisional force effective 1 January 2016.

**Market access for goods**

- New rates for customs duty on goods imported from EU Member States came into effect.
- Effective 1 January 2016, temporarily instated additional import duty was abolished.

**Technical regulation**

- Documents approved:
  - Technical regulation on measuring instruments;
  - Technical regulation on legislatively regulated measuring instruments.

**Sanitary and phytosanitary measures**

- The Comprehensive Strategy of Implementing Legislation on Sanitary and Phytosanitary Measures has been approved. An agreement was reached on technical consultations regarding assessment of the Strategy with the subsequent approval thereof by decision of the EU-Ukraine Association Committee in trade configuration in May-June 2016.
A contact point of the Ukrainian Party to exchange information and review inquiries related to implementation of the Agreement’s provisions concerning sanitary and phytosanitary measures has been designated.

A draft Law of Ukraine “On the amendment of certain laws of Ukraine regarding food safety” (registration No 4589) was developed.

The State Administration for Food Safety and Consumer Protection became operational.

**Customs and trade facilitation**

Ukrainian customs offices began issuing EUR.1 certificates for goods of Ukrainian origin intended for export to EU Member States under the Association Agreement.

Amendments to the Customs Code of Ukraine were developed regarding:

- protection of intellectual property rights when moving goods across the customs border of Ukraine (registration number No 4614);
- implementation of the EU-Ukraine Association Agreement (registration No 4615).

The Cabinet of Ministers of Ukraine has approved the draft Laws of Ukraine:

- On the amendment of the Customs Code of Ukraine (regarding authorized economic operator and simplification of customs formalities);
- On the amendment of the Tax Code of Ukraine (regarding taxation of imports of goods to the customs territory of Ukraine by authorized economic operators).

**Freedom of establishment, trade in services and e-commerce**

A draft Law of Ukraine On Insurance (registration No 1797-1) was passed in the first reading.

**Intellectual property**

The following draft Laws of Ukraine were developed and submitted to the Verkhovna Rada of Ukraine for the purpose of adapting relevant EU Directives and Regulations and provisions of Chapter 9 of the Association Agreement:

- On the amendment of Article 5 of the Law of Ukraine “On dissemination of copies of audiovisual works, phonograms, videograms, computer programs and databases” (regarding overcoming of piracy and improvement of investment climate) (registration No 4571);
- On the amendment of certain legislative acts of Ukraine regarding acquisition, management and protection of copyright and related rights (registration No 4579);
- On the amendment of certain legislative acts of Ukraine regarding regulation of copyright and related rights on the Internet (registration No 4629).

**Transparency**

Contact points of the Ukrainian Party to exchange information and review inquiries related to implementation of the Agreement’s provisions concerning trade and trade-related matters, including sustained development and service sector, sanitary and phytosanitary measures and other Agreement performance-related matters have been designated.

**State aid**
The Procedure of Issuing and Documenting Notices of New State Aid and Amending the Terms of Existing State Aid has been approved.

**Economic and sectoral cooperation**

**Energy**

*Integration of energy markets and energy security*

- In 2016, Ukraine began implementing, for the first time, two practices that are considered standard for Europe’s gas transmission market: using an operational balancing account with operators of adjacent gas transmission systems and implementing virtual reverse (backhaul).

*Energy efficiency*

- A decision has been made regarding expediency of Ukraine’s accession to the Charter of the International Renewable Energy Agency (IRENA).

- Amendments to the Law of Ukraine *On Alternative Types of Fuel* (registration No 4618) were developed.

- The Technical Regulation on Energy Labeling of Household Dishwashers has entered into force.

**Management of public finances: budget policy, internal control and external audit**

- Transparent Budget, a concept of creating the integrated information and analytical system, has been approved.

**Banking**

- The Cabinet of Ministers of Ukraine supports the Principles of Strategic Reforms in Public Banking Sector.

- In order to improve banking oversight, the National Bank of Ukraine has:
  - decided to increase capital of Ukrainian banks;
  - decided to perform diagnostic examination of the next 40 Ukrainian banks *(Memorandum with the IMF on Economic and Financial Policy)*;
  - improved the procedure of acquiring the status of specialized trust management bank.

- The National Bank of Ukraine has published the roadmap of transition to inflation targeting.

- Operational design of monetary policy has been improved.

**Company law, corporate governance, accounting and auditing**

- The Law of Ukraine No 974-VIII, implementing international standards on management of unitary state enterprises, was passed.

**Statistics**

- A draft Law of Ukraine “On the amendment of certain laws of Ukraine regulating official statistics” (registration No 4584) was developed.
Transport

- Documents developed:
  - amendments to the Law of Ukraine On Ukrainian Seaports regarding the functioning of information system of port community (registration No 4637);
  - draft Law of Ukraine On Rail Transport (registration No 4593);
  - draft Law of Ukraine “On harmonizing Ukrainian legislation regulating road transport with that of the European Union” (registration No 4683);
  - draft Law of Ukraine “On the amendment of certain legislative acts for the purpose of their harmonization with legislation of the European Union regulating transportation of dangerous cargoes” (registration No 4644).

Environment

- Ukraine signs the Paris Agreement adopted on 12 December 2015 at the Twenty First Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change.
  - The Verkhovna Rada ratifies the Kyiv Protocol of the Aarhus Convention obliging Ukraine to establish an environmental pollution monitoring system compliant with European standards ².

Youth policy

- The specific-purpose national social program Youth of Ukraine for 2016-2020 has been approved.

Social policy

  - The Strategy of Overcoming Poverty for the Period until 2020 has been approved.
  - Documents developed:
    - legislative changes regarding employment of the disabled (registration No 4578);
    - amendments to Article 31 of the Law of Ukraine On Employment of the Population (registration No 4577);
    - draft Law of Ukraine On Social Services (registration No 4607);
    - draft Law of Ukraine regarding systemization of pension security terms (registration No 4608).

Industrial and enterprise policy

- The moratorium on audits by controlling bodies of enterprises, institutions, organizations and sole proprietorships has been extended till the end of 2016.
  - The Agreement on Ukraine’s Participation in the EU Program for the Competitiveness of Enterprises and SMEs 2014-2020 (COSME) was signed.

Financial services

- Draft Laws of Ukraine passed in the first reading:

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² - Law of Ukraine No 980-VIII.
− “On the amendment of certain legislative acts of Ukraine (concerning regulated markets and derivatives)” (registration No 3498);
− “On the amendment of the Tax Code of Ukraine (concerning regulated markets and derivatives)” (registration No 3499);
− “On the amendment of the Budget Code of Ukraine (concerning regulated markets and derivatives)” (registration No 3500);

**Culture**

- A long-term strategy of developing Ukrainian culture – the strategy of reforms has been approved.
- The Agreement between the Government of Ukraine and the European Commission regarding Ukraine’s Participation in Creative Europe Program has entered into force.

**Agriculture and rural development**

- Documents approved:
  − Detailed rules of organic food (raw food) production in beekeeping;
  − Detailed rules of organic animal-origin food (raw food) production.
I. IMPLEMENTING PRIORITIES OF THE ASSOCIATION AGENDA

In the first part of Section III of the Association Agenda, Ukraine and the EU have defined the short-term priorities for actions in implementing reforms that must be taken as a matter of priority. The progress in implementing priorities is assessed based on the nature of actions set out in the Association Agenda.

1. Constitutional reform

Re-start constitutional reform through an inclusive and participatory process including active consultations with civil society and in line with the Venice Commission recommendations, including legislative steps towards amending the constitution, enabling decentralization reform and the reform of the judiciary.

- On 22 January 2016, the Constitutional Court of Ukraine has officially published the Opinion submitted on 20 January 2016 concerning the inquiry of the Verkhovna Rada of Ukraine regarding conformance of the draft law amending provisions of the Constitution of Ukraine concerning justice system with requirements of Articles 157 and 158 of the Constitution of Ukraine.

- On 2 June 2016, the Verkhovna Rada of Ukraine has passed the Law of Ukraine “On the amendment of the Constitution of Ukraine (regarding the justice system)” (registration No 3524)³.

2. Election reform

Take steps towards harmonization of electoral legislation through its unification and reform of political party financing, including state financing. This should be prepared through an inclusive and participatory process in line with the OSCE/ODIHR, GRECO and Venice Commission recommendations, with a first priority given to revision of the law on local elections in view of local elections planned for second half of 2015.

Legislation on political party financing


The 2016 State Budget of Ukraine allocates UAH 391 million in government financing of political parties.

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³ - on 30 October 2015, the Constitutional Commission has approved draft amendments to the Constitution of Ukraine regarding the justice system in line with the Venice Commission recommendations of 23 October 2015. On 1 February 2016, the Constitutional Court has issued a positive opinion regarding the draft amendments.
3. Preventing and combating corruption

Demonstrate serious progress in the fight against corruption, including through the implementation of the comprehensive anti-corruption legal package adopted on 14 October 2014, starting with the setting up and ensuring effective functioning of both the National Anti-Corruption Bureau and the National Agency for the Prevention of Corruption.

3.1. Establishment and functioning of bodies responsible for preventing and combating corruption

National Anticorruption Bureau of Ukraine

➢ The National Anticorruption Bureau of Ukraine⁴ becomes operational⁵.

181 detectives of the National Anticorruption Bureau were selected on the basis of open contests⁶; 153 of them have already been approved, and the others are undergoing special background checks or being transferred from their previous jobs.

According to the Law of Ukraine On the National Anticorruption Bureau of Ukraine, the maximum number of staff of the central office and regional departments cannot exceed 700. The third wave of competitive selection of candidates for detectives of the National Anticorruption Bureau of Ukraine is slated for the summer of 2016.

The 2016 State Budget of Ukraine allocates financing of the Bureau.

The National Anticorruption Bureau began:

- filing investigative proceedings in the register of pretrial investigations. These investigations were transferred to the Bureau from the General Prosecutor’s Office, launched on the basis of evidence gathered by the Bureau’s detectives and analysts and on the basis of information reported by individuals and legal entities;

- filing corruption-related criminal cases with court via the Specialized Anticorruption Prosecutor’s Office.

The majority of these investigations are conducted in the spheres of public administration, defense, obligatory social insurance, transportation and warehousing.

In the course of investigation of corruption offenses, the National Anticorruption Bureau is empowered to freeze money and property and keep it frozen (without ownership transfer) until a court judgment is entered.

A special information tract between the Security Service of Ukraine and the National Anticorruption Bureau was launched in January 2016, and remote information processing workplaces were deployed to facilitate covert criminal investigations by the Bureau’s detectives.

A toll-free hotline was launched in test mode.

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⁴ - established by the Decree of the President of Ukraine No 217 of 16 April 2015.
⁵ - the NAB became fully operational in December 2015 after election of the Anticorruption Prosecutor – Head of the Specialized Anticorruption Prosecutor’s Office.
⁶ - as of 20 April 2016
The following organizations have provided financing and assistance to help achieve objectives and facilitate further development of the National Anticorruption Bureau:

- joint project of the Department for International Development of the United Kingdom of Great Britain and Northern Ireland (DFID) and PriceWaterhouseCoopers, in particular, to create an advanced IT architecture for the Bureau and purchase specialized software;
- the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to create the Bureau’s own training center;
- the European Union Advisory Mission (EUAM) to equip rooms for interviewing of witnesses and suspects.

**National Agency for the Prevention of Corruption**

- Four out of five members of the National Agency for the Prevention of Corruption\(^7\) have been selected as of today.

The first meeting of the Agency’s members held on 28 March 2016 has unanimously elected Natalia Korchak the Chair of the National Agency for the Prevention of Corruption.

The priority action plan on launching the Agency has been approved and is being implemented.

The National Agency for the Prevention of Corruption has filed for state registration and has been provided a proper premise\(^8\).

The 2016 State Budget of Ukraine allocates appropriate financing of the Agency.

**Specialized Anticorruption Prosecutor’s Office**

- To ensure effective functioning of the Specialized Anticorruption Prosecutor’s Office\(^9\), testing of candidates for prosecutors of the Specialized Anticorruption Prosecutor’s Office for the knowledge of law (professional testing), testing of their general abilities and interviews were held in January-February 2016 on the basis of an open contest. 318 persons in total were admitted to the open contest.

  Based on the contest’s results, 12 persons were appointed as prosecutors of the Specialized Anticorruption Prosecutor’s Office on 3 February 2016 and started to perform their duties.

  Currently, the Specialized Anticorruption Prosecutor’s Office has 24 prosecutors (including senior officials) on its staff; 21 of them are performing procedural oversight.

  An additional open contest for selection of candidates for prosecutors was organized, and is planned to be held in the nearest future.

- The Law of Ukraine *On Prosecution System* was supplemented with a provision stating that the *requirement concerning at least five years of work experience as a prosecutor does not apply to candidates for prosecutors* of the Specialized Anticorruption Prosecutor’s Office\(^10\).

  Pursuant to the aforementioned provision, appropriate changes were prepared to the Procedure of Open Contests for Selection of Candidates for Prosecutors of the Specialized Anticorruption Prosecutor’s Office.

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\(^7\) - established by the Resolution of the Cabinet of Ministers of Ukraine No 118 of 18 March 2015.

\(^8\) - Directive of the Cabinet of Ministers of Ukraine No 329 of 27 April 2016.


➢ Work continues on a draft Regulation on the Specialized Anticorruption Prosecutor’s Office.

3.2. Improving legislation on preventing and combating corruption

➢ According to the National Program of Implementing the Anticorruption Strategy, implementation of an electronic declaration system was planned for completion by the end of 2015.

At the same time, the Law of Ukraine On the 2016 State Budget of Ukraine has postponed until 1 January 2017 the launch of an electronic system of filing and publishing declarations of persons empowered to perform functions of the state or local self-government, required by the Law of Ukraine On Preventing Corruption. Appropriate amendments were introduced to the draft law on the 2016 State Budget after discussion at a plenary session of the Verkhovna Rada of Ukraine.

In order to fix this situation and ensure that an electronic declaration system will be implemented in 2016, a Law of Ukraine repealing the postponement of electronic declaration was passed on 15 March 2016.

In cooperation with the United Nations Development Program Ukraine and the World Bank, the Justice Ministry has almost finished preparation of software for a new financial control system. According to technical specifications, this system will include an open Unified State Register of Declarations of all civil servants, law enforcement officials, judges, etc.

This Register will be combined with databases and other state registers, thus enabling complete verification of declaration to find both false information and possible conflicts of interests.

To facilitate the filing of electronic declarations, the Government has issued a directive on the implementation of digital signature, which will become an instrument of identifying and registering declarants in the Register.

Internal and external testing of software used in the electronic system of filing declarations by civil servants has been completed, and presentation of this system was held on 15 March 2016.

➢ As part of continuing improvement of legislation on preventing and combating corruption, the Verkhovna Rada of Ukraine has amended the Criminal Code and the Code of Criminal Procedure of Ukraine to improve the property freezing procedure and the institute of special confiscation.

This law was passed to implement the Directive 2014/42/EU of 3 April 2014 on the freezing and confiscation of instrumentalities and proceeds of crime in the European Union, and envisages application of the asset confiscation procedure according to a clearly defined list of offenses, in particular: corruption, money laundering, terrorism, human trafficking, illegal drug trade, exploitation of children, cybercrimes.

3.3. Asset recovery body

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11 - Law of Ukraine No 1022-VIII “On the amendment of certain legislative acts of Ukraine regarding the procedure of filing by public officials of declarations of property, income, expenses and financial obligations in 2016”.


In order to implement the Law of Ukraine On the National Agency of Ukraine for Identification, Search and Management of Assets Gained from Corruption and Other Crimes\(^{14}\), the Cabinet of Ministers of Ukraine has issued a resolution establishing the relevant body\(^{15}\).

The National Agency of Ukraine for Identification, Search and Management of Assets Gained from Corruption and Other Crimes is a government agency with special status, whose operations are directed and coordinated by the Cabinet of Ministers of Ukraine.

The relevant legislation was amended\(^{16}\) to improve the principles of operation of the National Agency of Ukraine for Identification, Search and Management of Assets Gained from Corruption and Other Crimes.

The National Agency is a separate independent body authorized to search for, account, recover and manage property and funds frozen during criminal proceedings, and institutional mechanisms of searching for assets to be frozen, recovering and managing frozen assets are defined at legislative level.

The law passed on 18 February 2016 gave the National Agency broader powers to manage assets frozen during criminal proceedings or confiscated due to illicit origin. The agency is also authorized to sell frozen property, if long storage of this property may lead to the asset’s depreciation. The register of assets frozen during criminal proceedings will be open.

