REPORT ON IMPLEMENTATION OF THE ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN UNION AND UKRAINE IN 2016
The EU–Ukraine Association Agreement envisages monitoring and assessment of the implementation of the Agreement, both jointly and separately by each Party. This document is an abridged version of the report of the Ukrainian Party and contains an overview of the most important actions and results of implementation of the Association Agreement that were planned for and achieved in 2016, as well as other important events concerning implementation of the European integration policy.

The purpose of the report is to inform Ukrainian citizens, NGO representatives, the international community, in particular EU institutions and EU Member States, of Ukraine’s progress in achieving the objectives of political association and economic integration with the EU in order to facilitate broad discussion and analysis of actions taken by government authorities.

The report follows the structure of the Association Agreement and is supplemented with other up-to-date information.

An electronic copy of the report is available on the official website of the Cabinet of Ministers of Ukraine.

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This report is prepared by the Government Office for European and Euro-Atlantic Integration with the support of EU Delegation to Ukraine and the Association4U project funded by the European Union.
In 2016, we passed through an important stage in the process of the approximation of Ukraine to the EU. The country has been undergoing rapid changes. We managed to make a significant progress in ensuring human rights and freedoms, establishing anti-corruption safeguard measures, saving taxpayers’ millions of hryvnias due to transparent public procurements, setting up necessary prerequisites for the transparent functioning of the energy market, and creating conditions for the Ukrainian energy network development required within the Third Energy Package. The decentralisation provided capable local communities with additional financial resources and powers. The entry into force of the Deep and Comprehensive Free Trade Area allowed the Ukrainian producers to represent themselves in the European market. The year also offered us an opportunity to analyse approaches to organisation of the implementation of the Association Agreement. It is evident that this process involves direct responsibility of every ministry, authority and the Government as a whole, and is impossible without harmonious and permanent interaction between all branches of power, particularly between the Government and the Parliament. Therefore, we primarily focused on putting on the agenda all the reforms being implemented by the Cabinet of Ministers of Ukraine, and commitments undertaken by Ukraine upon ratification and beginning of the provisional application of the EU–Ukraine Association Agreement.

Approximation of the Ukrainian legislation and practices to the EU standards is not only the formal obligation of Ukraine, but also new opportunities for free movement of goods and services from Ukraine to the markets of the EU and third countries. The report on implementation of the EU–Ukraine Association Agreement in 2016 allows comprehensively analysing how Ukraine meets its obligations, defining weak points of this process and determining clear priorities for this and following years.

It is important to note that tasks and purposes specified in this report will be an integral part of the Medium-Term Plan of Priority Actions for the Government until 2020. This means that the implementation of the Agreement will involve the entire government machinery on a daily basis.

Today, we can confidently say that we have all prerequisites for achieving success in internal transformations, which will become grounds for our country to progress in the path of European integration and ensure the prosperity of every person.

Ivanna Klympush-Tsintsadze
Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration
IN 2016, UKRAINIAN TOP-LEVEL OFFICIALS HAD A NUMBER OF MEETINGS IN EU INSTITUTIONS.

On 24 and 25 May 2016, the first visit to Brussels was undertaken following the appointment of the Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration

The purpose of the visit was to apprise the EU Party of the major priorities in the activities of the new Government of Ukraine related to European integration: ensuring the successful implementation of the EU–Ukraine Association Agreement and effective coordination of the process of reforms in the country and the relevant EU assistance.

During her visit, Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration I. Klympush-Tsintsadze met with EU officials, in particular European Commissioner for ENP and Enlargement Negotiations J. Hahn, Vice-President of the European Commission for the Euro and Social Dialogue V. Dombrovskis, European Commissioner for Trade C. Malmström, European Commissioner for Agriculture and Rural Development P. Hogan, as well as with Members of the European Parliament A. Plenković and R. Auštrevičius.

On 19 and 20 July 2016, Prime Minister of Ukraine V. B. Groysman went on a visit to Brussels

The visit was intended to inform the EU Party of the first results the new Government of Ukraine had obtained in reform implementation and involved meetings with the key EU officials, in particular President of the European Council D. Tusk, Vice-President of the European Commission and High Representative of the Union for Foreign Affairs and Security Policy F. Mogherini, President of the European Commission J.-C. Juncker, Vice-President for Energy Union M. Ševčovič, and President of the European Investment Bank W. Hoyer.

On 7 and 8 November 2016, the Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration participated in the meeting of the European Parliament’s Committee on Foreign Affairs

The visit was aimed at notifying the EU Party of the pace of reforms in Ukraine and the EU–Ukraine Association Agenda implementation.

During her visit, Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration I. Klympush-Tsintsadze:
– participated in the meeting of the European Parliament’s Committee on Foreign Affairs with the involvement of EU National Parliaments’ representatives and in the business lunch with the Permanent Representatives of the Governments of the Member States to the European Union (COREPER);
– participated in the event of European Policy Centre (EPC) on EU–Ukraine relations: achievements and prospects;
– met with EU officials, in particular European Commissioner for ENP and Enlargement Negotiations J. Hahn, European Commissioner for Trade C. Malmström and Secretary General for the External Action Service H. Schmid.

Several visits of government delegations to the EU institutions at the beginning of 2017 focused on the outcomes of the reforms in Ukraine and the results of the implementation of the EU–Ukraine Association Agreement in 2016:

– On 5–7 February 2017 during the visit Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration:
  – spoke at the High-level conference on Ukraine’s reforms and the role of the EU: How to unleash Ukraine’s economic potential?,
  – had a business dinner with the Ministers for Foreign Affairs of NB6 and High Representative of the Union for Foreign Affairs and Security Policy F. Mogherini,
  – spoke at the meeting of the European Parliament’s Sub-Committee on Security and Defence dedicated to the security situation in Eastern Ukraine;

– On 9 and 10 February 2017 within the working visit of Prime Minister of Ukraine V. Groysman to Brussels, participated in the High-level conference on Promotion and guidance: Reboot of the Ukrainian reforms, met with President of the European Council D. Tusk, President of the European Commission J.-C. Juncker and President of the Wilfried Martens Centre for European Studies M. Dzurinda.

Association bilateral bodies were established in accordance with the EU–Ukraine Association Agreement (Articles 461–469). Thus, a number of meetings of the bilateral EU–Ukraine bodies, the functioning of which is provided for by the EU–Ukraine Association Agreement, was held in 2016.

In particular, on 24 November 2016, the 18th EU–Ukraine summit was held in Brussels as part of the high-level political dialogue.

The Summit considered the implementation of the Association Agreement and the pace of internal reforms in Ukraine, as well as the provision of relevant support by the EU. The prospects of visa-free travel for Ukrainian citizens, energy cooperation, developments in Eastern Ukraine and the implementation of the Minsk agreements, consequences of the occupation of Crimea and Sevastopol, cooperation in common security and defence policy, other international and regional issues were among the issues discussed.

Common approaches to stronger political association and economic integration of Ukraine, as well as to a common response to changes and strategic challenges, were agreed upon and coordinated.
On 19 December 2016, the third meeting of the EU–Ukraine Association Council established in accordance with Article 461 of the Association Agreement took place in Brussels involving the members of the Ukrainian Government and the members of the Council of the European Union and the European Commission.

As it was the first meeting since the Deep and Comprehensive Free Trade Area (DCFTA) was applied on 1 January 2016, the participants discussed, in details, not only the progress of the implementation of the Association Agreement in general, but the first outcomes of the DCFTA introduction. The EU Party confirmed its readiness to expand access of Ukrainian products to the European market, mainly on account of additional autonomous preferences, whilst recognising the need to improve business and investment climate in Ukraine.

In addition, the EU Party confirmed its readiness to provide further financial and technical assistance to Ukraine within implementation of key systemic political and economic reforms in accordance with the common obligations.

Within the framework of the meeting, the EU and Ukraine signed five agreements, namely a financing agreement governing the European Commission support to Ukraine’s public administration reform and four agreements confirming Ukraine’s participation in EU-funded cross-border cooperation. In addition, a number of documents was signed with an aim to obtain loans from the European Investment Bank.

On 5 and 6 July 2016, the second meeting of the Association Committee established in accordance with Article 464 of the Association Agreement took place in Kyiv.

At the meeting, the participants discussed a wide range of issues related to political, economic and sector cooperation, assessed the implementation of the Association Agreement and considered the instruments for monitoring its implementation, as well the ways to facilitate interaction of the Parties for the purposes thereof.

The results of the constitutional reform in Ukraine, as well as efforts taken to eliminate corruption, were reported. Decentralization as the key priority of the policy of the Government of Ukraine was confirmed, and further steps to be taken in this area were notified.

In addition, Ukraine confirmed its readiness to continue close cooperation with the EU to implement public policy reforms of justice, freedom and security. The Parties discussed the achievements of judicial reform, the state and results of law enforcement reform, the priorities of reforming the Prosecutor General’s Office of Ukraine, as well as the activity of the Specialized Anti-Corruption Prosecutor’s Office.

Special attention was given to introduction of structural economic reforms aimed at facilitating investment and business climate, stabilizing the economic situation and improving the welfare of citizens.
While discussing the issues of sector cooperation, attention was given, inter alia, to energy and transport, environmental protection and maritime policy, agriculture and development of rural areas, social policy, regional development and civil defence.

In addition, the participants reviewed the European Neighbourhood Policy bringing up the issue of deeper EU–Ukraine cooperation in strategic communications.

**On 12 and 13 July 2016, Kyiv hosted the first meeting of the Association Committee in Trade Configuration.**

The meeting considered EU–Ukraine trade relations and trade-related matters of mutual interest; and, apart from it, the progress of the implementation of provisions of the Deep and Comprehensive Free Trade Area with the view to the issue of regulatory approximation, tariff liberalisation and institutional aspects.

Current developments and main trends in trade between the EU and Ukraine, as well as the state of preparation of the Ukrainian Export Strategy until 2020 were discussed. The participants agreed on the arrangement of certain consultations on Ukrainian export promotion.

The meeting considered the process of fulfillment by Ukraine of its trade commitments under the Association Agreement and the possibility of adjusting its provisions.

In accordance with Article 466 of the Association Agreement, the Association Committee is assisted by sub-committees that hold their meetings at flexible intervals in Brussels or Kyiv, or through video-conference. Sub-committees are platforms for monitoring the approximation progress in specific areas where issues and problems arising within this process are discussed, and recommendations and operational conclusions are drawn up.

To ensure expert discussions of certain areas, the Association Council by its Decision No 2/2014 of 15 December 2014 established two sub-committees: the Sub-Committee on Freedom, Security and Justice, and the Sub-Committee on Economic and Other Sector Cooperation.

**On 3 June 2016, the second meeting of the Sub-Committee on Freedom, Security and Justice took place in Brussels.**

The meeting discussed the progress of Ukraine in the Agreement Association implementation in the areas of justice, freedom and security. The live issues of political development in Ukraine in those areas and priority directions for enhancing bilateral and multilateral cooperation between the EU and its Member States and Ukraine were focused on.

The EU Party positively evaluated the results of the implementation of the EU Visa Liberalisation Action Plan for Ukraine and reaffirmed its readiness to support Ukraine on its way of reforms.

The Sub-Committee also took stock of the state of cooperation, specifically in the areas of personal data protection; migration, asylum and border management; mobility, fight against money laundering and terrorism financing; fight against illicit drugs, precursors and psychotropic substances; fight against crime and corruption; and legal cooperation.

The meeting positively evaluated Ukrainian legislative reforms, creation of necessary institutional mechanisms, as well as reform implementation measures taken by Ukraine in the key areas (constitutional reform, decentralisation, fight against corruption, and judicial reform).

**Following the agreement reached by the Parties at the first meeting of the Association Committee (on 13 and 14 July 2015), the Sub-Committee on Economic and Other Sector Cooperation acts in accordance with the cluster principle focusing on the key issues the Sub-Committee is responsible for:**

- Cluster 1: macroeconomic cooperation, management of public finances (budget policy, internal control and external audit, statistics, accounting and auditing, anti-fraud provisions);
- Cluster 2: industrial and enterprise policy, mining and metals, tourism, space, company law and corporate governance, consumer protection, taxation;
- Cluster 3: energy cooperation, including nuclear issues, environment, including climate change and civil protection, transport;
- Cluster 4: cooperation in science and technology, information society, audio-visual policy, education, training and youth, culture, cooperation in the field of sport and physical activity;
- Cluster 5: agriculture and rural development, fisheries and maritime policies, Danube river, cross-border and regional cooperation;
- Cluster 6: cooperation on employment, social policy and equal opportunities, public health.

**On 26 April 2016, Cluster 5 had its meeting in Brussels.**

The discussion followed the agenda that included the progress of the implementation of the Association Agreement, current cooperation in the field of agriculture and rural development, cooperation on the Danube river issues, cross-border and regional cooperation, fisheries and maritime policies development.

**On 3 June 2016, Cluster 4 had its meeting in Brussels.**

The meeting discussed the process of key reforms and Ukraine’s achievements within implementation of its commitments under the Association Agreement in the fields of science and technology, information society, audio-visual policy, education, training and youth, culture, sport and physical activity.

The information on Ukraine’s major achievements in those fields was provided.
On 10 June 2016, Cluster 6 had its meeting in Kyiv.

The discussion followed the agenda that included the progress of implementation of the Parties’ commitments in the fields of employment, public health, social policy and equal opportunities, and determined priority directions for enhancing cooperation between the EU and its Member States and Ukraine. Cluster 6 also addressed the ways of reforming the health care system in Ukraine and changes in the regulatory framework for pharmaceutical procurements, public health financing, primary medical and sanitary assistance.

On 28 and 29 September 2016, Cluster 1 had its second meeting in Kyiv.

The meeting analysed Ukraine’s implementation of its commitments under the Association Agreement, in particular discussed the issues of macroeconomic cooperation, management of public finances and sector cooperation, examined the issues of budget policy, internal financial control and external audit, cooperation in statistics, accounting and anti-fraud provisions. Cluster 1 reaffirmed the Parties’ readiness to interact in the processes undergoing in Ukraine’s financial and economic areas shown in the joint operational conclusions of the meeting.

On 24 and 25 October 2016, Cluster 3 had its meeting in Brussels.

The meeting discussed the live issues of energy cooperation (including nuclear issues), transport cooperation (including the issues of updating the national transport strategy of Ukraine and regional transport cooperation), cooperation in the field of environment protection and civil protection. Priority areas in cooperation between the EU and its Member States and Ukraine in those areas were determined.

In addition, the Association Agreement contains provisions for the establishment of:
– the Sub-Committee on Geographical Indications (Article 211 of the Association Agreement);
– the Sub-Committee on Sanitary and Phytosanitary Management (Article 74 of the Association Agreement);
– the Customs Sub-Committee (Article 83 of the Association Agreement);
– the Trade and Sustainable Development Sub-Committee (Article 300 of the Association Agreement). The first meetings of those bilateral bodies are planned for 2017.
CHAPTER II

POLITICAL DIALOGUE AND REFORM,
POLITICAL ASSOCIATION
The provisions of the title can be divided into two groups:

– **Dialogue and cooperation between the EU and Ukraine on internal reforms** ([www.reforms.in.ua](http://www.reforms.in.ua)), covering the areas linked to functioning and enhancement of the stability and efficiency of functioning of institutions that ensure democracy and the rule of law, respect for human rights and fundamental freedoms, and relevant internal reforms in Ukraine.

– **Development of dialogue on foreign and security policy** aimed at gradual convergence and alignment of the EU and Ukrainian positions on the international policy and relations, including the issues of international security with the aim of Ukraine’s ever-deeper involvement in the European security area.

**FUNCTIONING OF DEMOCRATIC INSTITUTIONS**

**Decentralisation**

Decentralisation is a key component of reforms in this area, aimed at ensuring good governance and efficient public finance management.

Establishment of 366 new communities is one of key results of this reform. Local self-government bodies received new powers, including those to manage financial resources, the realisation of which exceeded the planned 2016 figures.

The decentralisation of powers in certain spheres of social life such as education, health care, public order, etc., is in progress.

To ensure support for local authorities to implement the State Regional Development Strategy until 2020, the Cabinet of Ministers of Ukraine adopted the decision allowing regions to establish non-profit non-budget institutions — Regional Development Agencies. Such agencies will work as offices consulting on preparation and implementation of regional development programmes and projects that should become cooperation centres between the public and private sectors.

However, complete implementation of this reform will be possible after making amendments to the Constitution of Ukraine and adopting new framework legislation on the administrative and territorial division of Ukraine, local governance and prefect’s activities.

To date, Ukraine receives considerable expert and financial assistance of international partners aimed at supporting the implementation of this reform.

Thus in April 2016, the European Commission and the Government of Ukraine signed a financing agreement on U-LEAD with Europe: Ukraine Local Empowerment, Accountability and Development Programme. The programme provides for allocating EUR 97 million to support the reforms of local self-government, decentralisation and regional development in Ukraine.

In addition, the European Commission and the Government of Ukraine signed the Supplementary Agreement on financing the Sector Policy Support Programme that would allow obtaining EUR 50 million of sector budgetary support for implementation of programmes and projects within the State Regional Development Strategy until 2020. Due to the progress achieved in implementation of the regional policy, at the end of 2016 Ukraine obtained the first disbursement in the amount of EUR 23 million for the implementation of regional development projects selected on a competitive basis.

**Reform of Law Enforcement Agencies**

In 2016, the Ministry of Internal Affairs of Ukraine became the key law enforcement agency to undergo radical transformation. At present, the following bodies operate within the system of the Ministry of Internal Affairs of Ukraine:

– the National Police is the central body of the executive power that serves the public good by ensuring protection of human rights and freedoms, fight against crime and maintenance of public order and safety;
– the State Border Guard Service of Ukraine is the central body of the executive power implementing the state policy for comprehensive management of the state border;
– the State Migration Service of Ukraine is the central body of the executive power implementing the state policy for tackling illegal immigration;
– the State Emergency Service of Ukraine is the central body of the executive power implementing the state policy for civil protection, fire safety and emergency management;
– the National Guard is a military force that ensures public order.

2016 witnessed opening of 12 new model service centres of the Ministry of Internal Affairs, ensuring conditions for providing services on a single window basis in the format of an open office. Introduction of electronic queue management and electronic information resources has reduced waiting time for administrative services.

Ensuring appropriate implementation of the Law of Ukraine “On the National Police” was one of the key priorities in reforming the system of internal affairs bodies in 2016. Thus, the Regulation on police commissions and the Standard procedure of competitions for police service and/or vacant positions were approved. A competition for the position of the Head of the National Police was held.

The employees underwent a re-qualifying procedure. An independent recruitment centre was established with a new system of a transparent and open competition for investigators, precinct policemen and operative police officers developed and implemented.

In 2016, new patrol police units totalling over 12,000 of employees were launched in 32 cities of Ukraine. 34 police car patrols are involved in ensuring traffic safety on motorways of a total length of over 1.5 thousand kilometres.
The Rapid Operational Response Unit (KORD) was established as a single special police unit of operational response. The concept of further reforming the National Police of Ukraine in the following lines: police — public interaction, crowd management, criminal investigation, staff selection and training, is being elaborated. The adoption of the Law of Ukraine “On the disciplinary statute of the National Police of Ukraine” (Reg. No 4670) that has passed the first reading is expected in 2017. The Statute determines the nature of service discipline in the National Police, the powers of police officers and their supervisors over compliance with the discipline rules, types of incentives and disciplinary penalties, as well as the procedures for applying and appealing them. The preparation of the Draft Code of Police Ethics is nearing completion.

In 2016, international experts were actively involved in elaborating approaches to future reforms of the Security Service of Ukraine. Proposals to the concept of reforming the Security Service of Ukraine, which take account of the best practices of EU and NATO Member States, were outlined within the framework of the International Advisory Group on Security Service of Ukraine (SSU) Reform supported by the EUAM Mission, the NATO Liaison Office in Ukraine and several partner services of European countries. The proposals are being considered and discussed by the experts of that Advisory Group and Security Service of Ukraine.

In 2016, the procedures linked to the establishment of the State Bureau of Investigation were launched in accordance with the Law of Ukraine No 794–VIII of 1 March 2016. On 29 February, the Cabinet of Ministers of Ukraine adopted the decision to establish the State Bureau of Investigation as a central special status body of the executive power (Resolution of the Cabinet of Ministers No 127 of 29 February 2016).

During 2016, the main aim was to ensure a transparent and open process of selecting candidates for top-management positions in the State Bureau of Investigation. Thus, the Competition Commission was established to coordinate the competition for the positions of the director of the State Bureau of Investigation, its deputy directors, directors of territorial bodies and heads of units in the central apparatus of the State Bureau of Investigation (the members of the Commission were approved by Resolution of the Cabinet of Ministers of Ukraine No 125 of 29 February 2016); a list of candidates for the relevant positions was approved. On completing all the screening procedures provided for by the law, in particular polygraph testing, the selection of candidates for the positions will be done. After the appointment of the director of the State Bureau of Investigation, all the necessary actions related to the personnel or logistics of the body will be taken.

Launching this law enforcement agency will ensure an impartial and objective investigation of crimes committed by top-level officials, judges and law enforcement employees. The State Bureau of Investigation is to take over the investigative functions of the prosecutor’s office.
HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

Implementation of the National Human Rights Strategy (adopted by Decree of the President of Ukraine No 501/2015 of 25 August 2015) within the framework of measures provided for by the Action Plan for its Implementation until 2020 (adopted by Resolution of the Cabinet of Ministers of Ukraine No 1393 of 25 November 2015) was underway in 2016.

The Strategy and the Action Plan take account of the recommendations of international organizations and are comprehensive documents determining priority tasks in the areas of civil, political, social and economic rights, discrimination prevention and counteraction, gender equality, and describing clearly the measures for fulfilling them.

The Action Plan should undergo common regular monitoring by the Ukrainian authorities, NGOs, international organizations and the Ombudsperson with the view to evaluating the implementation of the approved projects. The Report on Implementation of the Action Plan in 2016 has been prepared by the Ministry of Justice and is available on its website — http://old.minjust.gov.ua/section/548.

The draft law on ratification of the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) (Reg. No 0119) and the Draft law “On preventing and combating domestic violence” (Reg. No 5294), which provides prerequisites for appropriate Convention implementation, were submitted for consideration of the Verkhovna Rada of Ukraine and passed the first reading, thus constituting one of the major achievements in 2016 within the framework of the document implementation.

The State Programme on Ensuring Equal Rights and Opportunities for Women and Men until 2021, which takes account of the Council of Europe Strategy in the area of gender equality, is being worked out.

Measures ensuring the appropriate coordination in implementation of the legislation and strategic documents on equality between women and men were also taken in 2016. The Cabinet of Ministers of Ukraine is expected to delegate these powers to one of the Vice Prime Ministers of Ukraine in the first quarter of 2017.

In addition, the National Strategy for Developing Civil Society in Ukraine 2016–2020 aimed at promoting dialogue between the authorities and civil society organizations, primarily in the area of ensuring human rights and fundamental freedoms, was launched in 2016. The Coordinating Council for the Development of Civil Society as an advisory and consultative body under the President of Ukraine was established.

The Draft law of Ukraine “On amendments to certain laws of Ukraine on ensuring voting rights of internally displaced persons” (No 4471 of 19 April 2016), which is aimed at ensuring rights of internally displaced persons to participate in elections and referendums and is being finalised by the Specialised Committee involving the representatives of the respective ministries, was registered at the Verkhovna Rada of Ukraine.

In 2016, the Government ensured the formation and maintenance of the register (Unified Information Database) of internally displaced persons (Resolution of the Cabinet of Ministers of Ukraine No 646 of 22 September 2016).

Adoption of the Draft law of Ukraine “On amendments to certain legislative acts of Ukraine (concerning harmonization of the legislation in the areas of discrimination prevention and combating with the EU legislation)” (No 3501 of 20 November 2015) requires immediate attention of the Verkhovna Rada of Ukraine within the framework of the implementation of the Association Agreement in 2017.

FOREIGN AND SECURITY POLICY

Ukraine continues aligning itself with the EU statements and addresses on foreign policy issues, specifically within the framework of international organizations (UNO and its system of agencies and institutions, OSCE, IAEA and others). As of 1 January 2017, Ukraine has aligned itself with 4,920 statements out of 5,875.

The Strategic Defence Bulletin of Ukraine, aimed at ensuring practical implementation of the provisions in the Military Doctrine of Ukraine and the Concept for the Development of Security and Defence Sector of Ukraine and determining the strategic and operative objectives of the defence reform and their expected outcomes in the face of growing military and political threats and challenges, was approved in 2016. The Bulletin also determines the ways of reaching the objectives of the defence reform, active participation in the implementation of the EU Common Security and Defence Policy, as well as active cooperation with NATO in order to meet the criteria essential for becoming a full member of the North Atlantic Treaty Organization.

In February 2016, within the framework of implementation of the Administrative Agreement between the Ministry of Defence of Ukraine and the European Defence Agency (EDA), the EU Party received a scheme of military coordination with the EDA and a list of coordinators by the lines of the Agency’s activities.

To develop practical cooperation with the EDA, the Ministry of Defence of Ukraine addressed the request expressing its interest in participating in the multinational projects under the aegis of this organization: Material Standardisation, Single European Sky, Counter-IED, European Air Transport Flee (in a long-term perspective).

In June 2016, Ukraine signed the Note on Joining the Ministry of Defence of Ukraine to the Technical Agreement of the Ministry of National Defence of the Republic of Poland, the Ministry of Defence of the Slovak Republic, the Ministry of Defence of Hungary and the Ministry of Defence of the Czech Republic concerning their cooperation within the framework of the Visegrad EU Battlegroup. By signing the Note, Ukraine formed the regulatory basis for the arrangements, general commitments, principles and procedures, according to which the Armed Forces of Ukraine in its fixed composition participate in the V4 EU Battlegroup stand-by. In the second half of 2016, the units of the Armed Forces of Ukraine were on the EU Battlegroup stand-by led by the UK.

In October 2016, under the auspices of the European Security and Defence College, the I. Cherniakhovsky National University of Defence of Ukraine hosted the orientation course of studies on the common security and defence policy of the European Union. 300 representatives of Ukraine participated in it.
Ratification of the Statute of the International Criminal Court

The Law of Ukraine “On amendments to the Constitution of Ukraine (concerning justice)” (No 1401-VIII) provides that Ukraine may recognise the International Criminal Court jurisdiction under the terms and conditions set forth in the Rome Statute of the International Criminal Court.

The relevant provision amended Article 124 of the Fundamental Law.

The political dialogue between the EU and Ukraine is of high level and runs within the existing framework. The EU and Ukraine ensure that their approaches to the assessment and condemnation of Russia’s actions that pose threats to international peace and security are coordinated, as well as relevant measures of counteraction are taken.

The Ukrainian Party has to concentrate its efforts on further reforming its law enforcement agencies and penitentiary system, and implementing comprehensive decentralisation measures.

Improvement of legislation on discrimination counteraction and gender equality, particularly by amending appropriately the Labour Code of Ukraine and ratifying the Istanbul Convention, remains an important task.
CHAPTER III
JUSTICE, FREEDOM AND SECURITY
The Association Agreement between the EU and Ukraine does not provide directly for granting a visa free access. However, Article 19 of the Association Agreement states the necessity of implementing the EU Visa Liberalisation Action Plan for Ukraine (hereinafter — Action Plan).

In November 2010, the EU Visa Liberalisation Action Plan for Ukraine was presented to Ukraine. While implementing the Action Plan, Ukraine met all necessary 144 criteria in the spheres of document security, combating organised crime, migration, border management, and protection of human rights and freedoms. To meet these criteria, 150 laws and regulatory acts have been adopted and are being successfully implemented.

As a result, the European Commission submitted the legislative proposal to transfer Ukraine to the list of visa-free countries for consideration of the European Parliament and Council of the EU.

According to Article 15 of the Association Agreement, the Parties agreed to cooperate with a view to ensuring the proper level of personal data protection in compliance with the highest European and international standards.

The Ukrainian Parliament Commissioner for Human Rights is vested with powers to monitor the compliance with the law on personal data protection by the Law of Ukraine “On personal data protection”.

The Secretariat of the Ukrainian Parliament Commissioner for Human Rights includes a separate Department for Personal Data Protection, whose main functions are monitoring respect for human rights in the area of personal data protection, dealing with the public complaints and taking measures for renewal of their rights in the area of personal data protection, and inspecting personal data holders.

The Secretariat of the Ukrainian Parliament Commissioner for Human Rights monitors the application of legislation on personal data protection on a regular basis and, consequently, takes the necessary measures. Training lectures for professional and target groups on the application of the legislative provisions in the area of personal data protection are regularly organised.

The Secretariat of the Ukrainian Parliament Commissioner for Human Rights, under the auspices of the Office of the Council of Europe in Ukraine and with the support of the Ukrainian Catholic University, implements the School of Personal Data Protection project, which is a three-day course for target groups. Representatives of telecommunication companies, banking sector, military officers, medical personnel have already completed the course.

A working group was established to elaborate the amendments to the Law of Ukraine “On personal data protection” with a view to eliminating legislative gaps determined within the practical application and harmonisation of the Law with the Ukrainian legislation on access to public information.

In accordance with Article 16 of the Association Agreement, Ukraine is committed to overcoming the causes of illegal migration and human trafficking, ensuring respect for the right to asylum, facilitating migrant integration and better border management.