The Cabinet of Ministers of Ukraine has approved the membership of the contest commission for selection of a candidate for the Chair of the National Agency of Ukraine for Identification, Search and Management of Assets Gained from Corruption and Other Crimes\(^{17}\).

To implement the priority tasks, the Ukrainian Party engages expert and financial assistance from the following projects:

- Supporting Reforms in Ukraine’s Justice System (EU), EUR 8.57 million in financing for the period of 07.10.2013 to 06.12.2016;
- Organizing a Nationwide Assessment of Money Laundering and Terrorism Financing Risks in Ukraine (OSCE), EUR 267.8 thousand in financing for the period of 07.04.2015 to 15.05.2017.

### 4. Judicial reform

Take further steps on judicial reform, in particular by adopting, in line with European standards and in close consultation with the Council of Europe/ Venice Commission, a Justice Reform Strategy including a detailed, comprehensive implementation plan.

#### 4.1. Justice reform

- On 1 February 2016, the Constitutional Court has issued a positive opinion regarding the draft Law of Ukraine On the Amendment of the Constitution of Ukraine (Regarding Justice System) (registration No 3524). On 2 June 2016, the Verkhovna Rada of Ukraine has adopted the aforementioned draft Law.

The amendments are aimed, in particular, at:

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\(^{14}\) - Law of Ukraine No 772-VIII.
\(^{15}\) - Resolution of the Cabinet of Ministers of Ukraine No 104 of 24 February 2016.
\(^{16}\) - Law of Ukraine No 1021-VIII, enters into force on 11 June 2016.
\(^{17}\) - Directive of the Cabinet of Ministers of Ukraine No 244 of 30 March 2016.
- de-politicization and ensuring independence of judicial branch of power (removing the Verkhovna Rada of Ukraine from the judge appointment process; appointment of judges for indefinite term upon suggestions from the Higher Council of Justice);
- raising requirements to and professional standards for judges (introducing contests when appointing judges);
- limiting the judge’s immunity (to functional immunity);
- ensuring institutional capability of prosecution system, the bar and court judgment enforcement system.

➢ In order to implement the future provisions of the Constitution of Ukraine regarding justice system and continue to implement planned phases of judicial reform, Ukrainian President Petro Poroshenko has submitted to the Verkhovna Rada of Ukraine on 30 May 2016 a draft Law of Ukraine On the Judicial System and Status of Judges (registration No 4734). The parliament has passed the law on 2 June of this year.

This draft law is aimed at ensuring independence of judicial branch of power, raising requirements to and professional standards for judges, limiting the judge’s immunity to functional one, optimizing the judicial system, and ensuring continuous and effective functioning of judicial bodies during transitional period.

To implement the priority tasks, the Ukrainian Party engages expert and financial assistance from the following projects:
- Supporting Reforms in Ukraine’s Justice System (EU), EUR 8.57 million in financing for the period of 07.10.2013 to 06.12.2016;
- Education of Judges for Economic Development (Canada), CAD 5.8 million in financing for the period of 01.04.2012 to 31.03.2017.

5. Public administration reform

Start a comprehensive reform of the public administration, and in particular, the civil service and service in local self-government bodies focusing on European principles of public administration, including through the finalization and adoption of the draft Law on Civil Service Reform.

➢ In order to implement the Law of Ukraine On Civil Service\textsuperscript{18} which entered into force on 1 May 2016, the Government has approved:
- the Procedure of Determining Length of Civil Service\textsuperscript{19};
- the Procedure of Recalling a Civil Servant from Annual Vacation\textsuperscript{20};
- the Procedure of Reimbursing Unforeseen Expenses of a Civil Servant Recalled from Main or Additional Annual Vacation\textsuperscript{21};
- the Regulation on the Commission on Senior-Ranked Civil Servants\textsuperscript{22};

\textsuperscript{18} - Law of Ukraine No 889-VIII.
\textsuperscript{19} - Resolution of the Cabinet of Ministers of Ukraine No 229 of 25 March 2016.
\textsuperscript{20} - Resolution of the Cabinet of Ministers of Ukraine No 230 of 25 March 2016.
\textsuperscript{21} - Resolution of the Cabinet of Ministers of Ukraine No 231 of 25 March 2016.
- the Procedure of Organizing a Contest for Civil Service Positions;\(^{23}\);
- remuneration terms for service personnel of public bodies in 2016\(^{24}\);
- the Procedure of Providing Additional Paid Vacation to Civil Servants\(^{25}\);
- the criteria of determining the list of positions for service personnel of public bodies\(^ {26}\);
- the Regulation on Application of Incentive Payments to Civil Servants\(^ {27}\);
- approaches to remuneration terms for civil servants in 2016\(^ {28}\) and certain senior officials of public bodies to whom the Law on Civil Service does not apply\(^ {29}\), and the matters of personnel of executive support services at public bodies\(^ {30}\);
- the procedure of conferring ranks upon civil servants\(^ {31}\).

- A coordination board on public administration reform\(^ {32}\) was established as a provisional consulting and advisory body of the Cabinet of Ministers of Ukraine, and the regulation on the coordination board has been approved.

The board will be responsible for:

- coordination of actions aimed at development and implementation of the Public Administration Reform Strategy for 2016-2020;
- evaluating draft legislative acts concerning public administration reform;
- preparing suggestions on improving the system and organization of bodies of executive power.

The coordination board will be chaired by the Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration, and his deputy will be the Minister of the Cabinet of Ministers of Ukraine.

The National Agency of Ukraine for Civil Service has approved:

- the Standard Regulation on the Personnel Management Service of a Public Body\(^ {33}\);
- the Civil Servant Internship Procedure\(^ {34}\);
- the Procedure of Accounting and Handling Disciplinary Cases\(^ {35}\);
- the Standard Internal Regulations\(^ {36}\).

In addition, the following draft laws were developed and submitted for hearing by the Verkhovna Rada of Ukraine:

- draft Law of Ukraine “On the amendment of certain laws of Ukraine due to passage of the Law of Ukraine On Civil Service” (registration No 4526 of 25 April 2016);

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\(^{22}\) - Resolution of the Cabinet of Ministers of Ukraine No 243 of 25 March 2016.
\(^{23}\) - Resolution of the Cabinet of Ministers of Ukraine No 246 of 25 March 2016.
\(^{24}\) - Resolution of the Cabinet of Ministers of Ukraine No 268 of 6 April 2016.
\(^{25}\) - Resolution of the Cabinet of Ministers of Ukraine No 270 of 6 April 2016.
\(^{26}\) - Resolution of the Cabinet of Ministers of Ukraine No 271 of 6 April 2016.
\(^{27}\) - Resolution of the Cabinet of Ministers of Ukraine No 289 of 6 April 2016.
\(^{28}\) - Resolution of the Cabinet of Ministers of Ukraine No 292 of 6 April 2016.
\(^{29}\) - Resolution of the Cabinet of Ministers of Ukraine No 304 of 20 April 2016.
\(^{30}\) - Resolution of the Cabinet of Ministers of Ukraine No 298 of 20 April 2016.
\(^{31}\) - Resolution of the Cabinet of Ministers of Ukraine No 306 of 20 April 2016.
\(^{32}\) - Resolution of the Cabinet of Ministers of Ukraine No 335 of 18 May 2016.
\(^{33}\) - Order No 47 of 3 March 2016.
\(^{34}\) - Order No 48 of 3 March 2016.
\(^{35}\) - Order No 49 of 3 March 2016.
\(^{36}\) - Order No 50 of 3 March 2016.
– draft Law of Ukraine “On the amendment of the Customs Code of Ukraine due to passage of the Law of Ukraine On Civil Service” (registration No 4634 of 10 May 2016);

➢ Work continues on preparing the draft Law of Ukraine On Service at Bodies of Local Self-Government (registration No 2489) for second reading.

Passage of the aforementioned Law would help unify approaches to work at bodies of local self-government and at public bodies, and determine particularities of this work.


To implement the priority tasks, the Ukrainian Party engages expert and financial assistance from the EU, in particular, by engaging SIGMA/OECD/SGUA experts.

6. Deregulation

Reduce the regulatory burden for business and in particular of SMEs, through reduction of the number of permits and licenses.

6.1 Public services

➢ The Unified Government Portal of Administrative Services was launched in March 2016 in Ukraine in test mode.

The portal was created at the initiative of the Ministry of Economic Development and Trade of Ukraine, and is a pilot version of the Unified Government Portal of Administrative Services. This resource was created pursuant to the Law of Ukraine On Administrative Services to simplify the procedure of receiving administrative services by private individuals and businesses. Objectives of the Portal’s pilot project:

– organizing and providing exhaustive information about administrative services;
– implementing and improving methodological mechanisms of providing administrative services, and Portal’s functional elements (my account section, user identification system, interaction with other bodies providing services, etc.).

The Portal offers services from 48 service providers, available to private individuals and businesses.

6.2 Protecting business interests

➢ The roadmap of improving Ukraine’s ranking in the 2016 Doing Business rating is being implemented.

In order to fulfill this plan, over 10 draft laws have been developed, envisaging, in particular:

– simplification and cheapening of the electricity network connection procedure;
– acceleration and improvement of the bankruptcy filing procedure;
– strengthening the contract performance enforcement function;

simplification of construction procedures.

Raising Ukraine’s ranking in the above Rating would prove, first of all, the quality of rules regulating entrepreneurship that boost business activity, and secondly, Ukraine’s growing investment attractiveness, which would help implement new technologies, create new jobs and improve Ukraine’s competitiveness in international markets.

- The Agreement on Ukraine’s Participation in the EU Program for the Competitiveness of Enterprises and SMEs 2014-2020 (COSME)\(^38\) was signed on 4 May 2016.

This Program allows to engage EU’s funds and intangible resources for better-quality preparation of Ukrainian businesses for free trade with the EU, to accelerate the entry of Ukrainian companies to the EU market, strengthen their trade relations with European companies and bring foreign investments to Ukraine.


- The Business Ombudsman’s Council is working, and its performance results can be found in the Board’s 2015 report.

- A draft Law of Ukraine On the Business Ombudsman’s Institute (registration No 4591)\(^39\) was developed and on 5 May 2016 submitted for review by the Verkhovna Rada of Ukraine. This draft law is aimed at legislative introduction of the business ombudsman’s institute as an intermediary, an independent third party helping businesses protect their rights to conduct entrepreneurial activity.

The draft law sets out legal principles of creating and organizing activity of the Business Ombudsman's Institute, areas of its activity, principles of interaction with the government, public bodies, bodies of local self-government, business entities under their administration, and business companies.

### 7. Public procurement reform

*Improve transparency and competitiveness in public procurement. Bring the list of exceptions from the sphere of public procurement in line with the EU public procurement directives. Ensuring competitive procurement and access to information related to public procurement, in particular by public enterprises.*

#### 7.1 Implementing EU standards

- The Government of Ukraine has approved the Public Procurement Reform Strategy (“roadmap”) and the Strategy Implementation Action Plan\(^40\).

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\(^{38}\) - a relevant decision to sign the Agreement was made per Directive of the Cabinet of Ministers of Ukraine No 226-r of 16 March 2016.

\(^{39}\) - pursuant to the Memorandum of Understanding Regarding Support of Ukraine’s Anticorruption Initiative of 12 May 2014, signed by the Cabinet of Ministers of Ukraine, European Bank for Reconstruction and Development, Organization for Economic Cooperation and Development, American Chamber of Commerce in Ukraine, European Business Association, Federation of Employers of Ukraine, Ukrainian Chamber of Commerce and Industry, and Ukrainian Union of Industrialists and Entrepreneurs.

\(^{40}\) - Directive of the Cabinet of Ministers of Ukraine No 175 of 24 February 2016.
The Action Plan, devised for the period until 2022, contains provisions and articles of new EU directives on public procurements that need to be implemented in Ukrainian legislation, and sets out legislative, institutional and organizational actions (reforms).

During the meeting of the EU-Ukraine Association Committee in trade configuration (12-13 April 2016), the parties have agreed to complete by the end of August 2016 the written procedure of approving the roadmap and updating the Annex XXI to the Association Agreement.

- Documents approved for the purpose of implementing the Law of Ukraine On Public Procurements:
  - Procedure of Functioning of an Electronic Procurement System and Authorizing Electronic Sites that will become elements of PROZORRO procurement system.

This Procedure sets out:
- requirements to the functioning of electronic procurement system, in particular, requirements to the electronic site operator;
- terms and conditions of connecting/disconnecting electronic sites to/from PROZORRO electronic procurement system, and terms and conditions of their authorization;
- procedure of providing access, and amount of access fee, to the electronic auction module and database of the Economic Development Ministry’s web portal;
- requirements to identification methods used in electronic document exchange system.
  - Procedure of Determining the Subject of Procurement;
  - Procedure of Posting Information Regarding Public Procurements;
  - forms of public procurement-related documents;
  - Model Regulation on the Tender Committee or Authorized Person(s).

To implement the priority tasks, the Ukrainian Party engages expert and financial assistance from the EU Project of Harmonizing Ukraine’s Public Procurement System with EU Standards, almost EUR 4 million in financing for the period of 05.11.2013 to 04.11.2016.

7.2 Transparency of public procurement system. Implementing electronic procurements

- A new public procurement portal was launched, combining ProZorro and Zovnishtorgvydav Ukrainy databases.

7.3 Ukraine’s accession to the WTO Agreement on Government Procurement

- The Verkhovna Rada of Ukraine has approved the Law of Ukraine On Ukraine’s Accession to the WTO Agreement on Government Procurement.

Accession to the Agreement on Government Procurement should provide Ukrainian companies with access to procurement markets of WTO member states – signatory parties to the Agreement, estimated at US 1.7 trillion.

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41 - Law of Ukraine No 922-VIII.
42 - Resolution of the Cabinet of Ministers of Ukraine No 166 of 24 February 2016.
47 - Law of Ukraine No 1029-VIII, Protocol of Ukraine’s Accession to the Agreement approved on 12 November 2015 at a regular session of the WTO Committee for Government Procurement.
On 18 May 2016, Ukraine has officially acceded to the WTO Agreement on Government Procurement and became the Agreement’s 46th member.

8. Taxation reform, including VAT refunds

Take steps to improve the efficiency of the tax administration, including when dealing with VAT refund claims, to ensure timely settlement of all recognized VAT refund claims, avoiding any form of discrimination.

Certain progress was achieved in reforming the effectiveness of taxation system, including VAT refunds.

8.1. Reforming taxation system

➢ The Government has approved the following documents for the purpose of implementing the Law of Ukraine “On the amendment of the Tax Code of Ukraine and certain legislative acts of Ukraine regarding balancing of budget revenues in 2016”:

– Procedure of Keeping a Register of Fuel Excise Tax Payers, and Procedure of Electronic Administration of Fuel Sales;

– Procedure of Keeping the Unified Register of Excise Tax Invoices.

Documents approved by orders of the Finance Ministry:

– forms of the application for registration of a fuel excise tax payer, excise tax invoice, excise tax invoice adjustment calculation, application for replenishment (adjustment) of fuel in stock; procedures of completing an excise tax invoice, excise tax invoice adjustment calculation, and application for replenishment (adjustment) of fuel in stock;

– form of the Act of Inventory of Fuel in Stock and procedure of completing and filing the Act.

In addition, the State Fiscal Service has approved the procedure of operation of tax posts installed on the premise of business entities using light and heavy distillates at the zero rate of excise tax or imported to the customs territory of Ukraine for ethylene production purpose without paying excise tax.

Work continues on changes to the excise tax declaration form and the procedure of completing and filing an excise tax declaration.

8.2. VAT administration

49 - Resolution of the Cabinet of Ministers of Ukraine No 113 of 24 February 2016.
50 - Resolution of the Cabinet of Ministers of Ukraine No 114 of 24 February 2016.
53 - Order of the Ministry of Finance of Ukraine No 50 of 11 February 2016, registered with the Ministry of Justice of Ukraine on 1 March 2016 under No 314/28444.
Due to passage of the Law of Ukraine “On the amendment of the Tax Code of Ukraine and certain legislative acts of Ukraine regarding balancing of budget revenues in 2016”\textsuperscript{54}, the following particular actions were taken to improve administration of value added tax:

- the matter of determining VAT base for operations involving supply of own-produced goods/services (cannot be lower than ordinary prices) is now regulated;
- automatic VAT refunds from budget were abolished, and two public registers with chronological system of VAT refunds according to the order of filing refund applications in the Registers were created.