In 2016, in the area of migration and asylum:

– The rights of persons recognised as refugees in Ukraine were ensured (documenting with the correct identification data).
– The mechanism of urgent consideration of cases on forced deportation of foreigners and stateless persons or ensuring transfer of foreigners and stateless persons in accordance with the international agreements on readmission was established.
– Judicial protection for foreigners and stateless persons and issuance of permits for permanent or temporary residence to this category of persons released from temporary refugee shelters or camps were enhanced.
– Online system for processing and issuing visas for foreigners and stateless persons to enter and transit Ukraine was launched.
– Based on the results of the ninth meeting of the EU–Ukraine Joint Readmission Committee held on 3 August 2016, the Parties stated highly effective implementation of the Agreement between the European Union and Ukraine on the readmission of persons, and noted, inter alia, that the readmission rate had exceeded 80% proving that Ukraine was implementing the Agreement in the most effective manner in contrast to the similar Agreements between the EU and other countries. In 2016, preparation of bilateral implementation protocols for signing with EU Member States, in particular with Poland, Belgium, Luxembourg, the Netherlands, Portugal, Slovakia, Hungary, Romania, Malta, Italy, France, Germany, Lithuania, Latvia, Finland, was underway.

In 2016, in the sphere of **border management:**
– Conditions for improving state border security and implementing best practices of integrated border management in Ukraine were created.

For reference: *The Action Plan on Implementation of the Concept of Integrated Border Management was adopted (Resolution of the Cabinet of Ministers of Ukraine No 626-p of 31 August 2016).*

– The Protocol on the Organisation of Joint Romania–Ukraine Border Patrol and the Protocol on Exchange of Statistical and Analytical Information, implementation of which ensures enhancement of the Romanian–Ukrainian border management, were signed (May 2016).
– The **demarcation of Ukrainian–Belorussian state border and Ukrainian–Moldavian state border** continued.

For reference: *At the Ukrainian–Belorussian state border within the framework of demarcation works as of 31 December 2016, 404 km of the state border line were marked and 977 border signs were put up. As of 31 December 2016, at the Ukrainian–Moldavian state border, 1,222 km (100%) of the state border line, including 452 km at the central (Predniestrian) line was marked and 4,198 border signs were put up.*

– Conditions for enhancing the security and fight against transnational organized crime at the Ukrainian–Moldavian border were created.

For reference: *In accordance with the Agreement between the Cabinet of Ministers of Ukraine and the Government of the Republic of Moldova (Resolution of the Cabinet of Ministers of Ukraine No 511 of 8 August 2016), the information shall be exchanged between the border services to ensure the security of the common border, prevention and fight against transnational organised crime, international terrorism and its financing in real time via protected channels.*

– State checkpoints are being connected to the Interpol databases.

For reference: *123 checkpoints have been already connected (with 82 thereof connected in the 4th quarter of 2016) due to which checks at borders are carried out in the real time.*

– Biometric equipment for high-level border control has been installed at 157 first-line checkpoints and 97 second-line points.
In the area of anti-money laundering and combating terrorism financing:
Legislative and institutional provision of the system of combating money laundering and terrorism financing on the whole complies with the international standards.
Meanwhile, implementing, inter alia, FATF recommendations is an ongoing process. To this end in 2016, the Strategy on Reforming the Reporting System in the area of prevention and combating of money laundering, terrorism financing and financing of the proliferation of weapons of mass destruction, devised with the account of recommendations and the report of IMF experts of 17 March 2016, was approved (Resolution of the Cabinet of Ministers of 23 August 2016).
The Criteria of risk in money-laundering and terrorism financing, as well as financing of the proliferation of weapons of mass destruction were approved (Order of the Ministry of Finance No 584 of 8 July 2016).
Six resolutions of the National Bank of Ukraine on evaluating risks of bank use, bank inspections, report forms in accordance with the IMF recommendations, verification of transaction information, and monitoring by non-banking financial institutions were approved.
In the area of fight against illicit drugs in 2016:
– Control over medications containing narcotic drugs was tightened (Resolution of the Cabinet of Ministers No 128 of 24 February 2016).
– The illegal drug laboratory and its network of product distribution aimed at receiving funds for Hezbollah international terrorist organisation were liquidated.
The draft of the Action Plan on Implementation of the Strategy of the State Drug Policy until 2020 is being agreed upon.
In the area of preventing trafficking in human beings:
– Specific measures on combating trafficking in human beings were defined, responsibilities and areas of work were outlined.
  
  For reference: The State Programme on Combating Trafficking in Human Beings until 2020 was approved (Resolution of the Cabinet of Ministers No 111 of 24 February 2016).

– Capability for protecting persons affected by human trafficking, persons of risk groups, especially children and youth, was strengthened.

  For reference: The Ministry of Internal Affairs and the International Organization for Migration (IOM) developed the plan of cooperation on implementing the Project of Countering Trafficking of Children and Youth in Ukraine for 2015–2020.

– Legislative and institutional principles for combating cyber-threats were established with due regard to practices of the leading NATO and EU Member States.

In the area of combating corruption:
The system of new anti-corruption bodies was created:
– the National Anti-Corruption Bureau of Ukraine.
  The National Anti-Corruption Bureau of Ukraine became fully operational in December 2015 after the election of the Anti-Corruption Prosecutor, the head of the Specialized Anti-Corruption Prosecutor’s Office.
  Based on the results of open competitions, 537 employees with 200 detectives thereof work at the National Anti-Corruption Bureau of Ukraine.
  In accordance with the Law of Ukraine “On National Anti-Corruption Bureau of Ukraine” the maximum number of employees in its central and territorial offices totals to 700 persons. The competitive selection of candidates for positions of detectives is in progress.
  Three territorial departments of the Bureau were established in Lviv, Odesa and Kharkiv.
  The National Anti-Corruption Bureau jointly with the Specialized Anti-Corruption Prosecutor’s Office initiated 280 criminal proceedings, served 71 persons with charge papers, and referred 47 criminal cases to court.
  Within the framework of bilateral cooperation with the EU, on 19 October 2016, the National Anti-Corruption Bureau of Ukraine and the European Anti-Fraud Office (OLAF) signed the Cooperation Agreement providing for common investigation and exchange of information on fraud and violations, which affect the EU budget and may harm its financial interests.
  – The regulatory framework for functioning and full composition of the Specialized Anti-Corruption Prosecutor’s Office were determined.

For reference: The Regulation on the Specialized Anti-Corruption Prosecutor’s Office (Order of the Prosecutor General’s Office No 149 of 12 April 2016) were approved. The Law of Ukraine “On the Public Prosecutor’s Office” was amended concerning non-application of the requirement to have at least five years’ work experience at the position of a prosecutor to prosecutors of the Specialized Anti-Corruption Prosecutor’s Office (No 1020-VIII of 18 February 2016).
– Legal prerequisites for functioning of the specialized anti-corruption court were set.

For reference: The Law of Ukraine “On the judicial system and the status of judges” (No 1402-VIII of 2 June 2016) was amended concerning the establishment of the High Anti-Corruption Court as the court of first instance for considering certain categories of cases that are investigated by the National Anti-Corruption Bureau of Ukraine and attended to by the Specialized Anti-Corruption Prosecutor’s Office. Decisions of the High Anti-Corruption Court can be appealed with the Supreme Court of Ukraine only. Twelve months after the the law determining special requirements for the judges of this court comes into force, the High Anti-Corruption Court should be established and the competition for the position of the judges of this court should be held.

– The National Agency for Prevention of Corruption (NAPC) became fully operational.

For reference: On 15 August 2016, the National Agency for Prevention of Corruption (NAPC) became fully operational (Decision of the NAPC No 1 of 14 August 2016). The plan of immediate actions on launching the NAPC has been adopted and is being implemented. To ensure the proper functioning of the Agency, the 2017 State Budget of Ukraine provides for appropriate expenses.

– Four out of five members of the Agency are appointed;
– The Agency has access to nine (out of 22 required) registers and information databases of public bodies. Concluding agreements on the NAPC’s access to other registers is underway;
– The Methodological recommendations on complying with rules for prevention and settlement of conflict of interests, and the Methodological recommendations on assignment of the management of company and/or corporate rights to prevent the conflict of interests were approved;
– All the regulatory acts essential for the proper implementation of the Law of Ukraine “On Political Parties in Ukraine”, specifically the report form of a political party on property, income, expenses, financial liabilities, the procedure for submitting the report to the National Agency and the regulation on the analysis of that report were approved;
– Distribution of funds, allocated from the state budget for financing the statute activities of political parties in 2016, among the political parties that had received not less than five per cent of valid votes in favour of their candidates in the unified national multiple-seat constituency within the 2014 snap election of Ukrainian members of parliament was approved;
– The electronic system for submission and publication of declarations of persons authorised to perform the functions of the state or local self-government was launched in accordance with the Law of Ukraine “On prevention of corruption”.

For reference: The Law of Ukraine “On introduction of e-declarations” (No 1022-VIII of 15 March 2016) was adopted. On 1 September 2016, the information and telecommunication system of the Unified State Register of Declarations of persons authorised to perform the functions of the state or local self-government was launched. On 30 October 2016, the first stage of submission of 2015 declarations for persons of responsible and highly responsible positions was completed. In 2016, 135,949 e-declarations for 2015 with 107,050 annual declarations of public service and self-government officials thereof (including 20,334 amended declarations) were submitted. Those and all other declaring parties will submit 2016 declarations within the period from 1 January to 31 March 2017.

– The National Agency of Ukraine for detection, search and management of assets received from corruption and other crimes was established and the competition for the position and selection of the Head of the National Agency was ensured (Resolution of the Cabinet of Ministers No 104 of 24 February 2016).

For reference: On 11 June 2016, the Law of Ukraine No 1021-VIII of 18 February 2016 that enhances the principles for the functioning of the National Agency empowering it to manage assets arrested in the criminal proceedings or confiscated due to their illicit origin entered into force. The agency was also empowered to sell the arrested property if its long-term storage would reduce its value. The register of assets arrested in the criminal proceeding will be open.

In the area of judicial reform:
– Depoliticisation and impartiality of the judicial branch was ensured, the professional judiciary standards were enhanced, ethical and corruption risks were averted.

For reference: The Law of Ukraine “On amendments to the Constitution of Ukraine (concerning justice)” (No 1401-VIII of 2 June 2016) that, inter alia, bans the Verkhovna Rada of Ukraine to participate in the process of judge appointment, introduces judge appointment for an indefinite period as advised by the Supreme Council of Justice, strengthens requirements for judges, and increases the responsibility of judges by limiting their immunity to functional only was adopted. To implement the new provisions of the Constitution of Ukraine on justice and further stages of the judicial reform, the Law of Ukraine “On the judicial system and the status of judges” (No 1402-VIII of 2 June 2016) was adopted. The Supreme Court of Ukraine will start functioning in the
first half of 2017. The competition for the vacant positions of judges has been announced. District (in oblasts), inter-district, dis-

trick (in cities), city and city district courts continue exercising their powers until a municipal district court with the jurisdiction

over a certain territory is established and starts fulfilling its mandate. The adopted law also provides for monitoring the judge's

lifestyle, submitting by judges the declarations of integrity and the declarations of family ties until 1 February on an annual

basis, and establishes the Public Council of Integrity involving human rights activists and journalists that will facilitate the

Supreme Qualification Commission of Judges of Ukraine in eligibility and conformance of a candidate or judge to the criteria of

professional ethics and integrity.

– The legal basis for impartial judicial power and its functioning on the principles of responsibility and accountability to the public was established.

For reference: On 21 December 2016, the Law of Ukraine “On the Supreme Council of Justice” (No 5180 of 23 September 2016) was adopted. The law determines the status, powers and functioning of the Supreme Council of Justice, which is the key authority for judge careers, has the right to decide on the appointment, dismissal and transfer of judges, grant permission for their detention, arrest and suspension.

Legislative conditions for replacement of judicial personnel in accordance with the public expectations and European standards, as well as for due functioning of the Prosecutor's Office, the Bar and the system of enforcement of judgements were created, and the process of establishing the new composition of the Supreme Court of Ukraine has been launched.

For reference: The Law of Ukraine “On amendments to the Constitution of Ukraine” (concerning justice) (No 1401-VIII of 2 June 2016) was adopted. The law deprived the Prosecutor’s Office of a number of functions, the rest of functions were completely altered, the powers of the Prosecutor’s Office that, inter alia, ensure more thorough and better quality pre-trial investigation were determined. On 30 September 2016, most of the new provisions of the Constitution of Ukraine on the Prosecutor's Office came into force. On 12 May 2016, the Law of Ukraine “On amendments to certain legislative acts of Ukraine concerning activities of the Prosecutor General's Office” (No 1355-VIII of 12 May 2016) ensuring the impartiality of prosecutor’s activities with the support of self-governing authorities and enhancing the responsibility of prosecutors was adopted. Competitions for the vacant positions of the heads of local prosecutor's offices are underway.

For reference: The Agreement on Cooperation between Eurojust and Ukraine was signed. The Draft law “On ratification of the Agreement on Cooperation between Eurojust and Ukraine” (No 0122 of 29 November 2016) was submitted by the President of Ukraine for consideration of the Verkhovna Rada of Ukraine.

– To comply with the European standards of enforcement of judgements, optimize the stages and terms of enforcement proceeding, the Laws of Ukraine “On enforcement proceeding” (No 1404-VIII) and “On bodies and persons engaged in judgements and other bodies’ decisions enforcement” (No 1403-VIII) were adopted. The laws are aimed at the structural reform of enforcement of judgements, their provisions introduce a mixed system of enforcement of judgements with the help of private and public enforcement officers. The provisions of the laws came into force on 5 January 2017. To date, the Ministry of Justice has completed all the preparatory procedures to launch the new profession of a private enforcement officer.

The conditions for the respect for the rule of law and the right to a fair trial were ensured.

For reference: 434 legal aid bureaus as independent structural units of the municipal centres for free secondary legal aid were launched. Due to the centres for legal aid, over 1,673 persons were given the verdict of acquittal or their cases were closed. Throughout Ukraine, 7,444 mobile consulting centres and 1,371 distance centres offering access to free legal aid were launched. Secondary legal aid (defence and representation in court) is provided by over 5,000 lawyers selected on a competitive basis.

In the area of legal aid in civil and criminal cases:

– Within the framework of one of the regular meetings of the Sub-Committee No 1 on Freedom, Security and Justice, the Parties stated high-level cooperation in the area of legal aid in civil and criminal cases;

– The Agreement on Cooperation between Eurojust and Ukraine was signed. The Draft law “On ratification of the Agreement on Cooperation between Eurojust and Ukraine” (No 0122 of 29 November 2016) was submitted by the President of Ukraine for consideration of the Verkhovna Rada of Ukraine.

– The Convention on Choice of Court Agreements, which is applied in international lawsuits concerning exclusive agreements on choice of court in civil and trade cases, was signed.

The Ukrainian Party is waiting for the EU to adopt a decision cancelling visa regime for Ukrainian citizens. Cooperative and effective functioning of the system of newly established anti-corruption bodies, and absence of political pressure on them should be ensured.

Implementation of legislation on judicial system reform adopted in 2016 remains a priority.
CHAPTER IV
TRADE AND TRADE-RELATED MATTERS
NATIONAL TREATMENT AND MARKET ACCESS FOR GOODS

To facilitate export to the EU and ensure implementation of the Order of the Ministry of Finance No 1142 “On the procedure for filling in and issuing a EUR.1 movement certificate by the customs in accordance with the EU–Ukraine Association Agreement”, in 2016, the customs units of the State Fiscal Service of Ukraine issued more than 50,000 EUR.1 certificates for goods originating in Ukraine and exported to EU countries. EUR.1 grants trade preferences to goods originating in Ukraine after they enter the territory of the EU.

The introduction of the authorised exporter institution was another significant achievement in simplifying the access to the EU market. An exporting enterprise, a legal entity registered in Ukraine, excluding customs brokers who regularly dispatch goods on contractual basis and are entitled to draw up customs declaration irrespective of the goods value, can become an authorised exporter. Within 2016, 113 companies received the status of the authorised exporter. The Procedure was approved by the Order of the Ministry of Finance No 1013 “On approval of the Procedure for issuing and revoking by the customs the status of authorised exporter”.

The Association Agreement, in particular, provides for a number of measures targeted at Ukrainian producers and at their convenient transition to the free trade area with the EU. In particular, since 1 January 2016, Ukraine has reduced to zero the import duties for approximately 70% of goods originating in the EU, while to the rest of goods, which are sensitive for Ukraine, either transition periods (varying from 1 to 7 years) or duty reduction regime in accordance with the Schedule set out in Annex I-A to the Association Agreement apply.

To protect extremely sensitive goods, tariff quotas for import into Ukraine of certain types of agricultural products originating in the EU Member States were introduced, and the Procedure for controlling tariff quota use was approved. According to Annex I-A to the Association Agreement, Ukraine introduces tariff quotas for importing sugar, pork and poultry from the EU Member States to Ukraine. Thus, Ukrainian producers have an opportunity to adapt to the new requirements and during the transition period (of up to 7 years on signing the Association Agreement) to equip the production facilities to face the competition with the EU agricultural products. In accordance with the above-mentioned Procedure, quotas are allocated without human interference by a complex software and information solution that is a part of the Unified Automated Information System of the State Fiscal Service. The information on total volume and balance of the unused tariff quotas is updated at the official web-portal of the State Fiscal Service of Ukraine daily.

The Government developed the mechanisms for application of special safeguard measures defined by the Association Agreement for certain goods subject to export duties. Thus, Ukraine will be able to apply, for 15 years upon entry into force of the Association Agreement, specific measures in the form of additional duty to the export duty (if the aggregate volume of exports from Ukraine to the EU exceeds the set volume by every code of the Ukrainian Classification of Goods for Foreign Economic Activity) gradually reducing the additional duty to “0” for hide raw materials, sunflower seeds, alloyed ferrous metal scrap, non-ferrous metal scrap and semi-manufactured goods using them, stainless steel and copper in accordance with the Schedule set out in Annex I-D to the Association Agreement.

The Schedule set out in Annex I-C to the Association Agreement provides for gradual elimination of export duty rates for live cattle, hide raw materials, seeds of some oil-bearing crops, alloyed ferrous metal scrap, nonferrous metal scrap and semi-manufactured goods using them, black metal waste and scrap within 10 years.

The introduction of an additional duty on the passenger cars produced in the EU is among the pending issues. The Draft resolution of the Cabinet of Ministers of Ukraine “On approval of the Procedure of applying specific measures on the import of passenger cars originating in the EU according to Article 44 of the Association Agreement” was approved by the Government on 28 December 2016. The resolution is aimed at the support of Ukrainian producers and creation of conditions for the development of automobile assembly in Ukraine.
TECHNICAL BARRIERS TO TRADE

Chapter 3: Technical Barriers to Trade is aimed at reducing technical barriers to trade and enhancing access for the Ukrainian industrial producers to the EU market. To this end, the following results were achieved: common legal and institutional principles for development, adoption and application of technical regulations and conformity assessment procedures were defined; national requirements on development and application of technical regulations and conformity assessment were brought in conformity with the EU and WTO requirements; gradual transition from mandatory product certification to conformity assessment system is underway. The Law of Ukraine “On technical regulations and conformity assessment” came into force in February 2016.

TECHNICAL REGULATIONS AND STANDARDS

On 10 February 2016, the Law of Ukraine “On technical regulations and conformity assessment” came into force. It determines:
– common legal and institutional principles for development, adoption and application of technical regulations and conformity assessment procedures;
– conformity assessment in compliance with the EU standards, the Association Agreement provisions on technical barriers to trade and WTO requirements;
– cancellation of centralised registration of product certificates in the state system of certification.

The law gives Ukrainian producers an opportunity to undergo testing and certification procedure in Ukraine, which will be recognised in the EU. It will allow business to reduce costs for obtaining the relevant documentation, undergoing the certification procedure and conformity assessment.

Out of 27 acts of the European sectoral law, determined by Annex III to the Association Agreement, Ukraine adopted 24 technical regulations, 22 of which are already binding (Chapter 3 Article 56).

To simplify doing business and implement the Law of Ukraine “On metrology and metrological activity” and the Law of Ukraine “On technical regulations and assessment conformity”; 58 legislative acts were adopted.

In accordance with Chapter 3, Article 56, national standards are progressively being harmonised with the international and European standards, primarily those the voluntary use of which is a proof of product conformity with the requirements of technical regulations similar to the relevant directives of the New and the Global Approaches. Thus, in 2016, 1,443 national standards were adopted with 1,320 thereof being identical with the international or European standards.

The Ukrainian Agency for Standardization is the national standardisation authority, and the authorised representative of the international standardisation organisation, and the only authorised distributor of electronic and paper copies of international standards in Ukraine.

In 2016, the national standardisation authority managed to improve the results in adopting new standards and enhancing its own efficiency and financial stability. In addition, in 2016, 7 new technical standardisation committees were established and, as of 1 January 2017, 183 technical committees were operational in Ukraine (with 30 thereof being not active).

To simplify the sales of standards, the online shop of the Ukrainian Agency for Standardization was launched. Its page (http://shop.uas.org.ua/) offers to order standards.

The plans of the national standardisation authority for 2017 cover harmonising 1000 standards, catching up with issuing standards for the period of 2014–2015 (with 1126 issued standards), becoming a member of ETSI, implementing the procedure for adopting NATO standards (Standardisation of Defence Products), implementing the unified electronic system of standard management with the support of the ISO.

METROLOGY

The Law of Ukraine “On metrology and metrological activity” came into force on 1 January 2016. It:
– unbundles regulatory and supervisory activities that allows preventing the conflict of interests;
– introduces the procedure of conformity assessment of measuring instruments to the requirements of technical regulations.

To this end, 3 technical regulations and 270 standards were adopted and implemented proving the conformity of measuring instruments to the requirements of technical regulations. These regulations are based on the EU directives, which simplifies export of measuring instruments to the EU market;
– reduces the number of categories of measuring instruments, which are regulated by legislation and are subject to regular verification, by half (from 160 to 80).

Within the framework of practical implementation of the Law of Ukraine “On metrology and metrological activities”, 22 resolutions of the Cabinet of Ministers of Ukraine were worked out and adopted and 14 orders of the Ministry of Economic Development were issued.

Resolution of the Cabinet of Ministers of Ukraine No 1041 “On approval of the Reference Base Development Programme for 2018–2022” of 28 December 2016 was published to comprehensively develop the Ukrainian metrological system.

In 2016, 12 checks of the state primary reference standards against the national reference standards of other states were carried out, which is proven by 259 CMC series declaring the calibration and measurement capabilities of the state primary reference standards on the website of the International Bureau of Weights and Measures and demonstrating the recognition of those reference standards in accordance with the CIPM Mutual Recognition Arrangement (CIPM MRA).
In accordance with the Research and Development Plan of the Ministry of Economic Development, 2 state primary reference standards were completed (the state primary reference standard 08-02-98 of the unit of electrical resistance and the state primary reference standard 08-08-02 of the units of electric power and coefficient of power) in the area of metrology in 2016.

**PREPARATION FOR SIGNING ACAA**

In accordance with Chapter 3, Article 57, the process of checking the progress in approximation of the Ukrainian legislation to the EU legislation to sign the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) between the EU and Ukraine for three priority sectors of industrial products such as low-voltage equipment, electromagnetic compatibility and machinery safety, has been launched.

Within the framework of the continuous process of assessment of the quality of Ukrainian infrastructure in those three priority sectors of the Ukrainian industry by the EU Party with a view to concluding the ACAA Agreement, 2 joint meetings were held with the representatives of the European Commission regarding the level of preparedness of the Ukrainian system of technical regulation for the official assessment.

Seven laws of Ukraine and three technical regulations and comparative tables of conformity of technical regulations to the provisions of the respective EU legislation were submitted for consideration to the EU Party. The EU Party continues considering their conformity with the EU acquis (the position of the EU Party is expected to be given in March 2017).

With the adoption of horizontal and sectoral law determined by the commitments of Ukraine under the Association Agreement, Ukraine demonstrated a significant progress in reforming the areas of technical regulation, standardisation, metrology, conformity assessment, accreditation and market supervision in accordance with the norms of the EU law and practices.

The taken measures significantly approximated the Ukrainian system of technical regulation to the European standards setting prerequisites for signing the ACAA between the EU and Ukraine.

Thus, Ukraine has all grounds to expect a positive conclusion of the European Commission as a result of the inspection of institutional and legal constituents of the technical regulation system and, consequently, the ACAA for the first three sectors to be signed in 2017.

The further priority is to achieve conformity with the EU requirements in other sectors of regulated industrial products (in accordance with Annex III to the Association Agreement), thus allowing enhancing the ACAA at the next stages.
SANITARY AND PHYTOSANITARY MEASURES

According to Chapter 4: Sanitary and Phytosanitary Measures, Ukraine should establish a foodstuffs quality and safety control system, equivalent to the European one, which will allow to considerably reduce non-tariff barriers and restrictions applicable to Ukrainian export of agricultural products and foodstuffs to the EU market.

To implement Article 64 of the Association Agreement between the EU and Ukraine, the Government of Ukraine adopted the draft Comprehensive Strategy for implementation of legislation in the sphere of sanitary and phytosanitary measures defining a schedule for systematic regulatory adaptation of legislation on sanitary and phytosanitary measures to the EU legislation (Resolution of the Cabinet of Ministers No 228-p of 24 February 2016). According to the procedure established by the Association Agreement, the Strategy will be submitted for review to the Sub-Committee on Sanitary and Phytosanitary Measures at its first meeting, the date of which is being agreed upon with the European Commission.

As part of implementation of the Comprehensive Strategy for the implementation of legislation on sanitary and phytosanitary measures, the Government of Ukraine accomplished the following major steps:

- The following laws were adopted to ensure the implementation of the basic principles of the European food safety system, including “farm to table” food safety control: The Law of Ukraine “On main principles of and requirements to safety and quality of foodstuffs”, the Law of Ukraine “On amendments to certain legislative acts of Ukraine concerning foodstuffs” and the Law of Ukraine “On amendments to certain laws of Ukraine concerning animal identification and registration”. Thus, the Law of Ukraine “On main principles of and requirements to safety and quality of foodstuffs” (which entered into force on 20 September 2015) provides for mandatory application by the market operators of international food safety and quality control system — Hazard Analysis and Critical Control Points (HACCP).

Mandatory HACCP introduction
(international system for safety and quality control of food – Hazard Analysis and Critical Control Points)

- Treatment of animal products belonging to category II as well as use of organic fertilisers and soil improvers produced from processing and recycling of animal by-products were aligned with the requirements of the EU legislation (the Law of Ukraine “On animal by-products not intended for human consumption” was amended).
- The Draft law of Ukraine “On requirements to things and materials contacting with foodstuffs” (Reg. No 4611) was developed, covering the issues of circulation of articles and materials contacting with foodstuffs; the setting up of the state registers of substances permitted for use in the manufacture of articles and materials; and labelling of articles and materials contacting with foodstuffs.
- The Draft law of Ukraine “On state control to verify conformity to legislation on food and feed products, animal health and well-being” (Reg. No 0906) was prepared for the second reading. This draft law harmonizes Ukrainian legislation concerning the state supervision (control) in the field of food and feed products safety and quality and animal health and well-being according to Regulations (EC) No 854/2004, No 882/2004 and No 669/2009, and Council Directive 97/78/EC.

The following measures were taken in order to finalize the establishment of the competent authority for sanitary and phytosanitary measures, which became operational on 6 April 2016, and to improve its institutional capacity:

- the structure of the State Service of Ukraine for Food Safety and Consumer Protection was approved;
- the decision ensuring funding for the above-mentioned State Service was adopted (Resolution of the Cabinet of Ministers No 76-p of 27 January 2016).

The head of the European Integration Department of the above-mentioned State Service was appointed by the Ukrainian Party as the contact point for information exchange and consideration of inquiries within the implementation of the sanitary and phytosanitary measures chapter of the Association Agreement (Resolution of the Cabinet of Ministers No 198 of 24 February 2016).

EU market access for animal products originating in Ukraine was also improved in 2016. Namely, in January 2016 Ukraine received the approval for dairy products export to the EU. Ukrainian companies began exporting dairy products to the EU in the second half of 2016. As of the end of 2016, 13 companies were inspected and granted the right to export dairy products to the EU. For many companies, the right to export to the EU market constitutes a significant advantage in other markets. Overall, in 2016 277 Ukrainian producers of agricultural products and foodstuffs of animal origin enjoyed the right to export their products to the European market, with 97 thereof exporting foodstuffs and 180 exporting non-food products of animal origin.
Adoption of the basic legal framework for food safety and animal identification (the Law of Ukraine “On main principles and requirements to safety and quality of foodstuffs”) launched implementation of the basic principle of the EU legislation in this field — “farm to table” food safety control — in Ukraine.

At the same time, the delay in the adoption by the Verkhovna Rada of Ukraine of the Draft law No 0906 “On the state control of compliance with legislation on food and feed products, animal health and well-being” presents an obstacle to the legislation adaptation process.

In order to harmonize the Ukrainian food quality and safety control system with the European system, in 2017 and onwards, further implementation of the measures set forth by the Comprehensive Strategy for the Implementation of Chapter IV (Sanitary and Phytosanitary Measures) should be ensured, in particular as regards:
– reforming the system of state control over the quality and safety of foodstuffs, feed products and by-products of animal origin in accordance with the EU legal acts;
– establishing requirements for the production and circulation of novel foodstuffs, food supplements and articles and materials contacting foodstuffs;
– improving the legislation on providing consumers with information on foodstuffs;
– reforming the mechanism of the state regulation of feed product manufacture and circulation;
– improving legislation on genetically modified organisms in foodstuffs and feed products;
– reforming the mechanism of the state regulation of the production and circulation of veterinary medicinal products;
– reviewing the maximum levels of the residues of veterinary medicinal products, pesticides and agrochemicals, as well as ensuring effective monitoring of such residues;
– improving legislation on animal health and well-being;
– improving epizootic situation in Ukraine, fighting infectious and other diseases in livestock, improving the relevant legislation;
– improving phytosanitary situation in Ukraine and ensuring plant health protection, enhancing the relevant legislation.