The Government has approved the Procedure of Keeping Registers of VAT Refund Applications\textsuperscript{55} aimed at eliminating subjectivism when compiling these registers and, therefore, corruption-related factors in taxation sphere.

These registers will be used to file VAT refund applications from companies that meet (with the first register) and do not meet (with the second register) the criteria set out in paragraph 200.19, Article 200 of the Tax Code of Ukraine. Only the applications filed after 1 February 2016 will be included to the registers of VAT refund applications.

- the procedure of calculating registration fee for electronic VAT administration system was improved, in particular, by authorizing VAT payers who use cash method of tax accounting to include to the fee calculation formula the amount of tax stated in tax invoices issued before 1 July 2015, under which the eligibility for tax credit occurs after 1 July 2015;
- a partial payment to the budget and special accounts of VAT in the amount that depends on the type of agricultural products sold was introduced in 2016 as part of a special taxation regime.

Documents approved by orders of the Finance Ministry\textsuperscript{56}:

- value added tax declaration form;
- form of the value added tax liability adjustment calculation due to correction of errors discovered by taxpayer;
- a form for calculation of tax liabilities assessed by the recipient of services not registered as a value added tax payer, if services are supplied by nonresidents, including their permanent representative offices not registered as taxpayers in the customs territory of Ukraine;
- procedure of completing and filing value added tax reports.

9. External audit

Based on recent reforms, continue to develop the external audit function to strengthen the system of checks and balances.

The following documents were developed for the purpose of facilitating implementation of regulatory acts of Ukraine on internal control and internal auditing compliant with EU legislative requirements in the activity of ministries and other central bodies of executive power of Ukraine:

- draft Methodological Guidelines on Internal Auditing for Ukraine’s Public Sector;

\textsuperscript{54} - Law of Ukraine No 909-VІІІ, entered into force on 1 January 2016.
\textsuperscript{55} - Resolution of the Cabinet of Ministers of Ukraine No 68 of 22 February 2016.
\textsuperscript{56} - Order of the Ministry of Finance of Ukraine No 21 of 28 January 2016.
– draft Program of Developing Internal Auditors for Ukraine’s Public Sector and Practical Methodology of IT Audit.

This work was done in cooperation with the National Academy of Finance and Economics of the Finance Ministry of the Kingdom of the Netherlands.

10. Energy sector reform

In line with the Third Energy Package, accelerate the unbundling and restructuring of Naftogaz, adopt the law on the new regulatory body for gas, electricity and utilities and submit, for consultation with the EU side, draft laws on the gas and electricity market.

Energy regulations

➢ A draft Law of Ukraine On the National Commission for State Regulation of Energy and Public Utilities (registration No 2966-д) was developed and on 12 April 2016 adopted in the first reading.

This draft law is aimed at improving government regulation of energy sector, providing legislative definition of legal status of the National Commission for State Regulation of Energy and Public Utilities as an independent collegiate public body, and fulfilling Ukraine’s obligations under the Association Agreement and the Third Energy Package.

Gas sector

➢ For the purposes of implementing the Law of Ukraine On the Natural Gas Market57:

- the Law of Ukraine “On the amendment of the Customs Code of Ukraine to create preconditions for a new model of the natural gas market”58 was passed.

This Law allows for customs clearance of gas transmitted across the Ukrainian border using virtual reverse mechanisms (technical term: backhaul) or operational balancing accounts (OBA), which is a standard practice for Europe. Virtual reverse means additional capacity of 60-70 bcm per annum, and its use would help increase domestic market’s liquidity and energy security;

- a draft Law of Ukraine “On the amendment of certain legislative acts of Ukraine to create conditions for a functioning natural gas market” (registration No 4503) was developed and on 21 April 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law envisages introduction, in accordance with the Law of Ukraine On the Natural Gas Market, of conceptual amendments to the Code of Administrative Offenses and almost fifteen laws of Ukraine (in particular, the Laws On the Pipeline Transport, On Oil and Gas, On Natural Monopolies, On Privatization of State Property, and On the Commercial Metering of Natural Gas).

➢ The following documents were submitted on 3 February 2016 to the Energy Community Secretariat as part of implementation of the Action Plan on Reforming Corporate Governance of Naftogaz of Ukraine NJSC59:

57 - Law of Ukraine No 329-VIII.
58 - Law of Ukraine No 994-VIII.
- draft plan of restructuring Naftogaz of Ukraine NJSC, envisaging establishment of Trunk Gas Pipelines of Ukraine PJSC wholly owned by the State Property Fund of Ukraine;

- draft separation model for gas transmission system.

After the hearing held by the Energy Community Secretariat on 14 March 2016, Naftogaz of Ukraine NJSC has finalized the Company restructuring model by taking into account suggestions and comments from international partners, and on 26 April 2016 sent the revised document to the Energy Community Secretariat.

On 6 May 2016, the Energy Community Secretariat has published a conditional approval of the Naftogaz of Ukraine NJSC division model proposed by the Ukrainian Party. The Ukrainian Party was recommended to establish a new company, which would gradually absorb the functions of the operator of Ukraine’s gas transmission system.

Enclosed with the approval is an action plan on separation of natural gas transmission operations in Ukraine with clearly defined deadlines and commentaries from the Energy Community Secretariat. A timely and proper fulfillment of the action plan is a precondition for the positive assessment.

**Transparency of Ukraine’s extractive industries**

- **A draft Law of Ukraine On Disclosure of Information in Extractive Industries**<sup>60</sup> was developed for the purpose of implementing Directives 2013/34/EC, 2013/50/EC and 2007/14/EC of the European Parliament and of the Council by increasing transparency in extractive industries.

The adoption of this draft law would make the procedure of gathering information for reports as transparent and simple as possible for compilation of the second Report on the Extractive Industries Transparency Initiative (EITI)<sup>61</sup>. It envisages implementation, in accordance with EITI requirements, of international standards on transparent reporting in extractive industries, in particular, by setting the payment reporting rules for extraction companies and starting a systemic work on gathering, disclosing and disseminating information regarding extractive industries and providing conditions for preparation of annual EITI reports.

Key international reporting standards, EU directives and legislation of Western countries (United States, Australia, United Kingdom, Canada) concerning disclosure of information and reporting by extraction companies were studied when working on this draft law, engaging experts from DiXiGroup analytical center, International Renaissance Foundation and the EITI National Secretariat in Ukraine. In addition, consultations were held with PWYP, NRGI and Ernst & Young experts.

**Electricity sector**

- **A draft Law of Ukraine On Ukraine’s Electricity Market** (registration No 4493) was developed and on 21 April 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

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<sup>59</sup> - the action plan was developed jointly with PriceWaterhouseCoopers consultants and Baker & McKenzie lawyers with active participation and financing by the EBRD, and in October 2015 approved by the Cabinet of Ministers of Ukraine.

<sup>60</sup> - a broad expert discussion of the draft law was held on 19 April 2016.

<sup>61</sup> - the first EITI report was published on 4 December 2015.
This draft law was prepared in cooperation with the Energy Community Secretariat and in intended, among others, to implement requirements of Directive 2009/72/EC concerning common rules for the internal market in electricity and Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment.

The key purpose of this act is to ensure reliable and secure electricity supply to consumers by taking into account consumer interests and minimizing electricity supply costs.

- Within the context of integration of energy markets, work continues on the Project of studying the possibility of synchronous unification of Ukraine’s and Moldova’s energy systems with the continental European energy system ENTSO-E under Ukraine – Romania – Republic of Moldova 2007-2013 Program of Borderland Cooperation of European Neighborhood and Partnership Instrument.
II. POLITICAL DIALOGUE AND REFORMS, POLITICAL ASSOCIATION

In addition to the relevant priorities of the Association Agenda, the key objectives of this section include observance of democratic principles, the rule of law, human rights and fundamental freedoms.

**Functioning of democratic institutions**

- On 22 April 2016, an agreement was signed between the Government of Ukraine and the European Commission on financing of U-LEAD with Europe: Ukraine Program of Expanding Local Rights and Opportunities, Reporting and Development.

This four-year program allocates **EUR 97 million in financing to support the reform of local self-government, decentralization in Ukraine and regional development.**

The program consists of two key components:

- strengthening the capacity for implementation of decentralization and regional policy reforms (training for local authorities at all levels, thematic consultations, supporting professional education for officials of executive bodies of power, training in project cycle management);
- supporting administrative service centers and increasing public awareness of local self-government.

- The Government has devised **the procedure and terms of providing subventions from the state budget to local budgets to finance formation of infrastructure of united territorial communities** \(^{62}\).

The 2016 State Budget envisages UAH 1 billion in subvention to local budgets of united territorial communities to finance development of their infrastructure. The subvention funds will be disbursed among united territorial communities on the basis of a clear formula: depending on the size of rural population and area of the united territorial community. Financing of projects from this subvention will be provided according to the plan of economic and social development of the united territorial community.

The adoption of this procedure would facilitate the disbursement and allocation of public funds for the creation of quality infrastructure of united territorial communities, strengthening of their economic capacity and improvement of services provided to the community.

- The Government has **approved the Standard Regulation on the Agency for Regional Development** \(^{63}\).

It enables regions to establish a nonprofit, non-budget-financed institution to help local authorities implement a regional development strategy and take actions under the strategy implementation plan. This agency would operate as an office providing consultations on preparation and implementation of regional development programs and projects, and should become a center for cooperation between public and private sectors.

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\(^{62}\) - Resolution of the Cabinet of Ministers of Ukraine No 200 of 16 March 2016.

\(^{63}\) - Resolution of the Cabinet of Ministers of Ukraine No 258 of 11 February 2016.
To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Partnership for Urban Development (Canada), almost CAD 1.5 million in financing for the period of 27.03.2015 to 30.06.2021;
- Supporting the Regional Development Policy in Ukraine (EU), EUR 5.3 million in financing for the period of 22.01.2013 to 21.07.2016;
- Let’s Unite for the Sake of Reforms (Strengthening Civil Society in Ukraine) (United States), USD 18.6 million in financing for the period of 01.10.2008 to 30.09.2016;
- Strengthening Political Processes in Ukraine (Component II) (United States), USD 6.7 million in financing for the period of 01.10.2009 to 01.04.2016;
- Strengthening Political Processes in Ukraine (Component III) (United States), over USD 10 million in financing for the period of 01.10.2009 to 01.04.2016;
- Strengthening Democratic Parties and Civic Organizations (Canada), almost CAD 3 million in financing for the period of 11.03.2015 to 31.08.2017.

Reform of law enforcement agencies

Establishment of the State Bureau of Investigation

The Law of Ukraine On the State Bureau of Investigation\(^6\) has entered into force on 1 March 2016.

Considering the widespread publications in mass media, reporting the problem with acceptance and hearing by courts of motions filed by investigative prosecutors in the cases falling, in accordance with law, under jurisdiction of the State Bureau of Investigation of Ukraine, the Higher Specialized Court of Ukraine for Civil and Criminal Matters has provided the relevant clarifications on 2 March 2016.

In particular, according to Section X “Final Provisions” of the Code of Criminal Procedure of Ukraine, the provisions of Article 216 (4) of the Code of Criminal Procedure of Ukraine enter into force as of the date of establishing the State Bureau of Investigation (but within five years after the effective date of the Code of Criminal Procedure of Ukraine).

Investigative prosecutors are to hand over the materials of criminal investigations to the subdivision (body) of the State Bureau of Investigation concerned to continue investigation within three months after the State Bureau of Investigation takes over the function of pretrial investigation. In other words, the effective date of Article 216 (4) of the Code of Criminal Procedure of Ukraine is related to the date when the latter begins to function as a body of pretrial investigation, not to the effective date of the Law regulating the State Bureau of Investigation as a government agency. Until then, the powers of pretrial investigation remain vested in investigative prosecutors.

For the purpose of implementing the Law of Ukraine On the State Bureau of Investigation, the Government has:

- established the State Bureau of Investigation\(^6\)\(^5\),

\(^6\) - Law of Ukraine No 794-VIII.
\(^5\) - Resolution of the Cabinet of Ministers of Ukraine No 127 of 29 February 2016.
approved members of the commission for organization of a contest for positions at the State Bureau of Investigation\textsuperscript{66}.

In April 2016, the commission began to work on organizing a contest for the office of the Bureau’s Director and his deputies.

**Police reform**

- Documents approved for the purpose of implementing the Law of Ukraine On the National Police:
  - Regulation on police commissions;
  - Standard procedure of organizing contests for police service and/or vacant position.

Work on a draft Code of Police Ethics is nearing an end.

Four groups are working on a concept of further reform of the National Police of Ukraine in the following areas:

- community policing;
- crowd management;
- criminal investigation;
- HR policies/education.

Ukraine continues to reform the police in the partnership with the European Union Advisory Mission (EUAM), International Criminal Investigative Training Assistance Program (ICITAP) of the U.S. Department of Justice, Organization for Security and Cooperation in Europe (OSCE), and representatives of the United States and Canada (Agriteam).

- On 4 March 2016, the first 37 officers of Group A of the National Police Special Task Force (KORD), who underwent a selection test and two-month training course, went on duty.

During two months of training, the candidates selected on a competitive basis studied the experience and tactics of special police operations of the Drug Enforcement Administration (DEA) of the U.S. Department of Justice and the Border Patrol Tactical Unit (BORTAC). Theoretical classes included study of legal basis for operations of special police units, qualification of crimes, and psychological training.

Selection of candidates to KORD units across Ukraine began on 1 April 2016. The KORD force will be staffed with 3076 police officers.

- Work continues on the Operational Cooperation Agreement between Ukraine and the European Police Office (Europol), which will enable exchange of information regarding particular investigations (including personal data exchange), i.e. reaching a fundamentally different level of interaction with EU Member States on combating international crime.

Draft Operational Cooperation Agreement between Ukraine and the European Police Office and Memorandum of Understanding between Ukraine and the European Police Office on Confidentiality and Security of Information were sent for approval by Ukrainian government agencies concerned.

\textsuperscript{66} - Directive of the Cabinet of Ministers of Ukraine No 125 of 29 February 2016, as amended per Directives of the Cabinet of Ministers of Ukraine No 150 of 2 March 2016 and No 245 of 30 March 2016.
Reforming patrol service

➢ Work continues on reforming road patrol service units of the State Road Traffic Inspectorate and Patrol Service.

The new patrol service has already become operational in Kyiv, Lviv, Odesa, Kharkiv, Uzhhorod, Mukacheve, Boryspil Airport, Mykolaiv, Lutsk, Khmelnytskyi, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Vinnytsia, Chernihiv, Kremenchuk, Cherkasy, Poltava, Ternopil, Zhytomyr, Chernivtsi, Zaporizhia and Rivne (10,973 patrol officers in total).

2225 patrol officers are currently undergoing training in another fourteen cities of Ukraine.

Local patrol groups have been established in the Kyiv, Lviv and Kharkiv Oblasts. Patrolling of local roads was organized.

Reforming the Security Service of Ukraine

➢ Work continues on a draft Concept of Reforming the Security Service of Ukraine.

This work is being done by the International Advisory Group for Reform of the Security Service of Ukraine, comprised of experts from the EUAM, NATO Liaison Office in Ukraine and partner services of European countries.

The purpose of this group is to develop a viable model of the Security Service of Ukraine by taking into account the best political and legal practices of EU and NATO member states.

Consultations are also continuously held with EUAM experts on personnel policies of the Security Service of Ukraine, in particular, on the cadre reform, demilitarization process, ratio of military to civilian personnel, etc.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the Project of Supporting Reforms in Justice System (EU), almost EUR 8.6 million in financing for the period of 07.10.2013 to 06.12.2016.

Human rights and fundamental freedoms

Developing a civil society

➢ The National Strategy of Promoting Development of Civil Society in Ukraine for 2016-2020 was approved on 26 February 2016.

This Strategy is aimed at establishing an effective dialogue and partnership between the government and civil society organizations, first of all, on the matters of human rights and freedoms.

In addition, the Presidential Decree has established the Coordination Council of Promoting Development of Civil Society with the status of a consulting and advisory body under the President of Ukraine.

Combating torture and inhuman and degrading treatment

67 - four sessions of the International Advisory Group were held during January-March 2016.
68 - Decree of the President of Ukraine No 68.
In order to **implement a penitentiary reform**, legislative changes regarding enforcement of criminal sentences and realization of convict rights (registration No 2490a)\(^6^9\) were developed for the purposes of:

- regulating certain matters of the process of enforcing and serving sentences not involving incarceration;
- concretizing the procedure and terms of servicing sentences involving limitation of freedom and incarceration;
- providing conditions in which convicts are actually able to exercise their rights;
- establishing criminal liability for the avoidance of certain sentences, and further humanization of criminal enforcement legislation.