In addition, it is necessary to speed up the agreement on the Comprehensive Strategy for the Implementation of Chapter IV (Sanitary and Phytosanitary Measures) with the EU, as well as its approval at the bilateral EU–Ukraine level.

Permission to export

- milk
- honey
- poultry
- eggs
- fish
- frogs’ legs
- snails
- by-products

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– reforming the system of state control over the quality and safety of foodstuffs, feed products and by-products of animal origin in accordance with the EU legal acts;
– establishing requirements for the production and circulation of novel foodstuffs, food supplements and articles and materials contacting foodstuffs;
– improving the legislation on providing consumers with information on foodstuffs;
– reforming the mechanism of the state regulation of feed product manufacture and circulation;
– improving legislation on genetically modified organisms in foodstuffs and feed products;
– reforming the mechanism of the state regulation of the production and circulation of veterinary medicinal products;
– reviewing the maximum levels of the residues of veterinary medicinal products, pesticides and agrochemicals, as well as ensuring effective monitoring of such residues;
– improving legislation on animal health and well-being;
– improving epizootic situation in Ukraine, fighting infectious and other diseases in livestock, improving the relevant legislation;
– improving phytosanitary situation in Ukraine and ensuring plant health protection, enhancing the relevant legislation.

In addition, it is necessary to speed up the agreement on the Comprehensive Strategy for the Implementation of Chapter IV (Sanitary and Phytosanitary Measures) with the EU, as well as its approval at the bilateral EU–Ukraine level.
CUSTOMS AND TRADE FACILITATION

Amending the customs legislation is one of the most significant aspects of adaptation of Ukrainian legislation to the EU requirements. Implementation of amendments to customs legislation is based on the following key EU legal acts:

- Regulation (EU) No 952/2013 laying down the Union Customs Code;
- Convention on the simplification of formalities in trade in goods and the Convention on a common transit procedure (with a view to subsequent accession);
- Regulation (EC) No 1186/2009 setting up a Community system of reliefs from customs duty (Titles I and II);

In 2016, as part of the approximation of Ukrainian legislation and practices to the EU standards, the Government of Ukraine submitted for consideration of the Verkhovna Rada a range of draft laws, including:

- “On amendments to the Customs Code of Ukraine concerning the authorized economic operator and facilitation of customs formalities” (Reg. No 4777), aimed at unification of the requirements for the Authorised Economic Operator (AEO) in accordance with the EU law requirements. The adoption of this draft law will, inter alia, ensure considerable facilitation of customs formalities for highly-credible companies and provide prerequisites for the recognition of the AEO status, granted by the Ukrainian customs authorities and authorities of the EU countries, as well as the involvement of Ukrainian AEOs in the establishment of the so-called secure supply chains according to the requirements of the WCO Framework of Standards;
- “On amendments to the Customs Code of Ukraine concerning bringing transit procedures in line with the Convention on a common transit procedure and the Convention on the simplification of formalities in trade in goods” (Reg. No 5627), the adoption of which will facilitate movement of goods between the EU and Ukraine;
- “On amendments to the Customs Code of Ukraine (concerning the implementation of the Association Agreement between the EU and Ukraine)” (Reg. No 4615), implementing Titles I and II of Regulation (EC) No 1186/2009;
- “On amendments to the Customs Code of Ukraine concerning the protection of intellectual property rights during the movement of goods across the customs border of Ukraine” (Reg. No 4614), implementing the Regulation (EU) No 608/2013.

The adoption of the above listed legislation will considerably facilitate customs formalities, allow Ukraine to prepare to joining the Convention on a common transit procedure, and bring the regulatory framework in conformity with the EU legislation. However, progress in this field is insufficient since further comprehensive amendments to Ukrainian customs legislation are required in order to implement the Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code and the relevant implementing measures thereto.

In 2016, a range of practical steps, which would facilitate reaching goals of the EU–Ukraine cooperation in that sphere, were also taken:

- The one stop shop system for exercising various types of state control based on electronic technologies was launched. The average time required by the controlling authority to make a decision regarding the necessity of relevant control measures was reduced to approximately four hours.
- The Procedure for photo and video recording of the customs and other formalities carried out by the controlling authorities was adopted, requiring the customs authorities to carry out the above-mentioned recording when customs formalities are carried out by the customs and other controlling authorities.
- Certain acts of the Cabinet of Ministers were amended (Resolution of the Cabinet of Ministers No 341 of 25 May 2016) preventing unjustified inspection (re-inspection) of goods and commercial vehicles by the Ukrainian customs authorities and requiring the law enforcement authorities to complete such inspection within four hours.
- The implementation of the WTO Trade Facilitation Agreement, ratified in 2015, was launched;
- In September 2016, the procedure for Ukraine’s accession to the PEM Convention (pan-Euro-Mediterranean preferential rules of origin) was launched. On 13 September, the written request, signed by Stepan Kubiv, the First Vice Prime Minister of Ukraine and the Minister of Economic Development and Trade, was submitted to the Convention depository at the Council of the European Union. This should contribute to facilitating preferential exports of Ukrainian goods to the EU markets, as well as to the third country markets. New opportunities for trade cooperation, including through participation in regional value chains, will be available to the exporters. The State Parties to the Convention apply identical preferential rules of origin with diagonal cumulation within the framework of free trade agreements.
Chapter 6 provides for the required arrangements for the progressive reciprocal liberalisation of establishment and trade in services and for cooperation on electronic commerce.

**ELECTRONIC COMMUNICATIONS**

As part of bringing Ukrainian legislation in conformity with the EU legislation on electronic communications, the Verkhovna Rada of Ukraine is currently considering the Draft law of Ukraine “On electronic communications” (Reg. No 3549-1) and the system-related draft laws of Ukraine, inter alia, “On amendments to the Budget Code of Ukraine (concerning electronic communications)” (Reg. No 3643) and “On amendments to the Customs Code of Ukraine (concerning electronic communications)” (Reg. No 3645).

The adoption of the above-mentioned draft laws will, inter alia:
- introduce the principle of “registration by notification” for business entities operating in the field of electronic communications;
- repeal the licensing for certain types of activities in the field of telecommunications;
- improve control (supervision) in the field of electronic communications, thus reducing the number of on-site inspections of such entities;
- impose administrative and commercial sanctions;
- define the list of regulatory obligations, which can be imposed on the suppliers of electronic communications services dominating the market of certain electronic communications services;
- enhance the independence of the national regulatory authority in order to ensure its capability to take the relevant regulatory measures and to enforce its own decisions and all respective provisions.


The draft law of Ukraine “On electronic trust services” (Reg. No 4685) was also prepared for the Verkhovna Rada of Ukraine to consider it in the second reading in order to reform the legislation on electronic digital signature taking account of the EU law and experience and Ukraine’s integration into the digital single market of the EU.

The adoption of this draft law will, inter alia:
- create conditions for the development and functioning of electronic trust services;
- ensure free circulation of electronic trust services in Ukraine and in other countries;
- increase public trust in electronic services, including cross-border electronic services;
- ensure compliance of the electronic trust services system with the European standards;
- ensure interoperability and technological neutrality of national technical solutions, as well as non-discrimination thereof.

The draft law provisions highly conform to Regulation (EU) No 910/2014 on electronic identification and trust services for electronic transactions in the internal market, and ensures proper implementation of that Regulation, provided that this draft law is adopted.

**POSTAL SERVICES**

In order to implement Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service, the Ministry of Infrastructure prepared the draft law of Ukraine “On amendments to the Law of Ukraine on Postal Service”. The draft law is intended to promote the development of the postal services market and should shortly be submitted for consideration to the Verkhovna Rada of Ukraine.

The adoption of this draft law will, inter alia:
- encourage competition in postal services;
- simplify the registration procedure for postal service providers;
- protect interests of the State, users and postal service providers;
- ensure access to universal service and continuity of postal service.
In order to implement international standards of the Financial Action Task Force on Money Laundering (FATF), in 2016 the National Bank of Ukraine continued to improve regulatory framework, in particular, concerning the prevention and combating of money laundering or terrorism financing. Specifically, additional guidelines were developed concerning on-site inspections of banks that are payment institutions and/or members or participants of payment systems, in respect of their provision of financial services of money transfer based on the relevant licences, including those issued by the National Bank of Ukraine (save for postal service providers carrying out money transfers).

In addition, in September 2016, the Procedure of the National Commission for Regulation of Financial Services Markets concerning the approval of acquisition of or an increase in significant interest in a financial institution was amended. Those amendments ensured the compliance of the mentioned Procedure with Principles 5 and 6 of the Insurance Core Principles of the International Association of Insurance Supervisors concerning the internal control of insurance activities by the supervisory authority and the standards for company assets use.

In March 2016, the Verkhovna Rada of Ukraine adopted, in the first reading, the Draft law of Ukraine “On insurance”, which takes account of Ukraine’s obligations regarding the implementation of Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation. At the same time, in view of the adoption in January 2016 of the Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 introducing new approaches to the provision of the relevant services without/prior to concluding an insurance agreement, the mentioned draft law requires revision in order to more fully reflect the applicable EU law requirements, thereby creating prerequisites for accessing the relevant EU markets.

The Verkhovna Rada of Ukraine is currently considering the draft laws “On amendments to certain Ukrainian laws concerning the consolidation of functions of state regulation of financial services markets” (Reg. No 2413a) and “On amendments to the Tax Code of Ukraine concerning the consolidation of functions of state regulation of financial services markets” (Reg. No 2414a). These draft laws aim at strengthening the institutional capacity of the financial sector regulators and to create the appropriate conditions for effective state regulation and supervision in financial services markets by means of distributing the functions of the National Commission for Regulation of Financial Services Markets among other authorities responsible for the regulation of financial services markets. In general, the provisions of the above-mentioned draft laws meet the objective of ensuring the transparency of state regulation in the field of services provision.

The proposed draft legislation concerning Ukraine’s commitments in the fields covered by this Chapter highly conform to the EU acts to be implemented. However, it is difficult to estimate the time frame for the adoption of this draft legislation. Moreover, the adoption of legislation conforming to the EU legal acts is only one of several stages and does not automatically mean the fulfilment of the relevant part of the Agreement. Taking into account a considerable amount of work to be accomplished in order to implement the new legislation in practice, there is an urgent need for the Verkhovna Rada of Ukraine to adopt the above-mentioned draft laws as soon as possible.

Furthermore, as part of the fulfilment of obligations in this field, the Association Committee in Trade Configuration should adopt roadmaps in the fields of finance, telecommunications, postal and courier services and international maritime transport. The drafts of these roadmaps should be prepared by the Ukrainian Party and agreed on with the EU Party to be thereafter approved by the Committee.

Given the lack of any practical bilateral mechanism for controlling the fulfilment of these obligations, as of today all these documents are being prepared by the executive authorities and are at various stages of completion. Therefore, it must be ensured that all draft roadmaps are prepared and submitted to the EU as early as in the first quarter of 2017. It is also necessary for the Ukrainian Party to come up with a unified format for such documents and to make the concerned government bodies aware of the ultimate objective of such preparation, namely to ensure the access to the EU internal market in these fields.
CURRENT PAYMENTS AND MOVEMENT OF CAPITAL

According to Article 145 of the Association Agreement, Ukraine undertook to ensure free movement of capital in order to provide loans to the residents of one of the member countries, so as to attract portfolio investments and loans from investors. Ukraine should also adapt its regulation of capital transactions and the financial account of the balance of payments to the standards of the EU Member States.

To this end, in 2016:

– A considerable amount of exchange control restrictions applicable to legal and natural persons were lifted/simplified;
– Measures for the liberalisation of the foreign exchange market (the concept of and the roadmap for foreign exchange liberalisation; the strategy and tactics for the interbank foreign exchange market interventions by the National Bank of Ukraine) were developed.

For reference: The concept of foreign exchange liberalisation provides for developing, in the second quarter of 2017, the Draft law “On foreign currency”, which will allow the National Bank of Ukraine to quicker and more efficiently respond to changes in the balance of payments and market condition. The concept of the draft law will be reviewed at the Board meeting of the National Bank in the first quarter of 2017. It is also expected that the restrictions on import and export transactions and direct foreign investment will be lifted in order to increase Ukraine’s export potential. The next planned step is lifting restrictions on portfolio investments and debt capital flows. At the last stage, all obstacles to international financial transactions of natural persons will be removed.

An effort to gradually reduce red tape regarding foreign exchange transactions and to liberalise foreign exchange market is underway. The basic documents in this field were approved and a draft concept of new foreign exchange regulation was represented.
In accordance with the Association Agreement, Ukraine ensures fair and transparent public procurement of goods and services and upgrades its tender procedures in accordance with the EU law provisions. The main objective is to create competition in public procurement within the public sector in order to get the best bid for the tax payers’ money.

The Verkhovna Rada of Ukraine adopted the Law of Ukraine No 922-VIII “On public procurement” of 25 December 2015 establishing legal and economic principles for public procurement of goods, works and services, so as to meet the needs of the State and communities. This Law aims at ensuring effective and transparent procurement, to create competitive environment in public procurement, to prevent corrupt practices in this field and to promote fair competition.

According to this Law, beginning from 1 April 2016, all governmental authorities and state monopolies should conduct procurement exclusively on the basis of this new Law; beginning from 1 August 2016, all contracting bodies, including local authorities and bodies governed by public law, should conduct procurement on the basis of this new Law; an open procedure and competitive selection should be carried out only electronically (via ProZorro e-procurement system); new quantitative thresholds apply; ProZorro should be used for procurements exceeding UAH 50,000.

ProZorro public e-procurement system was recognised internationally. In 2016, ProZorro was distinguished by the World Procurement Awards 2016 with its Public Sector Award and won the first prize in the field of transparent governance at the Third Annual Open Government Awards 2016.

Overall budget savings owing to the ProZorro procurement system amount to over UAH 9 billion, significantly exceeding the estimated savings rate for the reporting period.

DoZorro portal was launched for monitoring procurements by creating the unique database of real assessment of procurers, suppliers and certain tenders.

The EU and Ukraine discussed integration of public procurement websites in order to provide extended access to procurement information in Ukraine and other countries and enable systemic analysis. TED, the EU public procurement information system, uses the CPV goods and services classification system to define the subject of procurement. Ukraine will start using this classification system beginning from 1 January 2017 (Subpoint 2, Point 2 of Order of the Ministry of Economic Development and Trade No 454 “On adopting the procedure for defining the subject of procurement” of 17 March 2016).
The process of Ukraine’s accession to the WTO Agreement on Government Procurement was completed (on 18 May 2016, Ukraine became a full party to this Agreement). This will enable Ukrainian companies to join the international market of the GPA, which is estimated at approximately USD 1.7 trillion.