**Combating discrimination**

Legislative changes were developed for the purpose of harmonizing the law on preventing and combating discrimination with that of the European Union (registration No 3501)\(^7^0\).

This draft law envisages amendment of the Law of Ukraine *On the Principles of Preventing and Combating Discrimination in Ukraine*, Code of Ukraine on Administrative Offenses and Criminal Code of Ukraine, aimed at:

- clearly defining all forms of discrimination, thus guaranteeing protection against the actually existing forms of discrimination that presently fall outside the scope of legal regulation;
- clearly defining the list of circumstances, under which the establishment of certain limitations or provision of justifiable benefits cannot be regarded as discrimination;
- empowering the Verkhovna Rada Commissioner for Human Rights to issue, upon review of discrimination complaints from individuals and/or groups of individuals, binding requirements (writs) to remedy violations of the law on preventing and combating discrimination;
- establishing administrative (instead of criminal) liability for discrimination. These changes would ensure proportionality and commensurability of liability for violation of law in this sphere, and significantly simplify the procedural mechanism of hearing discrimination cases by courts.

A recommendation to establish administrative (instead of criminal) liability for violation of the law on preventing and combating discrimination was provided to Ukraine on the basis of a regular European Commission mission assessing fulfillment of the Visa Liberalization Action Plan.

**Freedom of speech**

Work continues on a draft **revised version of the Law of Ukraine On Television and Radio Broadcasting**, prepared with the assistance of the EU and Council of Europe joint project Promoting European Standards in Ukraine’s Media Environment.

\(^{69}\) - the draft law was passed in the first reading on 16 March 2016.

\(^{70}\) - the draft law was passed in the first reading on 16 February 2016.
Work continues on developing a draft Charter of the National Public Television and Radio Company of Ukraine, Public Joint-Stock Company as part of the process of creating public television and radio broadcasting.

The Criminal Code of Ukraine was amended\textsuperscript{71} to create conditions for unobstructed work of journalists and to protect them against threatened or actual violence.

The Law has revised Article 171 of the Criminal Code of Ukraine “Obstructing lawful professional activity of journalists” establishing, in particular, criminal liability for unlawful seizure of materials gathered, processed and prepared by journalists and equipment they use in their professional activity, unlawfully denying journalists an access to information, unlawfully banning coverage of particular topics, to show particular persons or criticize the authorities, and for any other deliberate obstruction of lawful professional activity of journalists. Under the revised Law, these actions are punishable by a fine of up to fifty times the amount of gross minimum individual monthly income, or arrest for up to six months, or limitation of freedom for up to three years.

In order to guarantee observance of the freedom of speech and set up an effective mechanism of interaction between public bodies and mass media and other civil society institutes on these matters, in particular, to prevent obstruction of lawful professional activity of journalists, the President of Ukraine has established the Council for Protection of Professional Activity of Journalists and Freedom of Speech\textsuperscript{72}.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Facilitating Journalist Investigations (Canada), almost CAD 3 million in financing for the period of 01.04.2014 to 30.06.2017;

### Foreign and security policy

- Ukraine continues the practice of joining EU’s statements and addresses on international matters, including as part of international organizations (UN and the system of its bodies and institutions, OSCE, IAEA, etc.).

As of 31 March 2016, Ukraine has joined 4,576 out of 5,526 statements.

- In order to implement the Administrative Agreement between the Ministry of Defense of Ukraine and the European Defense Agency\textsuperscript{73}, a scheme of coordination with the European Defense Agency and a list of coordinators responsible for particular areas of the Agency’s activity have been developed and on 3 February 2016 submitted to the EU Party.

- In the first half of 2016, a defined contingent of the Armed Forces of Ukraine has been on standby duty as part of the EU Balkan Battlegroup HELBROC (Greece, Bulgaria, Romania and Cyprus) and the EU Visegrad Battlegroup (Poland, Slovakia, Hungary and Czech Republic).

- Work continues on including officers of the Armed Forces of Ukraine to the Lithuanian national element of the British-led Battlegroup, slated for standby duty in the second half of 2016.

\textsuperscript{71} - Law of Ukraine No 993–VIII of 4 February 2016.
\textsuperscript{72} - Decree of the President of Ukraine No 61 of 23 February 2016.
\textsuperscript{73} - signed on 7 December 2015.
During January 2016, the Polish party has completed the staffing of LITPOLUKRBRIG Command, and on 22 January 2016, LITPOLUKRBRIG Command became operational.

During 1Q 2016, officers of the brigade’s command took part in a number of separate staff exercises according to the brigade command training plan.

As part of preparation for the multinational military exercise Anaconda 2016, a group of brigade’s commanding officers went in March 2016 on a reconnaissance mission to the exercise area (Nova Deba, Poland).

**Combating terrorism**

- The Regulation on the Unified National System of Preventing, Responding to and Suppressing Terrorist Acts and Minimizing their Consequences\(^\text{74}\) was approved.

The following levels of terrorist threat are established depending on the available information about possible terrorist acts: “grey (possible threat)” – existence of factors and conditions facilitating a terrorist act; “blue (potential threat)” – availability of unconfirmed information about preparation of a terrorist act; “yellow (probable threat)” – availability of credible (confirmed) information about preparation of a terrorist act; “red (real threat)” – if a terrorist act has taken place.

The Antiterrorism Center of the Security Service of Ukraine is designated as a coordination body of the Unified National System of Preventing, Responding to and Suppressing Terrorist Acts and Minimizing their Consequences and bodies responsible for combating terrorism. Decisions regarding establishment, change and lifting of levels of terrorist threat, terms and areas of their applicability are approved by the Head of the Antiterrorism Center with a written permission from the Chairman of the Security Service of Ukraine. These decisions are immediately communicated to the President of Ukraine and published in mass media.

\(^{74}\) - Resolution of the Cabinet of Ministers of Ukraine No 92 of 18 February 2016.
After a meeting with the President of Ukraine, President of the European Commission Jean-Claude Juncker has confirmed on 17 March 2016 that Ukraine has completely fulfilled its obligations under the Visa Liberalization Action Plan.\(^\text{75}\)

As of 1 April 2016, as part of the work on implementing documents with contactless electronic chip, the State Migration Service (SMS) has issued 53,134 Ukrainian citizen passport cards, including 52,405 biometric passport cards, and 503,127 international passports of Ukraine, including 273,329 biometric passports.

To avoid artificial "delaying" of passport issuance and reduce workload on the migration service’s regional offices, the SMS has launched an online service of checking the status of international passport applications.

In addition, on 26 February 2016, the SMS has launched a service of checking the status of Ukrainian citizen passport card applications.\(^\text{76}\)

On 15 March 2016, the SMS has introduced a new service on its website: formation of accounts for payment of required fees for issuance of an international passport of Ukraine.\(^\text{77}\)

Amendments to certain laws of Ukraine regarding documents confirming Ukrainian citizenship, identify the holder or holder’s special status, aimed at liberalization of EU visa regime for Ukraine (registration No 3224), were passed in the first reading. These amendments are aimed at clarifying the list of identity documents, documents confirming Ukrainian citizenship or holder’s special status, with our without a contactless electronic chip, defining legal status of particular categories of persons and eliminating legal loopholes in the existing regulatory framework.

The procedure of approval by the EU Party of the draft Cooperation Agreement between Ukraine and European Organization for Justice is in progress.

On 6 April 2016, the matter of signing the Agreement was heard by the Committee of Permanent Representatives (COREPER), and after that, was submitted to the Council of the European Union.

The European Commission expects that the mandate to sign the Agreement will be approved by the General Affairs Council at the next session on 18 April 2016.

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\(^\text{75}\) On 20 April 2016, the European Commission proposed the Council of the European Union and the European Parliament to abolish visa requirements for Ukrainian citizens by including Ukraine to the list of countries with visa-free travel to the Schengen Area.

\(^\text{76}\) This service is available at: [http://dmsu.gov.ua/perevirkastanu.php](http://dmsu.gov.ua/perevirkastanu.php), and works similarly to the service of checking the status of international passport applications.

\(^\text{77}\) Currently, this service is available in test mode only for international passport applications and only at SMS offices in Kyiv. The service is available at: [http://dmsu.gov.ua/invoice/](http://dmsu.gov.ua/invoice/)
Cooperation on border management, migration and asylum

Cooperation on border management

➢ On 11 February 2016, the Government has issued Directive No 82 “On the signature of the Agreement between the Cabinet of Ministers of Ukraine and the Government of Romania on Joint Patrolling of the State Border between Ukraine and Romania”.

Agreement was reached on introducing joint control in certain directions at Shehyi – Medyka, Krakovets – Korczowa, Rava-Ruska – Hrebenne and Ustyluh – Zosin border crossing points after their reconstruction and repair of adjacent infrastructure and access ways.

Regarding the state border between Ukraine and Belarus

Fieldwork on border demarcation has begun. A border post location plan was approved for the entire length of the state border. A joint demarcation commission began demarcation work on location.

As of 28 April 2016, as part of the work on demarcation of the Ukrainian-Belarusian border, 400 km of the state border line was marked on location along the state border between Ukraine and Belarus, 1140 temporary border posts were erected in the Volhynian, Rivne, Zhytomyr and Chernihiv Oblasts, and the state border fortification zone was cleared and 413 border posts were installed along the 148.6-km section in the Volhynian Oblast.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Supporting Creation of an Electronic System of Preliminary Information Exchange between Customs Authorities of Belarus and Ukraine (PRINEX) (EU), EUR 3.7 million in financing;
- Strengthening the Potential of Border Guard Agencies of Ukraine and the Republic of Belarus to Guard the Joint Border – SURKAP (EU), EUR 2.5 million in financing for the period of 23.03.2014 to 22.09.2016.

Regarding the state border between Ukraine and Moldova

Demarcation of the state border between Ukraine and Moldova is nearing an end.

A joint demarcation commission has agreed upon virtually all problematic sections of the border, in particular, in the central (Pridnestrovian) section. The parties’ stances on demarcation of the border in the vicinity of the Dniester Hydroelectric Station and Giurgiulești village have been aligned. At the same time, realization of these stances may become possible upon recognition of Ukraine’s ownership of part of the Dniester Hydroelectric Station’s complex and signature of an agreement on its functioning.

Work continues on preparation of finalized demarcation documents (demarcation map, protocol of description of the state borderline route, border post protocols, etc.). A draft agreement on the regime of the state border between Ukraine and Moldova, cooperation and mutual assistance on border matters has been agreed upon.
As part of the work on demarcation of the Ukrainian-Moldovan border, 1222 km of the state border line (100 percent) was marked on location, including 452 km in the central (Pridnестровский) section. The Ukrainian Party has erected 4198 border posts.

- **The Technological Scheme and Regime Rules of Organizing Joint Control of Individuals, Motor Vehicles, Goods and Items at Kuchurhan – Pervomaisc Border Crossing Point** was signed on 22 January 2016 in Odesa according to the protocol between Ukrainian and Moldovan agencies concerned.

**Cooperation on migration and asylum**

- In order to **improve legislation on international asylum**, and taking into account recommendations set out in the fifth report of the European Commission on Ukraine’s progress in fulfilling the Visa Liberalization Action Plan, amendments were passed to:
  
  - the Law of Ukraine *On Refugees and Persons Requiring Additional or Temporary Protection*\(^78\), aimed at **protecting the rights of persons recognized as refugees in Ukraine (documentation with correct identification data)**;
  
  - the Code of Administrative Judicial Procedure of Ukraine regarding immediate hearing of applications to court for deportation or detention for identification purpose and deportation of foreigners and stateless persons, or for transfer of foreigners and stateless persons under international treaties on readmission\(^79\), aimed at **reducing duration of administrative proceedings in deportation cases from five days to immediate hearing**;
  
  - certain legislative acts of Ukraine regarding improvement of judicial protection of foreigners and stateless persons and regulation of certain matters of combating illegal migration\(^80\), aimed at **improving judicial protection of foreigners and stateless persons**, regulation of certain matters of combating illegal migration, and improving regulatory framework to effectively manage migration.

- The work on **opening a center for temporary accommodation of refugees in Yahotyn, Kyiv Oblast** is nearing an end.

This center is registered as a legal entity, has independent balance and registration accounts with the Treasury. The State Migration Service issued orders approving the center’s Regulation, organization and payroll list.

The center’s first line is expected to open in the first half of 2016.

At the same time, on 17 March 2016, Yahotyn City Council in the Kyiv Oblast of the seventh convocation has passed Resolution 210-05-VII, repealing Yahotyn City Council’s resolutions passed in 2012 regarding transfer of land plots for the center’s permanent use, issuance of permission to the center to develop technical documentation on land organization, and approval of technical documentation on land organization.

The SMS is considering to file an appeal against the Yahotyn City Council’s resolution.

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\(^78\) - [Law of Ukraine No 992-VIII.](https://www.d1.kiev.ua/uk/laws/992-2014-v)

\(^79\) - [Law of Ukraine No 991-VIII.](https://www.d1.kiev.ua/uk/laws/991-2014-v)

\(^80\) - the Law was passed on 19 May 2016, and is being prepared for signature as of 30 May 2016.
**Cooperation on readmission**

In the sphere of readmission, the SMS works closely with the EU Party and other international partners under the Pilot Initiative for Monitoring of Readmission in Ukraine and Pakistan (MONITOR) project financed by the EU and implemented jointly by the International Organization for Migration and the Office of the United Nations High Commissioner for Refugees.

Based on the Ukrainian-Belgian consultations on readmission held in Kyiv on 22-24 February 2016, the parties have agreed to consider the possibility of launching bilateral projects on immigration matters, first of all, organization of trainings for officers of the State Migration Service in the matters of asylum and combating illegal migration, expert exchanges and in other areas of migration.

**Police cooperation, organized crime and money laundering**

**Law enforcement and organized crime**

- The National Social Program of Combating Human Trafficking for the Period until 2020\(^{81}\) has been approved, setting out specific measures of combating human trafficking, outlining the duties and areas of work of central and local bodies of executive power.

- The first phase of the joint (with Ukraine Representative Office of the International Organization for Migration) project of international technical assistance in developing a system of criminal analysis and risk analysis, compliant with EU standards, at Ukrainian law enforcement bodies combating human trafficking crimes has been completed. Under this project, criminal analysis and risk analysis courses for the National Police personnel were launched on the premise of the National Academy of the State Border Guard Service of Ukraine.

- The Strategy of Ukraine’s Cybersecurity\(^{82}\) was approved on 15 March 2016. This Strategy envisages development of a national system of cybersecurity, timely identification, neutralization and prevention of cyberthreats, taking into account the practice of leading EU and NATO member states.

In order to implement the Strategy, the National Coordination Center for Cybersecurity was established as a working body of the National Security and Defense Council.

- The Cyberthreat Situation Center of the Security Service of Ukraine was created on 3 February 2016. The establishment and funding of this Center is envisaged by the Agreement on Implementation of Ukraine-NATO Cybersecurity Trust Fund between the Security Service of Ukraine and the Foreign Intelligence Service of Romania.

**Cooperation on distribution and combating illegal distribution of narcotics, precursors and psychotropic substances**

- The Government has approved\(^{83}\) a list of pharmaceutical drugs containing narcotic or psychotropic substances, precursors or other highly potent substances, for which a special

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81 - Resolution of the Cabinet of Ministers of Ukraine No 111 of 24 February 2016.
82 - Decree of the President of Ukraine No 96.
manufacturing and distribution regime may be established when martial law is introduced and maintained.

**Combating money laundering**

- The Government has approved the 2016 action plan of preventing and combating legalization (laundering) of proceeds from crime, terrorism financing and WMD proliferation financing.

This plan envisages legislative, organizational and practical measures aimed at ensuring effective functioning of the national system of preventing and combating legalization (laundering) of proceeds from crime, terrorism financing and WMD proliferation financing, and implementation in the national legislation of FATF Recommendations and provisions of Directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

- The National Bank of Ukraine has approved:
  - Methodology of assessing the risk of using banks or branches of foreign banks to legalize (launder) proceeds from crime, finance terrorism or finance proliferation of weapons of mass destruction, and related to public figures;
  - Methodological recommendations on inspecting banks, their detached subdivisions and branches of foreign banks to evaluate sufficiency of measures taken to identify, verify and study their customers;
  - Methodological recommendations on inspecting banks, their detached subdivisions and branches of foreign banks to evaluate sufficiency of measures taken with regard to risks related to public figures;
  - changes in the form of the Report on Risk Assessment in Financial Monitoring Sphere, made to implement recommendations from IMF experts.

To achieve the objectives set out in this section, the Ukrainian Party engages expert and financial assistance from the following projects:

- Increasing Criminal Prosecution of Human Trafficking in Ukraine Using Information Technologies (OSCE), EUR 679 thousand in financing for the period of 01.04.2014 to 30.06.2019;
- National Assessment of Money Laundering and Terrorism Financing Risks in Ukraine (EU), EUR 267.8 thousand in financing for the period of 07.04.2015 to 15.05.2017.

### Situation in Eastern Ukraine and Crimea

#### Guaranteeing the rights and freedoms of internally displaced persons

- **The Law of Ukraine No 921-VIII** “On the amendment of certain laws of Ukraine to strengthen the guarantee of observing the rights and freedoms of internally displaced persons”

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83 - Resolution of the Cabinet of Ministers of Ukraine No 128 of 24 February 2016.
84 - Resolution of the Cabinet of Ministers of Ukraine No 103 of 11 February 2016.
85 - Resolution of the Board of the National Bank of Ukraine No 191 of 24 March 2016.
86 - Resolution of the Board of the National Bank of Ukraine No 193 of 24 March 2016.
87 - Resolution of the Board of the National Bank of Ukraine No 194 of 24 March 2016.
88 - Resolution of the Board of the National Bank of Ukraine No 204 of 30 March 2016, changes enter into force on 1 July 2016.
has entered into force on 13 January 2016. The key purpose of this legislative act is to **strengthen the guarantee of observing the rights and freedoms of internally displaced persons** (IDPs) and simplify the IDP registration procedure, in particular:

- IDPs will receive a reference of IDP status that has indefinite term;
- a stamp of the migration service on the IDP reference is no longer required;
- from now on, persons who lived in temporarily occupied territories without a residence registration stamp in the passport are also guaranteed the rights of an IDP;
- a military card, labor book, title to movable or immovable property, medical documents or even a photograph or video is sufficient to prove the fact of residence in the conflict area (in that case, the authorities concerned will approve the issuance of an IDP reference within 15 days. Resolutions denying an IDP reference will be provided in writing, stating the reasons for denial, thus enabling these resolutions to be appealed in court);
- a resignation statement can be tendered directly at the employment center having jurisdiction over the IDP’s present place of residence (which is helpful in the cases when a person did not quit the job and the mail service to or from the territory where that person worked is unavailable).

➢ In order to promptly respond to existing problems and threats related to the ongoing antiterrorist operation in the Donetsk and Luhansk Oblasts and to the temporary occupation of part of Ukrainian territory, the Cabinet of Ministers has **established the Ministry of Ukraine for Temporarily Occupied Territories and Internally Displaced Persons**89. The Ministry will be responsible for formation and implementation of the national policy on restoration of peace in and development of territories affected by armed conflict and reintegration of temporarily occupied territories of Ukraine.

A position of the Minister for Temporarily Occupied Territories and Internally Displaced Persons90 was included to the Government of Ukraine.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Supporting Ukraine in the Management of Emergencies (Germany), EUR 13 million in financing for the period of 01.03.2015 to 28.02.2018;
- Economic and Social Revival of the Donbas (UNDP), USD 5 million in financing for the period of 30.04.2015 to 29.02.2016;
- Comprehensive Stabilization Support for Internally Displaced Persons and Affected Civilians in Ukraine (EU), EUR 4.5 million in financing for the period of 05.12.2014 to 05.06.2016.

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89 - Resolution of the Cabinet of Ministers of Ukraine No 299 of 20 April 2016
90 - Resolution of the Verkhovna Rada of Ukraine No 1097 of 14 April 2016
Provisions of Title IV “Trade and trade-related matters” of the EU-Ukraine Association Agreement came into provisional force\(^91\) effective 1 January 2016.

The Secretary of the Association Committee in trade configuration for the Ukrainian Party\(^92\) has been designated a contact point of the Ukrainian Party to exchange information and review inquiries related to implementation of the Agreement’s provisions concerning trade and trade-related matters, including sustained development and service sector.

### Market access for goods

- New rates for customs duty on goods imported from EU Member States came into effect.

Effective 1 January 2016, **Ukraine has lowered import duties on European goods.**

In addition to the free trade area with the EU, Ukraine has been accorded a two-year GSP regime for export of Ukrainian goods to EU Member States.

Zero duty rates are introduced for 70 percent of all imported goods. Transitional periods or limitation regimes will apply to the remaining goods.

- The Law of Ukraine *On Measures of Stimulating Foreign Economic Activity*\(^93\) was passed.

This Law **abolishes, effective 1 January 2016, temporarily instated additional import duty.**

### Technical barriers in trade

The key objectives of reform in Ukraine’s technical regulation system are: harmonization of Ukrainian legislation with that of the EU and implementation of its provisions, implementation of required administrative and institutional reforms in accordance with existing and pending agreements with the EU and its bodies, and implementation of an effective and transparent administrative system in technical regulation sphere.

The following actions were taken to bring the national legislation on technical regulation into conformance with EU’s legislative requirements.

#### Technical regulation

- **The Law of Ukraine *On Technical Regulations and Conformity Assessment*\(^94\) sets out:**
  
  - uniform legal and organizational principles of developing, adopting and using technical regulations and conformity assessment procedures;
  
  - conformity assessment procedures according to European requirements and the WTO Agreement on Technical Barriers to Trade;

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\(^91\) For details, see: *Provisional Application of the EU-Ukraine Association Agreement* \(\text{access here}\)

\(^92\) - Resolution of the Cabinet of Ministers of Ukraine No 198 of 24 February 2016.

\(^93\) - Law of Ukraine *No 912-VIII*.

abolishes centralized registration of conformity certificates in the national certification system.

This Law enables Ukrainian manufacturers to pass tests in Ukraine and receive certificates that will be recognized in the EU. It would help reduce the costs of procuring required documentation and undergoing certification and conformity assessment procedures.

In addition, the parliament is set to hear a draft law “On the amendment of certain legislative acts of Ukraine (regarding technical regulations and conformity assessment)” (registration No 3724). This draft law is aimed at eliminating certain technical discrepancies in a number of laws due to enactment of the Law of Ukraine On Technical Regulations and Conformity Assessment and, if reservations will be taken into account, would facilitate uniformity of legal regulation of this sphere.

**Standardization**

- The ongoing process of harmonizing national standards with international and European standards takes place on a continuous basis. First of all, it concerns the voluntarily applied standards serving as the proof of product’s conformity with requirements of technical regulations, similar to relevant directives of the New and Global Approaches.

3745 national regulatory documents (standards and changes to standards) were adopted in 2015; of that number, 2794 were harmonized with international and European standards.

As of 1 January 2016, the stock of national standards included 17,889 documents, including 10,964 national standards harmonized with international and European standards.

As of today, GOST standards developed prior to 1992 have been abolished; in particular, 14,122 GOST standards have been abolished in 2015 per orders of the Ministry of Economic Development. Most of them will remain in force for another 2 years, before the beginning of 2018, to allow businesses to get adapted to new conditions.

The texts of 13,316 regulatory documents were filed in the full-text electronic database of national standards, including 2516 regulatory documents filed in 2015.

**Metrology**

In order to implement the Law of Ukraine On Technical Regulations and Conformity Assessment, the Government has approved:

- the Technical Regulation on Measuring Instruments\(^95\).

This Technical Regulation was developed on the basis of Directive 2014/32/EU of the European parliament and of the Council of 26 February 2014 on the harmonization of the laws of the Member States relating to the making available on the market of measuring instruments.

- the Technical Regulation on Legislatively Regulated Measuring Instruments\(^96\).

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\(^{95}\) - Resolution of the Cabinet of Ministers of Ukraine No 163 of 24 February 2016, enters into force on 15 September 2016.

\(^{96}\) - Resolution of the Cabinet of Ministers of Ukraine No 94 of 13 January 2016, enters into force on 4 September 2016.
Approximation of legislation

➢ The Government has approved the Comprehensive Strategy of Implementing Legislation on Sanitary and Phytosanitary Measures\(^97\), setting out a schedule for systematic regulatory adaptation of legislation on sanitary and phytosanitary measures to that of the EU.

This Strategy was developed with participation of experts from the EU Project of Improving Food Safety Control System in Ukraine.

According to the Agreement, Ukraine is required to submit the Strategy to the Subcommittee for Sanitary and Phytosanitary Measures within three months after the effective date of the Agreement (provisional application of Title IV of the Agreement).

At the first session of the EU-Ukraine Association Committee in trade configuration (12-13 April 2016), the parties have agreed to hold technical consultations regarding assessment of the Strategy with the subsequent approval thereof by decision of the EU-Ukraine Association Committee in trade configuration in May-June 2016.

➢ A draft Law of Ukraine “On the amendment of certain laws of Ukraine regarding food safety” (registration No 4589) was developed and on 4 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law is aimed at improving the food safety control system by taking into account EU requirements, and envisages regulation of relations between bodies of executive power, food market operators and food consumers and sets out the procedure of assuring safety and quality of foods produced, launched and distributed in the market, imported (shipped) to and/or exported (shipped) from the customs territory of Ukraine.

➢ A draft Law of Ukraine “On the requirements to items and materials contacting food” (registration No 4611) was developed and on 6 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law:

- sets out general and specific requirements to the marketing of items and materials contacting food, including active and intellectual items and materials;
- creates state registers of substances permitted for use in manufacture of items and materials, and substances that may be ingredients of active or intellectual items and materials;
- sets out requirements to the labeling of items and materials contacting food.

The draft law is, overall, conformant with Ukraine’s obligations under the Association Agreement and EU legislation; however, it still contains certain nonconformities and requires improvement.

➢ The Parliament is set to hear a draft Law of Ukraine On Food Information for Consumers, which, overall, is conformant with the Association’s objectives of achieving compatibility of consumer rights protection systems (in particular, improving information provided to consumers), and takes into account provisions of Directive 2011/91/EC and most provisions of Regulation (EU) 1169/2011. However, this draft law fails to take into account certain provisions and contains nonconformities with Regulation (EC) 1924/2006.

➢ Draft laws pending before the Parliament:

\(^{97}\) - Directive of the Cabinet of Ministers of Ukraine No 228-r of 24 February 2016.
- No 2845-1 and 2845 On Feed and On Feed Safety and Hygiene;
- No 0906 “On the government control for conformity with law on the safety and quality of food and feed, animal health and wellbeing”;

**Strengthening administrative capacity**

- Measures were taken to complete creation of a competent body for sanitary and phytosanitary measures:
  - organization of the State Administration of Ukraine for Food Safety and Consumer Protection was approved;
  - The Government has approved financing of the State Administration for Food Safety and Consumer Protection.\(^{98}\)

On 6 April 2016, the State Administration for Food Safety and Consumer Protection became operational. All required steps related to filing of state registration, approval of regulation, organization, payroll list and budget were completed. 30% of staff were hired in accordance with law, and the staffing work continues. The procedure of creating the State Administration’s regional bodies is nearing an end.

- The head of the subdivision of the State Administration for Food Safety and Consumer Protection responsible for European integration has been designated a contact point of the Ukrainian Party to exchange information and review inquiries related to implementation of the Agreement’s provisions concerning sanitary and phytosanitary measures.\(^{99}\)

**Customs and trade facilitation**

- Ukrainian customs offices began issuing EUR.1 certificates for goods of Ukrainian origin intended for export to EU Member States under the Association Agreement.

Organizational measures were implemented to facilitate issuance of EUR.1 goods transportation certificates by customs offices of the State Fiscal Service:

- certificate issuance offices were designated: 162 customs posts located in the closest proximity to potential exporters/manufacturers;
- 433 customs officers of the State Fiscal Service were authorized to issue certificates of origin;
- 50 thousand forms of certificates for export of goods from Ukraine to EU Member States have been procured;
- the software systems “EUR.1 goods transportation certificate issuance system” and “Register of authorized (approved) exporters” have been developed and implemented.

\(^{98}\) - Directive of the Cabinet of Ministers of Ukraine No 76-r of 27 January 2016.

\(^{99}\) - Resolution of the Cabinet of Ministers of Ukraine No 198 of 24 February 2016.
Since the beginning of implementation of the Agreement’s trade part, SFS customs offices have been issuing EUR.1 goods transportation certificates allowing goods of Ukrainian origin imported to the EU to enjoy preferential trade terms under the Agreement.

The EUR.1 certificate issuance procedure is similar to the procedure effective in European states, and envisages maximum simplification of the procedure of free issuance of certificates in the shortest possible term with simultaneous increase of exporter’s responsibility for the correctness of information required to determine the product’s Ukrainian origin.

The certificate is completed and issued by Ukrainian customs authorities for every consignment of goods, if it must be produced to prove that the goods meet requirements of the rules of determining preferential origin set out in the Agreement to be eligible for preferential import duty rates. The certificate is issued by a customs officer at the time of the product’s export or, in the cases stated in the Agreement, after the product was exported.

- Work continues on achieving European timeframes of filing customs declarations.

Positive dynamics continue in the matter of transition from paper to electronic declaration forms – the percentage ratio of the number of electronic customs declarations to the total number of declarations is 96 percent.

- Draft laws developed and on 6 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine:
  - amendments to the Customs Code of Ukraine regarding protection of intellectual property rights when moving goods across the customs border of Ukraine (registration No 4614).

This draft law is aimed at implementation into national legislation of Regulation (EU) No 608/2013 of the European Parliament and of the Council concerning customs enforcement of intellectual property rights and Commission Implementing Regulation (EU) No 1353/2013, setting out required document forms. The draft law envisages:

- expansion of the list of objects of intellectual property rights;
- expansion of the circle of persons eligible for protection of intellectual property rights, and the list of customs regimes applicable to goods containing objects of intellectual property rights;
- non-application of protection of intellectual property rights to the so-called “parallel import” and to goods moved across the customs border of Ukraine under “transit” customs regime;
- preventing and combating movement of counterfeit goods in international mail shipments and international express shipments.

- draft Law of Ukraine “On the amendment of the Customs Code of Ukraine (regarding implementation of the EU-Ukraine Association Agreement)” (registration No 4615).

This draft law is aimed at implementation of Articles 84 and 353, Annex XV “Approximation of customs legislation” and Annex XXVIII to Chapter 4 “Taxation” of the Association Agreement, and sets the maximum value of goods that individuals may bring to Ukraine in handheld luggage and/or accompanying baggage without paying customs duties at 430 euros instead of 1000 euros via border crossing points for air and sea travel, and at 300 euros instead of 500 euros via other border crossing points.

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100 - The Procedure is approved by Order of the Finance Ministry No 1142 of 18 November 2014.

- On 27 May 2016, the Cabinet of Ministers of Ukraine has approved the draft Laws of Ukraine developed in accordance with suggestions from the broad public:
  - On the amendment of the Customs Code of Ukraine (regarding authorized economic operator and simplification of customs formalities);
  - On the amendment of the Tax Code of Ukraine (regarding taxation of imports of goods to the customs territory of Ukraine by authorized economic operators).

- The Twinning Project of Supporting the State Fiscal Service of Ukraine in developing Elements of Integrated Border Control in Customs Sphere was launched on 3 February 2016. Twinning – SFS partner – consortium Germany (leader) – Poland – Lithuania.

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**Freedom of establishment, trade in services and e-commerce**

**Freedom of establishment**

The national policy on the freedom of establishment, trade in services and e-commerce is aimed at further approximation of legislation regulating this sphere to EU’s legislation, standards and practices, in particular, concerning simplification of the procedure of establishing and operating companies, branches and representative offices, protection of investor rights, use of electronic payment instruments, etc. (see also: priority 7 of the Association Agenda).

**Insurance**

- On 31 March 2016, the Verkhovna Rada of Ukraine has passed the draft Law of Ukraine 
  *On Insurance* (registration No 1797-1) in the first reading.

This draft law, developed with participation of representatives of insurance market participant associations, is aimed at implementation of Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation.

- A draft Law of Ukraine 
  *Ob Obligatory Third Party Liability Insurance of Motor Vehicle Owners* (registration No 3670, prepared by members of the Ukrainian parliament) was submitted for hearing by the Verkhovna Rada of Ukraine.