The Government of Ukraine approved a pilot project to establish the Centralized Procurement Organization (the CPO) in Ukraine. This should be the next step towards reforming public procurement. This will allow improving the quality of bidding.

As part of implementation of the Association Agreement between the European Union and Ukraine, the Government of Ukraine adopted its Resolution No 175 “On the strategy of reforming the public procurement system (the “roadmap”)” of 24 February 2016. The strategy for reforming public procurement and the action plan for its implementation cover all measures, responsible parties and deadlines required for the implementation of the provisions of the EU Directives (Directives 2014/24/EU, 2014/25/EU, 89/665/EEC, 92/13/EEC and 2007/66/EC) into the national public procurement legislation.

The above-listed measures ensured the fulfilment of the following commitments:

– implementation of basic standards regulating the award of public procurement contracts (Article 151 of the Association Agreement);
– designation of different executive bodies, which are responsible for public procurement policy and review of decisions taken by contracting authorities or entities, specifically, the Ministry of Economic Development and Trade and the Antimonopoly Committee of Ukraine (Part 2 of Article 150 of the Association Agreement);
– development of the roadmap of the approximation of Ukrainian legislation to the EU legislation in the field of public procurement (Article 152 of the Association Agreement), which will enable providing access to the EU public procurement market.
Chapter 9 of the Association Agreement prescribes to facilitate the production and commercialisation of innovative and creative products in the Parties and achieve an adequate and effective level of protection and enforcement of intellectual property rights.

To this end, in 2016, the MPs and the Cabinet of Ministers of Ukraine submitted for consideration of the Verkhovna Rada of Ukraine the following draft laws concerning intellectual property rights protection:

- “On amendments to certain legislative acts of Ukraine concerning the acquisition, disposal and protection of copyright and related rights”, aimed at increasing possibilities for intellectual property right owners to protect their rights and facilitating procedures on securing copyrights and disposal thereof.
- “On amendments to certain legislative acts of Ukraine concerning the protection of copyright and related rights on the Internet”, aimed at establishing an effective and transparent pre-trial mechanism for deleting and blocking information violating copyright and/or related rights on the Internet.
- “On amendments to Article 5 of the Law of Ukraine “On distribution of copies of audio-visual works, phonograms, video-grams, computer programs and databases””, aimed at improving the procedure of control marks issue, independent exercise by the owners of their rights to copyright objects and the related rights of control over control marks issue.

However, the mentioned legal initiatives are rather incomplete. And presently, the EU and Ukraine are discussing proportionality and sufficiency of the measures proposed in the draft legislation in order to implement the requirements of the Association Agreement in respect of intellectual property rights protection.

In view of the aforesaid, it appears appropriate in 2017 to focus on a comprehensive approach to the implementation of the Association Agreement in this field and to increase the efforts of the Cabinet of Ministers concerning the preparation of the relevant draft legislation.
In order to implement the Association Agreement and, above all, to establish non-discriminative conditions for the state aid to business entities, without providing advantages to certain goods production or certain business activities, the Law of Ukraine No 1555-VII “On the state aid to business entities” was adopted in July 2014.

In view of considerably postponed entry into force by this Law in full (on 2 August 2017), the Antimonopoly Committee is presently preparing its proper implementation. In particular, the Government of Ukraine approved a range of organisational and regulatory measures: Resolution No 43-рп “On certain issues of implementation of the Law of Ukraine “On the state aid to business entities” of 28 December 2015; Resolution No 2-рп “On the approval of the Procedure for submitting and filing notifications of granting the next state aid and on amendments to the conditions of the current state aid” of 4 March 2016; and Resolution No 8-рп “On the approval of the Procedure for reviewing cases of state aid to business entities” of 12 April 2016.

In addition, in 2016 operating capacities were prepared, and data were accumulated for the timely and proper launching of the state register of state aid as provided by the above-mentioned Law.

Thus, the main objective for 2017 is to continue active preparation preceding the full entry into force of the Law of Ukraine “On the state aid to business entities” in cooperation with the EU and to ensure proper communication within this process, including within Ukraine’s membership in the Energy Community, which requires ensuring compatibility with the EU rules on state aid in the energy sector.

In order to improve approaches to determining the amounts of fines for violating legislation on the protection of economic competition, including violating legislation on the protection against unfair competition, updated Recommended Clarifications No 39-рр concerning the application of Parts 2 and 5 of Article 52 of the Law of Ukraine “On the protection of economic competition” and Parts 1 and 2 of Article 21 of the Law of Ukraine “On protection against unfair competition” were adopted on 9 August 2016.

In addition, the draft law of Ukraine “On amendments to the legislation on the protection of economic competition concerning the determination by the bodies of the Antimonopoly Committee of Ukraine of the amounts of sanctions for violations of legislation on the protection of economic competition” is currently considered by the Verkhovna Rada (Reg. No 2431 of 18 January 2016 prepared for the second reading), which, inter alia, proposes that the Antimonopoly Committee of Ukraine should adopt a separate Methodology for calculation of the amounts of sanctions for violations of legislation on the protection of economic competition, and that the High Commercial Court of Ukraine must take account of the Methodology when considering cases concerning the legality and reasonableness of the above-mentioned sanctions imposed by the Antimonopoly Committee.

The adoption of this draft law should ensure mandatory application of the Methodology for the calculation of sanctions, replacing the effective recommendation approach, and should establish a mechanism for the judicial review of sanctions imposed by the Antimonopoly Committee as stipulated by the Agreement.

Despite ongoing discussions on whether the approach, chosen by this draft law makers, to the mechanism for the review of sanctions imposed by the Antimonopoly Committee is appropriate, in general the draft law conforms to the provisions of Article 255 of the Agreement, which provides that each Party shall ensure that a court or other independent tribunal established under that Party’s laws imposes or, at the person’s request, reviews any such sanctions or remedies.
In order to implement the provisions of Directive 94/22/EC of 30 May 1994 on the conditions for granting and use of permits for the prospection, exploration and production of hydrocarbons, on 2 March 2016 and as initiated the Ministry of Ecology and Natural Resources, the Cabinet of Ministers of the Ukraine adopted its Resolutions amending the procedure of conducting auctions for the sale of special permits for subsoil use (Resolution of the Cabinet of Ministers No 594 of 30 May 2011) and the procedure of issuing special permits for subsoil use (Resolution of the Cabinet of Ministers No 615 of 30 May 2011) in order to ensure the transparency of auctions and permits issue.

For reference: The implementation of these measures will facilitate the special permits issue procedure, ensure the transparency of processing of the submitted documents and decision-making process on granting special permits for subsoil use and reduce grounds for the receipt of special permits without an auction. Yet, the practice of granting these permits without an auction persists. The responsible state authorities and senior government officials fail to publicly announce, for instance, the priority right of state-owned companies to the production of hydrocarbons, based on the challenges in energy security, which impairs the investment climate and does not contribute to attracting foreign investors to the Ukrainian market.

Throughout 2016, the Subsoil Code was being updated.

For reference: It is expected that the State Service of Geology and Mineral Resources of Ukraine will submit the draft Subsoil Code for consideration of the Cabinet of Ministers of Ukraine by the end of the second quarter of 2017.

Ukraine intends to harmonize its internal legislation on waste management in accordance with the relevant EU requirements and the Association Agreement. Ukrainian legislation concerning waste from the mining industry needs to be brought in line with the provisions of Directive 2006/21/EC on the management of waste from extractive industries. The provisions of Directive 2006/21/EC should be implemented by amending the legislation after the adoption of the National Waste Management Strategy for Ukraine, the draft of which has been developed by the Ministry of Ecology and Natural Resources of Ukraine.
Chapter 13 provides for the facilitation and promotion of trade and foreign direct investment in environmental goods, services and technologies, renewable energy, energy-efficient products and eco-labelled goods, etc.

Sustainable development has been recognised as the core principle of all EU policies. According to this principle, any EU policy should be developed in a way that takes into account economic, social and environmental aspects, while achieving the objectives in one policy area should not hinder progress in another. The Association Agreement provides for the facilitation and promotion of trade and foreign direct investment in environmental goods, services and technologies, renewable energy, energy-efficient products and eco-labelled goods, etc.

In order to monitor the implementation of and compliance with the measures covered by this Chapter, the Parties agreed to set up a separate institutional mechanism, which requires to convene the Advisory Group on sustainable development, comprising independent representative organisations of civil society, and to establish the Sub-Committee for Trade and Sustainable Development. The list of experts to join the Advisory Group has been discussed with the EU since June 2016. To this end, the establishment of a civil society institution is planned — the Advisory Group in conjunction with the Ukrainian part of the EU-Ukraine Civil Society Platform.

According to the Agreement, the Advisory Group should comprise independent representative organisations of civil society in a balanced representation of employers and workers organisations, non-governmental organisations as well as other relevant stakeholders.

The Advisory Group of the Ukrainian Party together with the Advisory Group of the EU Party create the Civil Society Forum. In this context, an effort was underway in 2016 to identify criteria and the mechanism for the appointment of such experts. The Ukrainian Party should complete its proposal on the list of experts in the first quarter of 2017.

In addition, based on consultations between the Parties in 2016, the first meeting of the Sub-Committee for Trade and Sustainable Development can take place in 2017 and should establish the Sub-Committee’s rules of procedure and exchange information concerning the work of the Contact Point and the Advisory Group.
Chapter 14 regulates the resolution of disputes arising out of the implementation and application of the Association Agreement. Given the absence of such disputes at the moment, solely institutional mechanisms were put in place enabling settlement of disputes, should they arise in the future.

In order to implement the provisions of this Chapter on establishing the list of arbitrators for the settlement of disputes related to Title IV of the Agreement, the appointment of arbitrators to represent Ukraine within the mentioned procedure is in progress. In 2015, the Cabinet of Ministers of Ukraine (Resolution No 995 of 2 December 2015) approved the Procedure for appointing the representatives of Ukraine to the arbitration panel within the procedure of dispute settlement under the Association Agreement between the EU and Ukraine.

In June 2016, through a competitive selection process under that Procedure, five candidates eligible under the Competitive Selection Procedure and based on the criteria established by Article 323 of the Association Agreement and its Annex XXV concerning the professional experience and qualifications, and language proficiency, were selected.

In addition, in 2017 the Cabinet of Ministers of Ukraine amended the Procedure for the selection of arbitrators in order to clarify the procedure for submission by the Ukrainian Party of its proposal on five persons who are not citizens of either Party and must be involved in the relevant arbitration panel.

The preparation for the approval by the Government of Ukraine of the mentioned list of arbitrators is among priorities for 2017, whereupon this list will be submitted for consideration of the Association Committee in Trade configuration as defined by the applicable procedure.

It should be noted that Ukraine severely missed the deadline for submitting its proposal on the list of arbitrators (the Association Committee in Trade configuration shall, no later than six months from the entry into force of this Agreement, establish a list of 15 individuals) due to, mainly, the legal uncertainty of the mechanism for making such proposals under international agreements and due to, in general, low-level coordination between the state authorities in formulating the common position of the state.

Thus, it appears appropriate in 2017 to promptly submit the proposals on the list of arbitrators of the Ukrainian Party, adopted in accordance with the applicable procedure, and to establish a range of preventive measures to avoid delays and missed deadlines relating to Ukraine’s obligations under the Association Agreement.
CHAPTER V
ECONOMIC AND SECTOR COOPERATION
ENERGY COOPERATION, INCLUDING NUCLEAR ENERGY

The Association Agreement provides for reviving cooperation between the EU and Ukraine aimed at promoting energy efficiency and energy saving, reforming the energy markets, integrating the Ukrainian electricity and energy system into the European electricity and energy network, fulfilling by Ukraine its obligations under the Protocol on the Accession of Ukraine to the Energy Community and adapting to the Third Energy Package.

In 2016, based on bilateral negotiations and consultations, an updated version of the Memorandum of Understanding on a Strategic Energy Partnership between the European Union together with the European Atomic Energy Community and Ukraine, effective from 2005, was agreed upon.

In 2016, the Ministry of Energy and Coal Industry of Ukraine prepared the draft of the updated Energy Strategy of Ukraine until 2035, which establishes the main areas for the development of certain energy sectors, the level of ensuring energy security and the shift to energy-efficient and energy-saving energy resource use and consumption by introducing innovative technologies.

For reference: The solemn ceremony of signing of the updated Memorandum took place on 24 November 2016 at the EU-Ukraine Summit in Brussels. The Memorandum lays down the position concerning the integration of energy markets of the EU and Ukraine for the benefit of consumers, strengthening the standards of energy supply security and environmental protection. Following the official conclusion of the Memorandum, the Ministry of Energy and Coal Industry of Ukraine started preparing the annual action plan for the implementation of the reached arrangements.

In 2016, a major effort to reform the legal framework of the gas market was underway in respect of the obligations under the Association Agreement and the Law of Ukraine “On natural gas market”, which, beginning from 1 October 2015, defines the legal framework for the functioning of the Ukrainian gas market and introduces the European norms under the Third Energy Package.

Given the significant capacities of the Ukrainian gas storage system and its strategic importance in terms of gas supply security to Europe, the Ukrainian Party is seeking to enhance the integration of the above-mentioned system into the EU gas market and to increase its transparency and performance, notably for the purpose of creating a gas hub on the territory of Ukraine in accordance with the requirements of the Association Agreement. In order to create a gas hub in cooperation with the Visegrád Group, Ukraine undertook to ensure natural gas trade via exchanges (hubs) in accordance with its national programmes and international obligations as well as Resolution of the Cabinet of Ministers No 418-p of 27 May 2016 “On the adoption of priority action plan of the Government for 2016”.

Taking into account the level of development of the single EU gas market and the regional gas markets of the EU Member States, as well as the reasonable demand for introducing a transparent and effective gas market model in Ukraine, the Ministry of Energy and Coal Industry of Ukraine prepared the Action Plan on Creating the National Gas Hub of Ukraine, and established a working group to participate in the drafting of regulatory acts on ensuring natural gas trade via exchanges.

In order to boost domestic gas production, the President of Ukraine signed the Law of Ukraine “On amendments to the Law of Ukraine “On natural gas market” (concerning the reserve stock)” as adopted by the Verkhovna Rada of Ukraine on 22 September 2016.
In December, the National Commission for the State Regulation of Energy and Public Utilities adopted the decision on the full implementation into the national legislation of the Commission Regulation (EU) No 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks, according to which, beginning from 1 April 2017, the regulator should amend the Gas Transmission System Code in order to introduce a daily balancing mechanism (for the Gas Transmission System operators using an IT platform).

The Government of Ukraine continues its efforts to improve the quality of oil products to meet EU standards. The ban on the circulation of Euro-3 petrol and diesel became effective in Ukraine on 1 January 2016. On 26 June 2016, the State Agency of Reserve of Ukraine held the EU-Ukraine meeting on setting up a new model of minimum stocks of crude oil and petroleum products with the involvement of representatives of the Energy Community Secretariat, agencies on strategic reserves of a number of the Eastern European countries, Ukrainian ministries and government agencies, operators of the oil and petroleum products market, consulting companies, etc.