At the same time, this draft law fails to fully take into account provisions of Directive 2009/103/EC of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability (codified version). The National Committee for State Regulation of Financial Services Markets continues to prepare proposals, with participation of representatives of insurance market participant associations, for the hearing of the draft law in the second reading, if it is taken as the basis.
The following draft Laws of Ukraine were developed and submitted to the Verkhovna Rada of Ukraine for the purpose of adapting relevant EU Directives and Regulations and provisions of Chapter 9 of the Association Agreement:

- On the amendment of Article 5 of the Law of Ukraine “On dissemination of copies of audiovisual works, phonograms, videograms, computer programs and databases” (regarding overcoming of piracy and improvement of investment climate) (registration No 4571), submitted to the Verkhovna Rada of Ukraine on 4 May 2016.

  This draft law envisages creation of an additional and important mechanism of combating violation of lawful rights and interests of holders of copyright and (or) related rights.

- On the amendment of certain legislative acts of Ukraine regarding acquisition, management and protection of copyright and related rights (registration No 4579), submitted to the Verkhovna Rada of Ukraine on 4 May 2016.

  This draft law is aimed at improving legislative regulation of acquisition, management and protection of copyright and related rights.

- On the amendment of certain legislative acts of Ukraine regarding regulation of copyright and related rights on the Internet (registration No 4629), submitted to the Verkhovna Rada of Ukraine on 10 May 2016.

  This draft law:
  
  - eliminates conflict between provisions of the Civil Code and the Law of Ukraine On the Copyright and Related Rights regarding the ownership of proprietary rights to office computer programs;
  
  - sets out the “freedom of panorama” (an exception from the copyright, permitting free photographing of works of architecture and sculptures in public places);
  
  - introduces an innovative (for Ukrainian legislation) concept of public licensing agreement for the purpose of legalizing electronic agreements widely used in digital environment, such as end user’s license to use computer software, licenses to “free software” (e.g. Linux, Open Office) and other “free content” (e.g. Wikipedia articles);
  
  - abolishes the term “videogram”, which has always been a subject of criticism on part of international experts;
  
  - introduces the term “producer of first film record”.

At the same time, it is worth noting within the context of examination for conformity with European integration obligations and with EU legislation, that proposed provisions of the draft law in present version:

- set out a stricter approach to implementation of an out-of-court mechanism of deleting or blocking information that violates copyright and (or) related rights on the Internet, realization of which may result in violation of lawful rights and interests of other market participants;

- require additional justification of fine, taking into account the principle of effectiveness and proportionality.

Therefore, this draft law is not conformant with EU legislation and Ukraine’s obligations under the Association Agreement, and requires improvement.
On 01 June, the Government has approved the Concept of Reforming the State System of Legal Protection of Intellectual Property in Ukraine.

One of the Concept’s areas is harmonization of Ukraine’s national legislation with EU’s legislative acts and ensuring conformity of the national legislation with Ukraine’s European integration obligations.

In this part, the Concept provides a general outline of the areas and scope of approximation of the national legislation on intellectual property according to Ukraine’s obligations under the Association Agreement (Chapter 9. Intellectual property (Articles 157 to 252) of the Agreement).

### Competition

#### State aid

- To facilitate implementation of the Law of Ukraine On State Aid to Business Entities:101:
  - the Procedure of Issuing and Documenting Notices of New State Aid and Amending the Terms of Existing State Aid102 has been approved;
  - a draft Procedure of Returning Unlawful State Aid Unacceptable for Competition was developed;
  - a draft Procedure of Reviewing State Aid Cases was developed.

### Transparency

The following officials were designated:103:

- Secretary of the Association Committee in trade configuration for the Ukrainian Party – as a contact point of the Ukrainian Party to exchange information and review inquiries related to implementation of the Agreement’s provisions concerning trade and trade-related matters, including sustained development and service sector;

- Head of the subdivision of the State Administration for Food Safety and Consumer Protection responsible for European integration – as a contact point of the Ukrainian Party to exchange information and review inquiries related to implementation of the Agreement’s provisions concerning sanitary and phytosanitary measures;

- Secretary of the Association Committee for the Ukrainian Party – as a contact point of the Ukrainian Party to exchange information and review inquiries related to all other matters of the Agreement’s implementation.

### Dispute resolution

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101 - Law of Ukraine No 1555-VII.
103 - Resolution of the Cabinet of Ministers of Ukraine No 198 of 24 February 2016.
A draft order of the Ministry of Justice of Ukraine “On the selection of candidates for Ukraine’s representatives in arbitration groups as part of the dispute resolution procedure set out in the Association Agreement” was developed to ensure conformance with the procedure of appointing Ukraine’s representatives in arbitration groups as part of the dispute resolution procedure set out in Articles 306 and 307 of the Association Agreement. This draft order:

– establishes a contest commission for selection of these candidates;

– approves the regulation on and members of the contest commission and the procedure of organizing a candidate selection contest;

The contest and compilation of the list of representatives are expected to be completed by 1 July 2016.

Ukraine’s representatives in arbitration groups will be appointed by the Cabinet of Ministers of Ukraine on the basis of a list of candidates submitted by the Justice Ministry and determined on the basis of contest.

Arbitration groups must be staffed within six months after the effective date (provisional application) of the Association Agreement, i.e. by 1 July 2016.

104 - Resolution of the Cabinet of Ministers of Ukraine No 995 of 2 December 2015.
Integration of energy markets and energy security

➢ In 2016, Ukraine began implementing, for the first time, two practices that are considered standard for Europe’s gas transmission market: using an operational balancing account (OBA) with operators of adjacent gas transmission systems and implementing virtual reverse (backhaul).

These practices will be implemented at the points of connection of Ukraine’s gas transmission system with gas transmission systems of neighboring EU Member States not presently blocked by Gazprom: Budince (Slovakia), Hermanowice (Poland) and Beregdaróc (Hungary).

Ukrtransgaz began using OBA with operators of adjacent gas transmission systems on 1 April 2016. OBA shows the difference between the volumes of gas ordered by supplier and transmitted along inter-state trunk pipelines connecting gas transmission systems of neighboring countries. This innovation implements civilized methods of settling technological imbalances, thus reducing financial risks of gas suppliers.

In addition, the possibility of using virtual reverse (when volumes of gas are cross-credited) was realized. In that case, only the volumes of gas not covered as a result of this cross-crediting are physically transmitted. The implementation of virtual reverse substantially increases the effectiveness of using capacities at international connection points.

First of all, the advantages from these innovations will help improve conditions for diversification of gas supplies to Ukraine, because for importers, the risks of doing business in Ukraine will become lower. Over 20 companies have been importing gas to Ukraine via points of connection to EU’s gas transmission systems since the year’s beginning. The implementation of standard European practices in operation of the gas transmission system must help increase the number of importers, thus stimulating the creation of a competitive and liquid gas market in Ukraine.

➢ For the purpose of expert discussion, on 19 May 2016, Naftogaz of Ukraine NJSC has posted on its website the proposals regarding revised version of the Code of Gas Transmission System of Ukraine, which regulates the operator of Ukraine’s gas transmission system and the procedure of its interaction with other market participants.

As far as regulation of balancing is concerned, the draft Code is based on Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.

In the opinion of Ukraine’s gas transmission system operator, the proposed changes would help create a liquid daily gas market in Ukraine, which is a standard practice for Europe. They would also help simplify and liberalize operations of gas market participants in Ukraine without creating critical financial risks for the gas transmission system operator.
Work continues on updating the Memorandum of Understanding between Ukraine and the EU on Cooperation in Energy Sector to ensure its conformity with today’s challenges and objectives in energy sector.

**Energy efficiency**


- a draft Report on the Promotion and Use of Energy from Renewable Sources for 2014-2015 was prepared. Directive 2009/28/EC envisages reporting to the Energy Community Secretariat, using Template for Signatory Parties, on the promotion and use of energy from renewable sources. The draft Report is being worked on by the central bodies of executive power concerned.

A decision has been made regarding expediency of Ukraine’s accession to the Charter of the International Renewable Energy Agency (IRENA). The Chairman of the State Agency of Ukraine for Energy Efficiency and Energy Conservation is tasked with overseeing submission, according to the applicable procedure, of Ukraine’s membership application to this organization.

The accession to IRENA will allow our country to apply to the Abu Dhabi Fund for Development (ADFD) for reduced-interest loans to finance renewable energy projects. As of today, the Fund’s budget is US $350 million. Loans worth the total of US $98 million have already been issued for 11 projects.

In addition, Ukraine will have access to the entire information available in IRENA regarding the use of renewable sources of energy (RSE), results of the latest research, advanced experience, and progressive mechanisms of financing development of energy production from renewable sources. This is also a possibility to receive practical advice from IRENA experts on how to improve regulatory framework on energy from renewable sources. Moreover, this is an opportunity to establish close cooperation between Ukraine and developed countries for the purpose of developing energy production from renewable sources.

Presently, 144 countries are members of IRENA, and another 31 countries have applied for membership.


The following documents were developed and are presently undergoing the procedure of approval by central bodies of executive power:

- draft Law of Ukraine On Energy Performance of Buildings;

This draft law is intended, in particular, to set out legal, organizational and economic principles of ensuring energy performance of buildings in accordance with requirements of Directive

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105 - the document is expected to be prepared for signature in 2Q 2016.
106 - Directive of the President of Ukraine No 200 of 10 May 2016.
2010/31/EC. A preliminary version of the draft law was finalized during October-November 2015 and approved by the Energy Community Secretariat.

- draft Technical Regulation on Energy Labeling of Television Sets;

Energy labeling of household appliances will enable the users of these appliances to have complete and accurate information regarding the class of appliance’s energy efficiency.

➢ In order to implement EU’s framework legislation on energy efficiency, the State Agency of Ukraine for Energy Efficiency and Energy Saving has established an interdepartmental working group for development of a draft Law of Ukraine On Energy Efficiency.


➢ In order to simplify business conditions in the production of biofuels, amendments to the Law of Ukraine On Alternative Types of Fuel (registration No 4618) were developed and on 6 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law envisages:

- exclusion from the Law of Ukraine On Alternative Types of Fuel of provisions regarding the keeping of the state register of liquid biofuel and biogas producers by a body authorized by the Cabinet of Ministers of Ukraine;
- abolition of the requirement concerning the filing in this register of business entities producing, storing and marketing liquid biofuels and biogases.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Municipal Energy Reform in Ukraine (United States), almost USD 13.5 million in financing for the period of 27.09.2013 to 29.09.2017;
- Energy Effectiveness in Communities (Germany), EUR 4 million in financing for the period of 01.09.2013 to 31.08.2016.

**Nuclear safety**

➢ On 20 April 2016, the Government has approved a draft Third Agreement on the Amendment of the Grant Agreement between the Government of Ukraine and Chornobyl Nuclear Power Station, Specialized State Enterprise as the Beneficiary, and the European Bank for Reconstruction and Development of 16 February 2009 and authorized the Minister of Ecology and Natural Resources to sign the above agreement\(^{108}\).

The Agreement provides an additional grant of EUR 40 million to Chornobyl Nuclear Power Station to finance the РЯБ-СВЯП-2 project (Nuclear safety account to finance construction of a repository for spent nuclear fuel).

\(^{108}\) Directive of the Cabinet of Ministers of Ukraine No 303-r of 20 April 2016.
This decision will also eliminate the threat of halting construction of a spent nuclear fuel repository (СВЯП-2) due to unavailability of additional financing.

Management of public finances: budget policy, internal control and external audit

- Transparent Budget, a concept of creating the integrated information and analytical system, has been approved\(^{109}\).

The Transparent Budget initiative of the Cabinet of Ministers of Ukraine envisages implementation of recommendations from the World Bank, International Monetary Fund and International Budget Partnership (IBP).

The concept’s goal is to create a system providing access to information about public funds at all stages of planning and use, keeping information up-to-date, credible and unique, making analytical data comfortable to use and information simple and easy to understand, logical and thought-out, and enabling comparison of dynamics, feedback and expert discussion.

Key priorities in this area include:

- providing Ukrainian citizens with instruments of controlling and accessing information related to management of public funds;
- providing the Finance Ministry’s senior officials and specialists of various levels, other public bodies and bodies of local self-government involved in management of public funds with an integrated information and analytical system of making managerial decisions.

Expected concept implementation timeframe: three years after approval.

- A draft Law of Ukraine “On the amendment of the Law of Ukraine On the Accounting and Financial Reporting in Ukraine (regarding improvement of certain provisions)” (registration No 4646) was developed and on 11 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.


In particular, according to the aforementioned Directive:

- terminology of legislation on the accounting and financial reporting in Ukraine will be improved;
- criteria for classification of undertakings as micro, small, medium and large enterprises will be set for accounting purposes;
- the Law of Ukraine On the Accounting and Financial Reporting in Ukraine will become applicable to operations related to execution of budgets and preparation of financial reports on execution of budgets, taking into account budget legislation;
- the list of obligatory details for primary documents will be shortened;
- the period for preparation of interim financial statements will be clarified;
- the procedure of filing and publishing financial statements will be improved.

Considering that provisions of Directive 2013/34/EC are, in some cases, different from the International Financial Reporting Standards (IFRS), enterprises filing IFRS-compliant financial statements will follow provisions of the IFRS. In particular, it concerns extraction enterprises of national significance.

Overall, fulfillment of requirements of Directive 2013/34/EC is planned to be achieved gradually, by developing, adopting and implementing regulatory acts (first of all, by amending the national accounting standards).

**E-commerce**

- A draft Law of Ukraine *On Electronic Trust Services* (registration No 4685) was developed and on 17 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

The draft law envisages implementation in the national legislation of provisions of Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market (enters into force on 1 July 2016), and is aimed at:

- improving legislation on the use of open key infrastructure and on electronic trust services;
- creating a single system of electronic trust services;
- mutual recognition of Ukrainian and foreign open key certificates and electronic signatures and stamps.

At the same time, this draft law may require further improvement, when heard by the Verkhovna Rada, to ensure conformance with the Association Agreement and EU legislation.

**Taxation**

- A draft Law of Ukraine “On the amendment of the Tax Code of Ukraine (regarding taxation of tobacco products)” (registration No 4619) was developed and on 6 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law is aimed at fulfilling Ukraine’s obligations under the Association Agreement regarding gradual approximation of excise tax rates for tobacco products to the minimum level effective in the EU, and envisages increase of ad valorem tax on tobacco products by 3 percentage points (from 12% to 15%).

Presently, the rates of excise tax on cigarettes in Ukraine are 6 times lower than the minimum European rates.

**Banking**

- The Cabinet of Ministers of Ukraine supports the *Principles of Strategic Reforms in Public Banking Sector*¹¹⁰ developed by the Ministry of Finance of Ukraine to solve key problems that obstruct effective performance of state banks today.

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¹¹⁰ - 11 February 2016.
The key purpose of this document is fundamental revision of the principles and mechanisms of corporate governance of state banks and ensuring creation of a state banks management system isolated from political influence. In particular, the document intends to bring the system of corporate governance into conformity with OECD recommendations. It would ensure stable functioning of banks and help improve their performance results and rating by potential investors.

In order to **improve banking oversight** in accordance with the best international practices, including the Basel Committee’s Core Principles for Effective Banking Supervision, the National Bank of Ukraine has:

- decided to increase capital of Ukrainian banks\(^{111}\) in order to enhance financial strength of Ukraine’s banking system and protect interests of banks’ creditors and depositors, envisaging bringing the banks’ authorized capital into accordance with the required minimum amount;
- decided to perform diagnostic examination of the next 40 Ukrainian banks\(^{112}\) in line with the Memorandum with the IMF on Economic and Financial Policy;
- improved the procedure of acquiring the status of specialized trust management bank\(^{113}\).

On 17 March 2016, the National Bank of Ukraine has published the **Roadmap of Transition to Inflation Targeting** devised for the next 12-18 months.

This documents sets out an action plan for implementation of the Core Principles of Monetary Policy for 2016-2020\(^{114}\), and is aimed at bringing instruments, mechanisms and procedures into conformance with inflation targeting standards.

**Operational design of monetary policy has been improved**\(^{115}\) to increase effectiveness of instruments of implementing monetary policy under inflation targeting regime.

Now, the National Bank sets the discount rate and interest rate on key instrument of monetary policy at the same level. In the conditions of structural liquidity surplus observed in the banking system, two-week deposit certificates serve as this instrument. Today, they are responsible for the major share of all deposit certificates, and operations with these certificates have the greatest effect on the state of the monetary market.

### Transparent privatization

- The Law of Ukraine “On the amendment of certain laws of Ukraine regarding improvement of privatization process” has entered into force on 6 March 2016\(^{116}\).

These amendments **enhance protection of national interests when reforming the ownership relationships**, improve the procedure of engaging advisors when preparing for privatization of and privatizing property, and set out the advisor selection criteria and their key tasks.

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\(^{111}\) Resolution of the Board of the National Bank of Ukraine No 58 of 4 February 2016.

\(^{112}\) Resolution of the Board of the National Bank of Ukraine No 59 of 4 February 2016.

\(^{113}\) Resolution of the Board of the National Bank of Ukraine No 91 of 18 February 2016.

\(^{114}\) approved by Resolution of the Board of the National Bank of Ukraine No 541 of 18 August 2015.

\(^{115}\) Resolution of the Board of the National Bank of Ukraine No 277 of 21 April 2016.

\(^{116}\) Law of Ukraine No 1005-VIII.
The Law of Ukraine No 974-VIII, implementing international standards on management of unitary state enterprises\textsuperscript{117}, was passed on 3 February 2016.

It envisages establishment at unitary state enterprises of supervisory boards with independent directors. Performance of state companies will be controlled by professional managers, not politicians or bureaucrats. In addition, this draft law is aimed at increasing requirements to audit and disclosure of information by these enterprises.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following project: Technical Assistance in Priority Areas of Financial Sector (EU), EUR 3.36 million in financing for the period of 27.03.2015 to 27.03.2018.

**Statistics**

A draft Law of Ukraine “On the amendment of certain laws of Ukraine regulating official statistics” (registration No 4584) was developed and on 4 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law is aimed at enhancing coordinating role of the State Statistics Committee in the national statistics system, and in particular, it determines the circle of statistical information producers and administrative data suppliers and envisages establishment of the National Statistics Council.

The draft law is a priority for the fulfillment of Ukraine’s obligations under the Association Agreement in statistics sector, i.e. to create a stable, effective and professionally independent national statistics system that has to be based on the UN’s fundamental principles of official statistics and EU acquis in statistics sector.


The establishment of the National Statistics Council would lay legal foundations for the enhancement of the State Statistics Committee’s coordinating role in the creation of an integral national system of official statistics and ensuring its conformance with the UN’s fundamental principles of official statistics, European Statistics Code of Practice and Statistical Requirements Compendium.

- Draft Methodological Guidelines for Organization of Gathering and Processing of Data to Compile Information Regarding Prices for Gas and Electric Energy Supplied to End Industrial Consumers, and draft forms of reports on electricity and gas prices and report form completion explanations were developed in accordance with requirements of Directive 2008/92/EC of the European Parliament and of the Council.

- Methodological Guidelines for Calculation of the Industrial Turnover Index were approved\textsuperscript{118}.

\textsuperscript{117} - Law of Ukraine No 974-VIII. May require additional examination, during hearing by the Verkhovna Rada of Ukraine, for conformance with the Association Agreement and EU legislation.

\textsuperscript{118} - Order of the State Statistics Committee No 45 of 25 March 2016.
To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following Twinning project: Promoting Improvement of the State Statistics Service of Ukraine to Enhance its Potential and Output (EU), EUR 1.5 million in financing for the period of 18.11.2013 to 17.02.2016.

**Transport**

**Marine transport**

- Amendments to the Law of Ukraine On Ukrainian Seaports regarding the **functioning of information system of port community** (registration No 4637) were developed and on 11 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

The draft law envisages implementation of an information system of port community (ISPC) as part of the measures aimed at simplifying international trade procedures in transportation.

The purpose of this draft law is to achieve the level of sophistication of seaports that would ensure their functioning as a full-fledged element of international transportation system. Improvement and optimization of technological processes by implementing electronic document flow would help improve effectiveness of seaports’ performance, facilitate more effective use of Ukraine’s geopolitical location, satisfy the national economy’s demand for transportation services, increase transit transportation turnover, etc.

As of today, over 700 freight forwarding companies, 14 government controlling and law enforcement agencies, over 130 marine agents and 6 port operators are already connected to ISPC.

At the same time, the draft law requires improvement by taking into account provisions of Directive 2010/65/EC and the principle of legal definitiveness.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following EU TRACECA project: Marine Protection and Security II, almost EUR 3 million in financing for the period of 16.01.2013 to 15.01.2016.

**Rail transport**

- A **draft Law of Ukraine On Rail Transport** (registration No 4593) was developed and on 5 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law was developed with the support from the Twinning Project of Providing Institutional Support to the Ministry of Infrastructure of Ukraine on Improving Performance Effectiveness and Competitiveness of Rail Transport in Ukraine.

The draft law envisages a new structure of relationships between participants of rail transportation process thanks to structural transformations in rail transportation industry.

The passage of this Law and related bylaws would help:

- create a new model of public administration in rail transportation industry;
- create an “infrastructure operator” responsible for operation, modernization and development of rail transport infrastructure;
- facilitate government regulation of tariffs for rail transport infrastructure as a monopolistic component of this market;
- introduce free tariffing in the sphere not regulated by the government;
- transfer the function of government regulation of rail transportation tariffs to an independent regulator, the National Commission for Regulation of Transportation Industry;
- implement a safety control system of European standard at rail transport enterprises.

Road transport

➢ A draft Law of Ukraine “On harmonizing Ukrainian legislation regulating road transport with that of the European Union” (registration No 4683) was developed and on 17 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law was developed pursuant to the EU-Ukraine Association Agreement, and envisages implementation of provisions of 14 EU legislative acts regulating the following matters:

- access to transportation market
- organization of public transportation, social security
- working and rest hours for drivers, use of tachographs
- maintaining the level of drivers’ professional competence
- use of speed limiting devices, etc.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Twinning Project of Supporting the Ministry of Infrastructure of Ukraine in Improving Standards on Safety of Commercial Road Transportation (EU), over EUR 1.5 million in financing for the period of 28.01.2015 to 27.01.2017;
- TRACECA program: Road Transport Safety II (EU), almost EUR 1.9 million in financing for the period of 15.01.2014 to 14.01.2016.

Dangerous cargoes

➢ A draft Law of Ukraine “On the amendment of certain legislative acts for the purpose of their harmonization with legislation of the European Union regulating transportation of dangerous cargoes” (registration No 4644) was developed and on 11 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law envisages amendment of the Laws of Ukraine On Transportation of Dangerous Cargoes, On Transport and On Road Transport for the purpose of harmonizing these Laws with requirements of Ukraine’s international treaties regulating transportation of dangerous cargoes and Directive 2008/68/EC.

Draft Rules of Transporting Dangerous Cargoes by Internal Waterways of Ukraine were sent to bodies of executive power concerned for approval.

Common Aviation Area

➢ Work continues on the signature of the Common Aviation Area Agreement between Ukraine and the EU and its Member States (CAA).
In particular, in the course of Ukrainian-Spanish political consultations on 16 March 2016, the Spanish party has expressed readiness to consider, during further consultations on finding a compromise solution to the Gibraltar Airport problem, the possibility of excluding the Gibraltar Airport from the Agreement’s provisions.

- The Infrastructure Ministry is preparing an action plan for preparation to implementation of the Common Aviation Area between Ukraine and the EU, envisaging adaptation of Ukrainian legislation regulating air transportation industry to that of the EU.

**Environment**

- On 22 April 2016, Ukraine signed the Paris Agreement adopted on 12 December 2015 at the Twenty First Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. The Paris Agreement replacing the Kyoto Protocol is aimed at mitigating the global warming, and comes into effect for all parties to the Framework Convention in 2020.

This document envisages, as a common aim for 196 countries of the world, holding the increase in the global average temperature to well below 2 °C above pre-industrial levels until 2100 and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels.

The mechanisms, procedures and other practical matters of the Agreement’s implementation must be developed during the next four years.

- On 3 February 2016, Ukraine ratified the Kyiv Protocol of the Aarhus Convention obliging our country to establish an environmental pollution monitoring system compliant with European standards.

According to the Aarhus Convention and the Kyiv Protocol thereto, information regarding the environmental situation and sources of pollution must be made public.

The Kyiv Protocol sets the obligation to implement a national public electronic system of pollution cadasters and subsequent accession to the European system E-PRTR.

An open register will allow ordinary Ukrainian to trace emissions from enterprises polluting the environment in their regions and, based on this information, demand reduction of these emissions to the maximum permissible levels.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Restoring Ameliorative Network to Promote Economic Growth in Rural Areas of the Volhynian Oblast (EU), almost EUR 1.5 million in financing for the period of 11.09.2014 to 11.09.2016;


**Education**

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119 - The Paris Agreement enters into force on the 30th day after it is ratified by at least 55 countries responsible on aggregate for at least 55% of greenhouse gas emissions. As of 22 April 2016, the Agreement was signed by 171 countries.

120 - Law of Ukraine No 980-VIII.
A system of confirming results of informal vocational education in worker professions is being implemented.

The key regulatory acts required for implementation and effective functioning of an informal education confirmation system have been approved. To verify the conformance with applicable requirements, a consulting and advisory body was established under the Ministry of Social Policy, the Interdepartmental Working Group\(^\text{121}\) responsible for designation of educational institutions as conformant with the applicable requirements and authorized to confirm the results of informal vocational education.

The Ministry of Social Policy has approved the list of subjects of confirming results of informal vocational education in worker professions.

In order to inform all parties concerned about the organization of qualification confirmation process, the Ministry of Social Policy has posted on its website information regarding legislative acts regulating confirmation of results of informal vocational education.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following project: Supporting Decentralization in Ukraine (Sweden), SEK 31.7 million in financing for the period of 08.09.2014 to 31.12.2017.

### Youth policy

The specific-purpose national social program Youth of Ukraine for 2016-2020 has been approved\(^\text{122}\).

The purpose of this Program is to create favorable conditions for development and self-realization of the Ukrainian youth, formation of their civic stance and national-patriotic consciousness.

Results of the sociological survey Youth of Ukraine 2015, conducted with the support of the UN Mission to Ukraine, were used when developing this Program.

### Science and technology

Work continues under the EU Horizon 2020 Program\(^\text{123}\) on the establishment of the Coordination Council for Implementation of this Program.

An open contest for selection of Ukraine delegates to 14 program committees will be announced in the nearest future.

Consultations continue on the prospects of Ukraine’s associated participation in Euratom’s research and training programs.

The most recent round of consultations discussing the draft Agreement between the European Atomic Energy Community and the Government of Ukraine on Scientific and Technological Cooperation and Ukraine’s Associated Membership in Euratom’s Scientific Research and Training Program (2014-2018) was held on 9-10 March 2016.

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\(^{121}\) Regulation on the Interdepartmental Working Group was approved, and the first session was held on 18 February 2016.

\(^{122}\) Resolution of the Cabinet of Ministers of Ukraine No 148 of 18 February 2016.

\(^{123}\) The Agreement was signed on 20 March 2015, ratified by the Law No 604-VIII.
On 21-22 January 2016, the Ukraine-EU Working Group for Cooperation in Space has reached agreement on expediting implementation of the project envisaging expansion of the satellite-based augmentation system EGNOS onto the territory of Ukraine, including installation in Ukraine of a ground control station of satellite navigation signals by taking into account the Ukrainian Party’s proposals.

For the purpose of practical implementation of this agreement, a delegation of European experts has inspected on 16-17 March 2016 the land plots in Ukraine (Kyiv and the Kyiv Oblast) offered for the location of a ground control station of satellite navigation signals.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- **UKRAINE project** (financed by the European Global Navigation Satellite Systems Agency under the EU Horizon 2020 Program);
- **PROGRESS project** (EC) for the period of 01.02.2015 to 01.01.2018.

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Ukraine has **ratified the International Labor Organization Convention 102 concerning Minimum Standards of Social Security** [124].

This Convention defines the types of social benefits, terms and amount of benefit payments upon occurrence of main social risks, and proclaims the principle of equality of noncitizen residents of a country with the country’s citizens.

The Government has **approved the Strategy of Overcoming Poverty for the Period until 2020** [125], setting out mechanisms of preventing poverty and the key objectives of solving this problem.

Strategic areas of poverty reduction efforts include promoting the growth of individual income from employment and social insurance payments. The Strategy also envisages public access to social services regardless of place of residence, and minimization of risks of rural population’s social alienation. Greater attention will be devoted to preventing the occurrence of chronic poverty and social alienation among internally displaced persons.

UNDP, UNICEF and ILO experts were engaged in development of the Strategy.

**Legislative changes regarding employment of the disabled** (registration No 4578) were developed and on 4 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine. These amendments envisage, in particular:

- implementation of stimulating mechanisms for employers, providing incentives for employing persons with disability;
- providing subsides to employers to create ordinary jobs for persons with disability (not only special jobs required by Ukrainian law);
- reimbursing employers’ actual expenses related to payment of flat social security tax for employees with disability.

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The adoption of this draft law will enable the disabled to exercise their right to employment under the UN Convention on the Rights of Persons with Disability and the 1983 International Labor Organization Vocational Rehabilitation and Employment (Disabled Persons) Convention 159.

- **Amendments to Article 31 of the Law of Ukraine On Employment of the Population** (registration No 4577) were developed and on 4 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law was developed for the purpose of implementing Council Directive 91/383/EEC supplementing the measures to encourage improvements in the safety and health at work of workers with a fixed-duration employment relationship or a temporary employment relationship.

The draft law proposed to supplement Article 31 of the Law of Ukraine On Employment of the Population with a new provision, according to which, **works posing risk to life and health cannot be regarded as public works**.

- **A draft Law of Ukraine On Social Services** (registration No 4607) was developed and on 6 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

This draft law is aimed at improving legislation regulating administration of social services, raising status of social workers and other specialists providing social services, protecting the rights of persons receiving social services, broadening the powers of local bodies of executive power and bodies of local self-government concerning organization of delivery of social services at the place of residence of recipients of these services.

This draft law also envisages amendment of eight laws of Ukraine to bring their terminology into conformity with the revised version of the Law of Ukraine On Social Services.

- A draft Law of Ukraine regarding **systemization of pension security terms** which today are scattered over more than 20 law, **designation of all types of pension according to provisions of a single law**, abolition of special pensions, introduction of level II accumulation system of pension insurance, and improved functioning of a solidarity system (registration No 4608) was developed and on 6 May 2016 submitted for hearing by the Verkhovna Rada of Ukraine.

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**Industrial and enterprise policy**

- **The moratorium on audits by controlling bodies of enterprises, institutions, organizations and sole proprietorships** with income of up to UAH 20 million for the preceding calendar year has been extended till the end of 2016.

Presently, audits can be carried out:

- with permission of the Cabinet of Ministers of Ukraine;
- at business entity’s request;
- according to the procedure set out in the Code of Criminal Procedure of Ukraine.

According to information by the State Registration Service, the number of audits in the first half of 2015 has declined by 85 percent comparing to the similar period of 2014.

- **The Agreement on Ukraine’s Participation in the EU Program for the Competitiveness of Enterprises and SMEs 2014-2020 (COSME)** was signed\(^{126}\).

Ukraine’s accession to this Program will facilitate:

\(^{126}\) - on 13 January 2016, the Cabinet of Ministers of Ukraine has issued Directive of the Cabinet of Ministers of Ukraine No 14-r on the signature of the Agreement.
development of Ukrainian business environment and consulting and analytical services related to export and import operations of Ukrainian businesses;
expansion of economic and trade ties;
harmonization of Ukrainian legislation on small and medium-sized businesses with European standards;
creation of conditions to popularize entrepreneurship and develop business culture.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:


Strengthening Membership-Based Business Organizations of Small and Medium-Sized Enterprises (UNDP), USD 1.054 million in financing for the period of 27.08.2015 to 30.09.2018;

Partnership for Innovations: Developing Family Farms United into Agricultural Service Cooperatives (United States), USD 1.36 million in financing for the period of 01.07.2015 to 31.07.2017;

Developing Grain Storage Facilities and Agricultural Cooperatives in Ukraine (Canada), CAD 13.3 million in financing for the period of 26.03.2013 to 28.02.2018;

Ukrainian Project of Business Development of Fruit and Vegetable Growing (Canada), CAD 19.3 million in financing for the period of 07.08.2014 to 31.03.2021;

Developing Dairy Business in Ukraine (Canada), almost CAD 19.7 million in financing for the period of 01.04.2014 to 31.03.2021.

Financial services

On 31 March 2016, the following draft Laws of Ukraine passed in the first reading:\n
“On the amendment of certain legislative acts of Ukraine (concerning regulated markets and derivatives)” (registration No 3498);

“On the amendment of the Tax Code of Ukraine (concerning regulated markets and derivatives)” (registration No 3499);

“On the amendment of the Budget Code of Ukraine (concerning regulated markets and derivatives)” (registration No 3500);


These draft laws are aimed at creating preconditions to improve effectiveness and functionality of derivatives market and other regulated markets in Ukraine.