The integration of the unified energy system of Ukraine with the Central European Energy grid according to the ENTSO-E requirements should contribute to the creation of the single electricity market. The Ukrainian Party prepared and submitted the complete initial information on the Ukrainian electric energy system to the Consortium of European Transmission system operators. According to the Consortium’s conclusions, taking into account the analysis of the static regimes, simultaneous unification of the Ukrainian and Moldavian energy systems with the continental European energy system ENTSO-E appears feasible and is expected in 2020.

Systemic work continues towards ensuring the diversification of sources and ways of energy supply, including the application of the bilateral cooperation mechanisms with the EU member states, communicating to the European partners the benefits of using the Ukrainian Gas Transmission System and Ukraine’s reliability as a transit country for energy transmission to the suppliers and consumers in the EU countries, ensuring reverse gas supplies and enhancing technical cooperation with the gas transmission systems operators of the EU neighbouring countries, in particular, by means of concluding Interconnection Agreements for all cross-border interconnectors.

Six projects were represented to the Energy Community Secretariat to be identified as priority projects to facilitate the diversification of energy supplies, including three electricity projects: (1) Asynchronous interconnection of ENTSO-E system and Ukrainian electricity network via 750 kV OHL Khmelnitska NPP (Ukraine) - Rzeszow (Poland), with HVDC, (2) Rehabilitation of interconnection, 400 kV OHL Mukacheve (Ukraine) - V.Kapusany (Slovakia), and (3) Rehabilitation of interconnection OHL Pivdennoukrainska NPP (Ukraine) - Isaccea (Romania); two gas projects: (1) Interconnection pipeline Poland - Ukraine construction, and (2) Interconnection Hungary to Ukraine developing firm capacity; and one oil project: Construction of the Brody-Adamowo oil pipeline.

To fulfill its obligations under the EU Third Energy Package, on 22 September 2016, the Verkhovna Rada approved in the first reading the draft law “On the electricity market of Ukraine” (No 4493) to bring the electricity market rules in compliance with the EU norms.

In addition, on 22 September 2016, the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On the National Commission for the State Regulation of Energy and Public Utilities”, which was signed by the President of Ukraine on 23 November 2016, in order to ensure the fulfilment of obligations of Ukraine as a party to the Energy Community Treaty.
The main reforms in the nuclear sector are aimed at increasing energy security and independence from the monopoly supplier of nuclear fuel and equipment.

On 16 December, the Draft law “On amendments to certain laws of Ukraine in the field of nuclear energy use” (No 5550) was registered with the Verkhovna Rada of Ukraine. The draft law was developed in accordance with Council Directive 2013/59/EURATOM to ensure the harmonization of Ukrainian legislation with the European requirements and standards concerning the uniform basic safety standards for health protection of individuals against professional and medical radiation exposures and of the general public against dangers of ionising radiation.

In 2016, an effort on coordinating the approaches to the implementation of the requirements of Council Directive 2011/70/EURATOM establishing the framework for the responsible and safe management of spent fuel and radioactive waste was underway. As part of this process, the development of the Concept of the National Programme for the Management of Spent Fuel (SF) and Radioactive Waste (RW) was launched.

In terms of practical measures, in 2016 the working group for the implementation of the EU–Ukraine Energy Bridge pilot project started its activities in order to prepare proposals on the deadlines and stages of the project implementation, and the operation conditions of the unified energy system of Ukraine relating to the network connection to the Burshtyn TPP Island for the 750 kV transit Rzeszow – Khmelnitska NPP – Zakhidnoukrainska and the second energy unit in Khmelnitska NPP.

The decommissioning of the Chornobyl NPP and the Shelter Implementation Plan are in progress in order to transform the Chornobyl zone into an environmentally safe and secure condition after the accident that ruined the fourth energy unit. Presently, the EU is the largest donor contributing to the Chornobyl Shelter Fund, as well as to the EBRD-managed Nuclear Safety Account for the decommissioning of the Chornobyl NPP.

On 29 November 2016, the solemn placement of the New Safe Confinement in its design position over the Shelter took place.

In 2016, Ukraine made significant progress towards the implementation of the EU directives concerning energy efficiency.

In particular, the Government of Ukraine submitted for consideration of the Verkhovna Rada of Ukraine the draft law of Ukraine “On energy performance of buildings” (Reg. No 4941), which is intended to implement the provisions of Directive 2010/31/EU and positively assessed by the Energy Community Secretariat. The adoption of this draft law should facilitate the implementation of the provision of Directive 2010/31/EU and establish the legal and organisational framework for ensuring energy performance of buildings and create conditions for reducing the consumption of energy resources in buildings.

The Draft law of Ukraine “On commercial metering of utilities” (Reg. No 4901) was approved in the first reading on 18 October 2016, as prepared in accordance with the requirements of Directive 2012/27/EU, and is presently awaiting its second reading.

In addition, the working group of the State Agency on Energy Efficiency and Energy Saving of Ukraine continues its work on the development of the Framework law “On energy efficiency” regulating the relevant area.

In order to implement the provisions of Commission Regulation (EU) No 65/2014 of 1 October 2013, the State Agency on Energy Efficiency and Energy Saving of Ukraine prepared the draft Resolution of the Cabinet of Ministers of Ukraine “On the adoption of the Technical regulation for the energy labelling of domestic ovens and range hoods”.

In order to implement the provisions of Regulation (EU) No 1062/2010 of 28 September 2010, the State Agency on Energy Efficiency and Energy Saving of Ukraine prepared the draft Resolution of the Cabinet of Ministers of Ukraine “On the adoption of the Technical regulation for the energy labelling of televisions”.

There is also some progress in the field of renewable energy sources.

In December 2016, the Member States of the International Renewable Energy Agency (IRENA) adopted a decision authorising Ukraine’s accession. For the purpose of fulfilling domestic procedures required to obtain membership in the above-mentioned Agency, the Draft law “On Ukraine’s accession to the International Renewable Energy Agency (IRENA)”, was prepared to be submitted for consideration of the Verkhovna Rada of Ukraine in 2017.

Notwithstanding Ukraine’s considerable progress towards the fulfilment of its obligations arising out of the Energy Community membership, there are a number of sensitive practical issues, in particular, concerning the politically motivated and uncommercial the Nord Stream 2 pipeline project, which aims at reducing Ukraine’s transit potential, and the decision of the European Commission on OPAL pipeline.

In 2017, it appears appropriate, inter alia, to ensure the preparation, with an inclusive dialogue involving international experts, and adoption of the Energy Strategy of Ukraine until 2035, which should establish the main directions for the development of specific energy sectors, the level of ensuring energy security and the shift to energy-efficient and energy-saving energy use and consumption by introducing innovative technologies.

In addition, in order to ensure that Ukraine fulfills its obligations in the Energy Community in due time, it is necessary to accelerate the measures towards the implementation of Council Directive 2009/119/EC of 14 September 2009 on maintaining minimum stocks of crude oil and/or petroleum products, Directive 98/70/EC of 13 October 1998 relating to the quality of petrol and diesel fuels, Directive 1999/32/EC relating to a reduction in the sulphur content of certain liquid fuels, and to adopt the National Plan for Reducing Emissions of Pollutants from Heat Generating Facilities (thermal power plants and thermal heat and power stations).
Macro-economic cooperation and information exchange between the EU and Ukraine take place through the bilateral bodies – at the political level (the Association Council), at the level of senior officials (the Association Committee) and at the expert level (Cluster 1 (macroeconomic cooperation, management of public finances, budget policy, internal control and external audit, statistics, accounting and auditing, and anti-fraud provisions) of the Sub-Committee on Economic and Other Sector Cooperation).

In particular, at the second meeting of Cluster 1 held on 28 and 29 September 2016, the Ukrainian Party informed of the current economic situation in Ukraine and the perspectives of Ukraine's economic development for the forecast period, the progress in implementation of the State Budget of Ukraine for 2016 and the progress in introducing the medium-term state budget planning. The EU Party presented its analysis of the current economic situation of the euro zone and the forecasts for its development in the nearest future.
According to Article 351 of the Association Agreement, Ukraine should improve the procedure for VAT compensation in order to prevent accumulation of debt, ensure effective tax collection and strengthen combating of tax fraud and tax evasion. Article 352 provides for Ukraine's obligation to adapt its policy on counteraction and combating of smuggling of excisable products, in particular, gradual approximation of the excise duty rates for tobacco goods.

In order to fulfill its obligations, in 2016, Ukraine accomplished as follows:

**The draft law of Ukraine “On amendments to the tax code of Ukraine (concerning the taxation of tobacco products)”** (Reg. No 4619) was prepared.

For reference: This draft law establishes conditions for the approximation of excise tax rates applicable to tobacco to the standards of the EU member states and provides for the increase of ad valorem excise tax rate applicable to tobacco products by three percentage points (i.e. from 12% to 15%). The increase of the excise tax on tobacco products to the EU level should result in the reduction of tobacco products consumption and improvement of population health.

**The Concept of the electronic excise stamp introduction**, being the automated system of control over the circulation of excisable goods (Resolution of the Cabinet of Ministers No 497-p of 6 July 2016), was approved.

For reference: The introduction of the automated system Electronic Excise Stamp should ensure an integrated system of control and preventive monitoring in excisable goods circulation (i.e. alcoholic beverages and tobacco products), which should cover every stage of their movement from the producer or importer to the end consumer. The introduction of this new measure should ensure the establishment of the common information area and the setting up of the information data base on the circulation of alcoholic beverages and tobacco products, which should become an efficient tool in the fight against counterfeit and contraband goods. It is expected that the improvement of tax administration should result in the reduction of tax burden on companies, in particular, on the exporters facing substantial VAT compensation issues.

**The Draft law of Ukraine “On amendments to the Tax Code of Ukraine concerning the minimization of impact on administration of budget revenues”** (Reg. No 4516) was approved in the first reading.

For reference: This Law proposes to reduce the customs payments thresholds applicable to the importation of goods subject to exemption from the customs duties, such as hand luggage and/or accompanied baggage, from EUR 1,000 to EUR 430 at the checkpoints for air and maritime connection, and from EUR 500 to EUR 300 for other checkpoints; to increase from 6 to 12 months the exemption period for the importation of goods in connection with the immigration to Ukraine for permanent residence free of customs duties and reduce the period of permanent residence in the country, from which the citizen arrived, to establish a two year exemption from customs duties applicable to inherited goods and to establish a list of goods, which are not subject to this exemption; to simplify the procedure for administrative review of decisions by way of submitting the relevant complaint directly to the central office of the State Fiscal Service (presently such applications must be submitted both to the Oblast controlling authority and the central office of the State Fiscal Service).

The provisions requiring the on-site presence of representatives of the controlling authority at the excise warehouses for gasoline trade have been cancelled.

For reference: Sub-point 230.2 of Article 230 of the Tax Code of Ukraine was amended accordingly. To this end, Order of the Ministry of Finance No 976 of 17 November 2016 “On the cancellation of Order of the Ministry of Finance of Ukraine No 416 of 10 April 2015”, registered with the Ministry of Justice on 6 December 2016 under No 1575/29705, was adopted.

**The draft Resolution of the Cabinet of Ministers “On adopting the Procedure for running of the unified State Register of flow meters and level gauges, and the electronic transfer of data recorded by the flow meters and level gauges”** was prepared.

Furthermore, **the Law of Ukraine “On amendments to the Tax Code of Ukraine concerning the improvement of investment climate in Ukraine”** (No 1797-VIII of 21 December 2016) was adopted.

In view of the introduction of the electronic system for fuel trading in accordance with the Law of Ukraine “On amendments to certain legislative acts of Ukraine concerning the provision of balanced budget revenues in 2016” (No 909 of 24 December 2015), the list of excise tax payers was expanded to include persons engaged in wholesale fuel supply; the measurement units for excisable fuel, with excise tax rates established, was changed from kilograms to litres at 15°C.
In order to implement Article 355 of the Association Agreement, in 2016:

– The Global Assessment of the National Statistics System of Ukraine was completed.

For reference: In January through April 2016, the mission of European experts assessed the national statistics system and its conformity with the EU norms and standards. Recommendations on further course of action to bring the national statistics system in line with the EU standards are expected to be published in the Final Report on the Global Assessment results.

– Orders of the State Statistics Service of Ukraine concerning the approximation of statistics practices to the EU norms were prepared and adopted.

For reference: These orders intend to harmonize methodological provisions (calculation of the industrial production turnover index; the procedure of structure surveys in agriculture; the procedure of sample surveys of households with land plots for collective or individual fruit-farming and gardening; the procedure of the state statistical monitoring of animal products production, the number of live-stock animals and sufficient feeds supply), methodology of calculations (basic statistical indicators for animal products production; livestock feeds sufficiency), the statistical EU-SILC forms and the state statistical monitoring forms relating to the areas, gross output and crop yield of agricultural crops, fruit, berries and grapes.

– The European practice of monitoring prices for natural gas supplied to the end-consumers was implemented.

For reference: Order No 253 of 28 December 2016 “On the methodology provisions for the procedure of state statistical monitoring of prices for natural gas supplied to end-consumers”.

– The progress of and the prospective cooperation between the EU have and Ukraine was assessed positively.

For reference: The results of the Cluster 1 meeting of the Sub-Committee on Economy and Other Sector Cooperation (held on 28-29 September 2016).

– Conditions for monitoring natural gas and electricity prices for industrial and household consumers were created in accordance with the EU standards.

For reference: The draft Agreement on the mutual exchange of information resources between the State Statistics Service of Ukraine and the National Commission for the State Regulation of Energy and Public Utilities was prepared. The draft Methodology handbook on the procedure of state statistical monitoring of electricity prices is expected to be developed after the relevant administrative reporting form for monitoring of electricity prices is prepared by the National Commission for the State Regulation of Energy and Public Utilities.

– Conditions for the approximation of provisions on the classification and analysis of labour force and other forms of work activities were established in accordance with the EU standards.

For reference: The draft Methodological Provisions on the classification and analysis of labour force and other forms of work activities were developed.

In addition, in May 2016, the Cabinet of Ministers of Ukraine submitted for consideration of the Verkhovna Rada of Ukraine the Draft law of Ukraine “On amendments to certain laws of Ukraine regulating the state statistical activities” (Reg. No 4584), which generally conforms to the objective of harmonizing the national statistics system with the relevant EU principles with regard to the activities of the state statistical bodies in accordance with the common universal and European statistical practices, in particular, the principle of professional independence.