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127 - these draft laws are undergoing comprehensive analysis for conformance with the Association Agreement and EU legislation.
To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Financial Sector Development Program (FINREP II) (United States), USD 12.4 million in financing for the period of 01.10.2012 to 30.09.2017;
- Technical Assistance in Priority Areas of Financial Sector (EU), EUR 3.36 million in financing for the period of 27.03.2015 to 26.03.2018.

**Culture**

- **The Agreement between the Government of Ukraine and the European Commission regarding Ukraine’s Participation in Creative Europe Program** has entered into force on 11 March 2016.\(^{128}\)

The Culture Ministry has **empowered the Ukrainian Center for Cultural Studies to handle scientific aspects of implementation of EU’s Creative Europe Program**.\(^ {129}\)

The Center’s subdivision concerned will operate as Creative Europe Program’s bureau, and: disseminate information about the program, provide consulting services, promote participation of representatives of cultural and creative industries in the program, organize seminars and trainings.

Contest selection of candidates for the bureau’s head is currently underway.

More detailed information about the **EU’s Creative Europe Program** is available on the website of the Ministry of Culture of Ukraine.

- **The Government has approved the Long-Term Strategy of Developing Ukrainian Culture – the Strategy of Reforms**\(^ {130}\), aimed at creating conditions to promote creative activities of citizens and develop a civil society of European level in Ukraine.

This Strategy sets out the main areas of activity that have to take the sphere of culture and creativity from the periphery of sociopolitical interests, giving this sphere a leading place in Ukraine’s socioeconomic development.

**Information society and audio-visual policy**

- **A draft Law of Ukraine “On the access to construction, transportation and electricity generation infrastructure for development of telecommunications networks”** (registration No 4159) was developed. This draft law sets out powers of public bodies, rights and obligations of telecommunications operators and providers, and business entities owning (possessing) construction, transportation and electricity generation infrastructure to create favorable conditions for the use of this infrastructure for telecommunication needs. Presently, the National Commission for State Regulation of Communications and Informatization has no authority to intervene in relationships between business entities to regulate the use of this infrastructure.

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\(^{128}\) The Agreement was signed on 19 November 2015 and ratified by the Verkhovna Rada of Ukraine on 3 February 2016 (Law of Ukraine No 978-VIII).

\(^{129}\) Order of the Ministry of Culture No 120 of 14 March 2016.

\(^{130}\) Directive of the Cabinet of Ministers of Ukraine No 119-r of 1 February 2016.
This draft law is aimed at implementing certain provisions of the aforementioned EU directives, in particular, Directives 2002/19/EC, 2002/21/EC and 2002/22/EC of the European Parliament and of the Council.

To achieve the objectives set out in this subsection, the Ukrainian Party engages expert and financial assistance from the following projects:

- Ukrainian Media Project (U Media) (United States), USD 15.85 million in financing for the period of 01.10.2011 to 30.09.2016;
- Partnership in Information Security (EU), EUR 150.09 thousand in financing for the period of 01.09.2014 to 31.08.2017.

Agriculture and rural development

➢ The Government of Ukraine has approved:

- Detailed rules of organic food (raw food) production in beekeeping131;
- Detailed rules of organic animal-origin food (raw food) production132.

The approval of detailed rules would help increase production output, saturate domestic market with high-quality foods, and deepen integration of Ukraine’s agricultural production sector into EU market and international markets in general.

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131 - Resolution of the Cabinet of Ministers of Ukraine No 208 of 23 March 2016.
132 - Resolution of the Cabinet of Ministers of Ukraine No 241 of 30 March 2016.
These actions were devised on the basis of analysis of progress in implementation of the Association Agenda and Agreement, in addition to the objectives set out in program documents, first of all, the Agreement Implementation Action Plan for 2014-2017 and plans for implementation of EU’s legislative acts.

In addition, proposals regarding key further actions include:

- adoption of draft laws returned under Article 105 (3) of the Regulation of the Verkhovna Rada of Ukraine and submitted to the Verkhovna Rada as a legislative initiative by the new Cabinet of Ministers of Ukraine;
- finalized draft laws returned under Article 105 (3) of the Regulation of the Verkhovna Rada of Ukraine, which require re-approval by government agencies and submission for hearing by the Verkhovna Rada of Ukraine according to the applicable procedure.

### Association Agenda priorities

#### Constitutional reform

- **Passing the Laws of Ukraine:**
  - “On the amendment of the Constitution of Ukraine (regarding decentralization of power)” (registration No 2217a);
  - “On the amendment of the Constitution of Ukraine (regarding the justice system)” (registration No 3524).

#### Preventing and combating corruption

- **Passing the Laws of Ukraine:**
  - “On the amendment of the Constitution of Ukraine (regarding immunity of members of Ukrainian parliament and judges) (registration No 1776);
  - “On the amendment of certain laws of Ukraine regulating access to public information to improve their certain provisions” (registration No 2913).
- **Completing contest selection** of National Anticorruption Bureau detectives.
- **Continuing contest selection** of prosecutors for the Specialized Anticorruption Prosecutor’s Office.
- **Organizing a contest selection** of the fifth member of the National Agency for the Prevention of Corruption.
- **Facilitating institutional capability of:**
  - the State Bureau of Investigation;
  - the National Agency of Ukraine for Identification, Search and Management of Assets Gained from Corruption and Other Crimes.

#### Judicial reform

- **Passing the Laws of Ukraine:**
  - On Enforcement Proceedings (registration No 2507a);
  - On Bodies and Officers Enforcing Court Judgments and Resolutions of Other Bodies (registration No 2506a);
  - On the Judicial System and Status of Judges (registration No 4734) (pursuant to future provisions of the Constitution of Ukraine regarding justice system).

#### Public administration reform
- Passing the Laws of Ukraine:
  - On Service at Bodies of Local Self-Government (registration No 2489);
  - “On the amendment of certain laws of Ukraine due to adoption of the Law of Ukraine On Civil Service” (registration No 4526);
  - “On the amendment of the Customs Code of Ukraine due to adoption of the Law of Ukraine On Civil Service” (registration No 4634);

**Deregulation**

- Passing the Law of Ukraine “On the amendment of certain legislative acts of Ukraine regarding reduction of authorization procedures in foreign economic activity” (registration No 2498a);
- Submitting to the Verkhovna Rada of Ukraine and passing amendments to certain Ukrainian bankruptcy laws (regarding implementation of European standards in restoration of debtor’s solvency and simplification of conditions for running a business in Ukraine).

**Public procurement reform**

- Approving the Public Procurement Reform Strategy (“roadmap”) under the EU-Ukraine Association Committee in trade configuration.
- Receiving access to EU’s public procurement markets.

**Energy sector reform**

- Passing the Law of Ukraine “On the amendment of certain legislative acts of Ukraine to create conditions for a functioning natural gas market” (registration No 4503) to complete passage of the package of laws aimed at implementing a new gas market model.
- On the National Commission for State Regulation of Energy and Public Utilities (registration No 2966-д);
- On the Electricity Market (registration No 4493).
- Developing draft Laws of Ukraine:
  - On the Minimum Stock of Crude and Petroleum Products;
- Completing development of and approving the National Specific-Purpose Economic Program of Development of Ukraine’s Nuclear Industrial Complex for 2016-2020.

**Political dialogue**

- Passing the Laws of Ukraine:
  - “On the amendment of Article 124 of the Constitution of Ukraine (regarding recognition of the Rome Statute)” (registration No 1788);
  - “On services and service centers of the Interior Ministry of Ukraine” (registration No 2567);
  - “On the amendment of the Law of Ukraine On Preliminary Detention regarding implementation of certain standards of the Council of Europe” (registration No 2291a);
- “On the amendment of the Code of Criminal Procedure of Ukraine regarding improvement of guarantees of access of convicts and persons in custody to court” (registration No 2255а);
- “On the amendment of the Code of Criminal Enforcement of Ukraine regarding serving of punishment in the form of incarceration” (registration No 2253а);
- “On the amendment of certain legislative acts of Ukraine regarding enforcement of criminal sentences and realization of convicts’ rights” (registration No 2490а);
- “On the amendment of certain legislative acts of Ukraine regarding harmonization of Ukrainian legislation on preventing and combating discrimination with that of the European Union” (registration No 3501);
- “On guarantees of the freedom of assembly” (registration No 3587);
- “On guarantees of the freedom of assembly in Ukraine” (registration No 3587-1).

Completing development, submitting to the Verkhovna Rada of Ukraine and passing a revised version of the Law of Ukraine On Television and Radio Broadcasting.

**Justice, freedom and security**

- **Passing** the Law of Ukraine “On the amendment of certain legislative acts of Ukraine regarding improvement of judicial protection of foreigners and stateless persons and regulation of certain matters of combating illegal migration” (registration No 3159).
- **Submitting to the Verkhovna Rada of Ukraine and passing** the Disciplinary Statute of the National Police of Ukraine.
- **Completing the first line** of reconstruction of a detention center for foreigners and stateless persons illegally staying in Ukraine, located in Zhuravychi village of the Kivertsi Raion, Volhynian Oblast, and reconstruction of the first complex of a similar detention center in Rozsudiv village of the Ripky Raion, Chernihiv Oblast;
- **Opening a center** for refugee children, children requiring additional protection and children separated from the family, who applied for a refugee status or for additional protection, on the basis of a refugee center in Yahotyn, Kyiv Oblast;
- **Opening centers** for social integration of refugees and persons requiring additional protection in Kyiv, Kharkiv and Odesa.

**Trade and trade-related matters**

**Market access for goods**

- **Submitting to the Verkhovna Rada of Ukraine and passing** amendments to the Law of Ukraine “On particularities of government regulation of business entities selling and exporting timber” regarding establishment of legal principles of accounting and selling timber for the purpose of compliance with the EU-Ukraine Association Agreement.

**Technical regulation**

- **Preparing a comprehensive evaluation** of technical regulation system’s equivalency for the purpose of signature of the Agreement on Assessment of Conformity and Acceptability of Industrial Products (ACCA).

**Sanitary and phytosanitary measures**

- **Passing the Laws of Ukraine:**
  - On Feed (registration No 2845-1);
  - “On the government control for conformity with law on the safety and quality of food and feed, animal health and wellbeing” (registration No 0906);
“On the amendment of certain laws of Ukraine regarding food safety” (registration No 4589);
“On the requirements to items and materials contacting with food” (registration No 4611).

Approving the Comprehensive Strategy of Implementing Legislation on Sanitary and Phytosanitary Measures at the EU-Ukraine Association Committee in trade configuration.

**Customs and trade facilitation**

Passing the Laws of Ukraine:
- “On the amendment of the Customs Code of Ukraine regarding protection of intellectual property rights when moving goods across the customs border of Ukraine” (registration No 4614);
- “On the amendment of the Customs Code of Ukraine regarding implementation of the EU-Ukraine Association Agreement” (registration No 4615).

Submitting to the Verkhovna Rada of Ukraine and passing draft Laws of Ukraine:
- “On the amendment of the Customs Code of Ukraine (regarding authorized economic operator and simplification of customs formalities)”;
- “On the amendment of the Tax Code of Ukraine (regarding taxation of imports of goods to the customs territory of Ukraine by authorized economic operators)”;
- amendments to the Tax Code of Ukraine regarding application of value added tax to good brought to the customs territory of Ukraine by individuals in handheld luggage and/or accompanying baggage;
- amendments to the Customs Code of Ukraine for the purpose of fulfilling Ukraine’s obligations under the Association Agreement regarding approximation to EU legislation on relief of customs duties, VAT and excise tax.

Developing and submitting to the Cabinet of Ministers of Ukraine draft regulatory acts required to:
- amend the Customs Code of Ukraine in order to harmonize it with the Convention on the Simplification of Formalities in Trade in Goods of 20 May 1987 and the Convention on a Common Transit Procedure of 20 May 1987 (with amendments);

**Freedom of establishment, trade in services and e-commerce**

Submitting to the Verkhovna Rada of Ukraine and passing:
- a draft law on electronic trust services;
- a draft law enhancing independence and administrative capability of the national regulator of communications industry.

Developing:
- a roadmap for approximation of Ukrainian legislation regulating mail and courier services to that of the EU;
- a roadmap for approximation of Ukrainian legislation regulating international marine transport to that of the EU.

**Intellectual property**

Passing the Laws of Ukraine:
- “On the amendment of Article 5 of the Law of Ukraine “On dissemination of copies of audiovisual works, phonograms, videograms, computer programs and databases” (regarding overcoming of piracy and improvement of investment climate)” (registration No 4571);
“On the amendment of certain legislative acts of Ukraine regarding regulation of copyright and related rights on the Internet” (registration No 4629).

Arranging with the EU Party the provision of the agreed-upon technical assistance to protect EU’s geographical designations mentioned in Annexes XXII-C and XXII-D of the Association Agreement.

**Competition**

- Approving:
  - the Procedure of Returning Unlawful State Aid Unacceptable for Competition;
  - criteria of assessing acceptability of certain categories of state aid;
  - the Procedure of Reviewing State Aid Cases.

**Trade and sustained development**

- Establishing an advisory group for sustained development, tasked with developing recommendations regarding implementation of “Trade and sustained development” chapter of the Association Agreement. Compiling a list of Ukraine’s representatives included to the group of experts in trade and sustained development.

**Energy efficiency**


**Banking**

- Submitting to the Verkhovna Rada of Ukraine and passing amendments to Ukrainian legislation regarding particularities of management of state banks.

**Statistics**

- Passing the Law of Ukraine “On the amendment of certain laws of Ukraine regulating official statistics” (registration No 4584).

**Environment**

- Passing the Laws of Ukraine:
  - On the Assessment of Environmental Impact (registration No 2009-а-д);
  - On Strategic Environmental Assessment (registration No 3259);
  - “On the amendment of certain legislative acts of Ukraine regarding implementation of integrated approaches to the management of water resources based on the basin principle” (registration No 3603).

**Transport**

- Passing the Laws of Ukraine:
  - On Rail Transport (registration No 4593);
  - “On the amendment of the Law of Ukraine On Ukrainian Seaports (regarding the functioning of information system of port community) (registration No 4637);
  - “On harmonizing Ukrainian legislation regulating road transport with that of the European Union” (registration No 4683);
  - “On the amendment of certain legislative acts for the purpose of their harmonization with legislation of the European Union regulating transportation of dangerous cargoes” (registration No 4644).
Submitting to the Verkhovna Rada of Ukraine and passing a draft law on multimodal transportation.
Completing development of and approving an action plan for preparation to implementation of the Common Aviation Area with the EU.

Taxation

Company law, corporate governance, accounting and auditing

E-commerce
Passing the Law of Ukraine On Electronic Trust Services (registration No 46856).

Employment, social policy and equal opportunities
Submitting to the Verkhovna Rada of Ukraine and passing:
- amendments to Ukrainian legislation introducing an accumulation system of obligatory state pension insurance and uniform pension assessment principles;
- amendments to Ukrainian legislation regarding employment of persons with disability.

Public health
Submitting to the Verkhovna Rada of Ukraine and passing:
- amendments to Ukrainian legislation regarding healthcare;
- amendments to subsection 4, Section XX “Transitional Provisions” of the Tax Code of Ukraine regarding improvement of healthcare legislation;
- amendments to the Budget Code of Ukraine regarding improvement of Ukraine’s healthcare legislation.

Science and technology
Ensuring integration of the national network of technology transfers to European networks.

Social policy
Passing the Laws of Ukraine:
- “On the amendment of Article 31 of the Law of Ukraine On Employment of the Population (regarding norm-setting for public works)” (registration No 4577);
- “On the amendment of certain legislative acts of Ukraine regarding employment of persons with disability” (registration No 4578);
- On Social Services (registration No 4607);
- “On the amendment of certain legislative acts of Ukraine regarding introduction of an accumulation system of obligatory state pension insurance and uniform pension assessment principles” (registration No 4608).

Education and youth
Passing the Laws of Ukraine:
– On Education (revised version) (registration No 3491-д);

**Culture**

- **Starting implementation** of the Agreement on Ukraine’s Participation in the EU’s Creative Europe Program.
- **Starting work under** the International Center for the Study of the Preservation and Restoration of Cultural Property (ICCROM).

**Transborder cooperation**

- Submitting to the Verkhovna Rada of Ukraine and passing amendments to the Ukrainian legislation regulating associations of European regional cooperation.