At the same time, it appears necessary in 2017 to focus on the practical implementation of the EU legal acts concerning the statistical procedures in specific sectors of economy in accordance with the EU Statistical requirements compendium — 2016 edition.
Obligations under the Association Agreement require environmental modernisation of the main sectors of industry, imposing severe restrictions on pollutant emissions, making information on risks from infrastructural projects development publicly available, changing of approaches to the control over undertakings, simplifying licensing procedures and reducing landfill of waste. Within the fulfilment of the above-mentioned obligations, 2016 witnessed as follows:

– In 2016, the Verkhovna Rada of Ukraine has adopted the Draft law of Ukraine “On the assessment of environmental impact” (No 2009а-д), establishing the legal and organizational framework for conducting environmental impact assessment in accordance with Directives 2003/4/EC and 2011/92/EU, and ensuring Ukraine's fulfilment of its obligations under a number of international conventions. In addition, the Draft law of Ukraine “On strategic environmental assessment” (No 3259) was adopted, requiring to conduct a strategic environmental assessment (the “SEA”) prior to taking decisions authorising the state planning documents in accordance with Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment.

After their adoption, the laws were returned for consideration to the Verkhovna Rada of Ukraine including the President's proposals. The President's proposals to the above-mentioned draft laws generally do not concern the provisions implementing the above-mentioned EU legal acts. Presently, the Committee of the Verkhovna Rada of Ukraine on Environmental Policy, Nature Resources Utilization and Elimination of the Consequences of Chornobyl Catastrophe is finalising the aforementioned draft laws to enable their adoption. The adoption by the Verkhovna Rada of Ukraine and the execution by the President of Ukraine of the Draft laws No 2009а-д and No 3259 should create the appropriate conditions for the implementation of the Association Agreement and fulfilment of Ukraine's obligations arising out of its membership in the Energy Community.

In addition, in 2016, Ukraine ratified the Paris Agreement, which had been adopted by the decision of the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change. Taking into account that it is necessary to ensure mutual coordination of efforts towards the fulfilment of Ukraine's obligations in this field, the Cabinet of Ministers adopted the Concept for implementation of state climate change policy, which provides for conditions ensuring a gradual transfer to low-carbon development subject to economic, energy and environmental safety.

– The draft of the National Waste Management Strategy, establishing the action plan, which fully covers Ukraine's obligations under the Association Agreement, was prepared. At the same time, according to Annex XXX to Chapter 6 (Environment) of the Agreement, the implementation of a number of provisions of EU legal acts, in particular, concerning the adoption of relevant national legislation, the appointment of the competent authority, and preparation of waste management plans based on the five stage hierarchy of waste and programs for the prevention of waste, is due in 2017. In view of the above, it is necessary to promptly adopt the above-mentioned strategy, and prepare the coordinated position on whether it is possible to fulfil the aforementioned obligations in time and for the Verkhovna Rada of Ukraine to adopt the Law “On packaging and packaging waste” (Reg. No 4028) in accordance with the approaches identified in the National strategy.
For the purpose of approximation to the EU legislation on the use of genetically modified organisms (GMO) and the fulfilment of the Action Plan on Association Agreement Implementation for the period of 2014-2017, a draft law “On the state system of biosafety in creating, testing, transporting and using genetically modified organisms”, has been prepared and is presently finalized by the Ministry of Ecology and Natural Resources of Ukraine.


In view of the above, the finalising and submission for consideration to the Verkhovna Rada of Ukraine of the draft law “On the state system of biosafety in creating, testing, transporting and using genetically modified organisms” should be accelerated, while an accurate roadmap of further steps towards the implementation of the aforementioned EU legal acts needs to be adopted and implemented in cooperation with the EU.

The Law of Ukraine “On amendments to certain legislative acts of Ukraine concerning the introduction of integrated approaches to water resources management under the basin principle” (No 1641-VIII) was adopted.

For reference: The transition from administrative and territorial principle to basin principle of water resources management requires the implementation of measures on integrated management of water resources under the basin principle. For this purpose, the powers of central and local executive bodies and local self-government bodies concerning the water resources management are reviewed towards the decentralisation of functions and powers of state bodies for water resources management. Presently, hydro-geographic and water management division of the territory of Ukraine has been completed establishing 9 areas of river basins; 10 basin water resources departments were set up; the Ministry of Ecology and Natural Resources of Ukraine initiated to establish the National Coordination Council for Urgent Matters of Water Protection and Rational Use.

In order to implement Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control), an interdepartmental working group was set up to further introduce and implement regulatory, institutional and information measures relating to industrial emissions.

In 2016, the draft of the National plan for reducing emissions of pollutants from large combustion plants was underway. The draft was prepared in accordance with Directive 2010/75/EU and decisions of the Ministerial Council of the Energy Community with positive conclusions of the Energy Community. In 2017, the preparation of the relevant draft law for consideration of the Cabinet of Ministers should be ensured.
The Association Agreement provides for the liberalisation of automotive, railway and waterways transportation in order to expand and enhance Ukraine’s cooperation with the EU in the field of transport and to increase the efficiency, safety and security of transport connection.

– The development of international transport corridors and measures aimed at strengthening Ukraine’s potential as a transit state remain to be important issues. Thus, 2016 witnessed that in this context, a number of measures were undertaken contributing to the above-mentioned objective.

On 1 June 2016, the Public Joint-Stock Company “Ukrzaliznytsia” joined the Coordination Committee on Development of Trans-Caspian International Transport Route (TCITR). The International Trans-Caspian International Transportation Consortium (ITTC), coordinating the single through rates for transportation, was established with the participation of the railway companies of Ukraine, Azerbaijan, Georgia, Kazakhstan, Turkey and maritime carriers.

For reference: The Trans-Caspian International Transport Route is a part of the New Silk Road aiming at securing transport connection between China and Western Europe bypassing Russia.

On 14 September 2016, the Agreement between the Cabinet of Ministers of Ukraine and the Government of Georgia on the Organisation of Direct International Railway Ferry Service through the ports of Chornomorsk (the former Illichivsk), Batumi and Poti was signed.

On 4 November 2016, the Agreement on Joint Freight Transportation between Ukraine and Turkey was signed in order to increase the multi-modal transportation through the Black Sea.

On 21 and 22 November 2016, the meeting of the Permanent Secretariat of the Inter-Governmental Commission TRACECA was held and, chaired by Ukraine, the Roadmap for the development of the Europe-Caucasus-Asia corridor was prepared.

For reference: TRACECA (Transport Corridor Europe-Caucasus-Asia) is an international cooperation programme involving the European Union and partner states in order to create a transport corridor Europe-Caucasus-Asia. The programme participants include Azerbaijan, Bulgaria, Armenia, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Romania, Tajikistan, Turkey, Turkmenistan, Uzbekistan and Ukraine.
In order to ensure a proper level of safety during the transportation of hazardous cargoes by road, rail and waterway transport, the Cabinet of Ministers of Ukraine submitted for consideration of the Verkhovna Rada of Ukraine a draft law “On amendments to certain legislative acts concerning their harmonization with the EU legislation” (registered with the Verkhovna Rada on 11 May 2016 under No 4644), which was adopted as a basis. This draft law aims at amending the Laws of Ukraine “On the transportation of hazardous cargoes”, “On transport” and “On automobile transport” in order to bring them in conformity with the requirements of international agreements of Ukraine in the field of hazardous cargoes transportation and Directive 2008/68/EC.

In the field of inland waterway transport, the Draft law of Ukraine “On inland waterway transport” (registered with the Verkhovna Rada of Ukraine under No 2475a) was prepared. This draft law is being reviewed by the Committee on Transport Matters of the Verkhovna Rada of Ukraine.

In the field of international transportation and marine transport, the agreement on international combined transportation between the Cabinet of Ministers of Ukraine and the Government of Hungary, done on 28 March 2013, was ratified in the city of Budapest in 2016.

The relevant executive authorities developed and agreed on the following Draft laws of Ukraine: “On the ratification of the ILO Maritime Labour Convention, 2006” and “On amendments to certain legislative acts relating to the ratification of the ILO Maritime Labour Convention, 2006”.

The detailed conditions concerning the mutual access to air transportation markets should be regulated be the bilateral Common Aviation Area agreement between the European Union and Ukraine. No progress was reached in 2016 in resolving the issue relating to the territorial dispute between Spain and the United Kingdom over Gibraltar International Airport. It is expected in 2017 to continue consultations and find possible compromises to resolve this dispute between the parties.

In order to implement the Association Agreement between the EU and Ukraine, the Cabinet of Ministers of Ukraine submitted for consideration of the Verkhovna Rada of Ukraine the Draft law of Ukraine “On the cringing of the automobile transport legislation in conformity with the European Union acts” (No 4683 of 17 May 2016), which covers the implementation of 14 EU legislative acts concerning the access to the transportation market, organisation of public transportation, social protection and professional competence of drivers, use of speed limiters, etc.

In the field of railway transport, Order of the Ministry of Infrastructure No 107 “On amendments to the rules for carriage of passengers, luggage, cargoes and mail by railway transport” of 15 March 2016 (registered with the Ministry of Justice on 7 April 2016 under No 519/28649) was adopted.

The draft law of Ukraine “On railway transport” was submitted for consideration of the Verkhovna Rada of Ukraine (Reg. No 4593). This draft law provides for the new structure of relations among the railroad transportation participants; establishes a new model of the state management of railway transport; ensures the state regulation of tariffs on railway infrastructure as a monopoly component of the market; and establishes free tariffs in the areas exempt from the state regulation.

Taking account of how long it takes for the Verkhovna Rada of Ukraine to consider the drafts of the framework laws on specific types of transport, it is necessary to increase the efforts of the Ministry of Infrastructure, the Committee of the Verkhovna Rada of Ukraine on Transport and the Committee of the Verkhovna Rada of Ukraine on European Integration towards the adoption of these draft laws, which should enable further implementation of the Association Agreement in the field of transport.
Under the Association Agreement Ukraine undertook to create conditions for the development of domestic production of satellite navigation installations and facilities; to establish a system for regulation of the internal market of satellite navigation information services; to ensure international cooperation in the field of satellite navigation; and to set up the EU–Ukraine working group on space.

In 2016:

– The Draft law “On the state regulation in the field of satellite navigation”, which establishes legal, economic, administrative and financial framework for the activities of governmental authorities and business entities involved in satellite navigation in Ukraine and establishes principles of state regulation in this field, was submitted for consideration of the Verkhovna Rada of Ukraine.
– In March 2016, the RIMS ground control station for satellite navigation was installed in Kyiv, which facilitated the extension of coverage by the European satellite navigation augmentation system EGNOS over the territory of Ukraine.
– The portal of the Ukrainian Geo-Ukraine-ERA-PLANET system was created based on the data from the European Sentinel spacecraft. After decoding and processing, the images are made publicly available at the sectoral geoportal.
– Sen2-Agri demonstration project for automatic generation of satellite products of Sentinel-2 processing at the level certain Oblasts was implemented. Ukrainian experts ensured the full cycle of information processing — from acquiring satellite and ground data to making final products available to users.
– Two successful launches of the Vega launch vehicle took place.
– In 2016, the UKRAINE project (Ukraine — UKraine Replication, Awareness and INnovation) based on EGNSS was implemented.

Furthermore, there is a number of pending projects:

– the draft Agreement the European Commission and between the Government of Ukraine on cooperation in and access to data of the European satellites system Sentinel under the Copernicus programme is being prepared.
– The production of the fourth stage sustainer engine for the VEGA launch vehicle, within the VEGA project, by the space industry companies (the State Enterprise “Design Bureau “Pivdenne” named after M.K.Yanhel”, the State Enterprise “Production Association “Pivdennyi Machine-Building Plant named after O.M. Makarov”) is in progress;
– The work under the contract with AvioS.p.A., the Italian company, is in progress.
– Ukraine’s space industry companies participate in the following projects under the Horizon 2020 programme: (1) prediction of geospace radiation environment and solar wind parameters; (2) a novel process for manufacturing complex shaped Fe-Al intermetallic parts resistant to extreme environments; and (3) modified cost effective fibre based structures with improved multifunctionality and performance.

Ukraine’s first stage cooperation does not require any financial contributions for participation in the projects of the European Space Agency. Presently, the Agreement between the Government of Ukraine and the European Space Agency concerning cooperation in use of outer space for peaceful purposes, prolonged for five years on 14 February 2014, is a legal basis for cooperation.

According to the State Space Agency of Ukraine, the most preferable option for further cooperation with the European Space Agency is to conclude the European Cooperator State Agreement, which should allow to enhance partnership cooperation and participate in the European space projects, programmes and procurements. The second stage of cooperation, as estimated by the State Space Agency of Ukraine, could continue for 5 to 10 years and require annual contributions amounting to approximately EUR 1.5–2 million.

In 2017, Ukraine’s space industry companies must continue preparing project proposals for further participation in the competition calls of the EU Horizon 2020 Programme.
In 2016, the Framework law of Ukraine “On scientific and technological activities” entered into force establishing prerequisites for bringing the state policy in the field of science and scientific research funding in line with best practices of the European Research Area, in particular:

– ensuring transparent funding conditions through the introduction of high-quality expertise involving foreign experts; in addition, the R&D funding has been increased according to the EU standards, i.e. to 1.7% of GDP applicable from 2020; and 3% of GDP by 2025.

Ensuring Ukraine’s effective participation in the EU Horizon 2020 Programme was a priority objective in 2016, in particular, as follows:

– open and transparent access for Ukrainian representatives to the Programme Committees of the EU Framework Programme Horizon 2020 was ensured owing to the establishment of the Coordination Centre for Implementation of the EU Horizon 2020 Programme and the Commission for selection of Ukrainian delegates and experts as members of the Programme Committees;

– an independent peer review of the Ukrainian research and innovation system was conducted by participating in the EU Horizon 2020 Programme (the report of 19 December 2016), in particular, recommendations concerning the optimisation of political tools to support the research system and Ukraine’s integration into the European Research Area were provided;

– as of October 2016, based on the results of 247 competition calls involving Ukrainian applicants (in 2014–2016), the European Commission approved funding for 61 projects with the total budget of EUR 11,536,412.00.

In addition, the Agreement for scientific and technological cooperation between the European Atomic Energy Community and the Cabinet of Ministers of Ukraine entered into force on 28 October 2016. The implementation of this Agreement establishes practical mechanisms for the introduction of the EU standards of nuclear safety by joining (becoming an associate member of) the Euratom Research and Training Programme (2014–2018), which is a part of the EU Horizon 2020 Programme.

In 2016, Ukraine also became an associate member of the European Organization for Nuclear Research (CERN), which allowed paying significantly lower membership fees compared to those payable by 22 Organization Member States, allowed Ukrainian scientists to fully participate in the CERN research programmes and Ukrainian companies to participate in the CERN tenders and receives orders for the production of high-tech equipment.

Considering the high level of involvement of the Ukrainian research community in certain EU programmes and agencies, as well as major international research projects, further efforts should be focused on increasing the science and technology potential. The accomplishment of this objective should be, inter alia, facilitated by the adoption of the Roadmap on the integration of Ukrainian Scientific and Innovation System into the European Research Area taking account of recommendations from the European experts based on the independent Peer Review of the Ukrainian Research and Innovation System.
INDUSTRIAL AND ENTERPRISE POLICY

In accordance with the EU–Ukraine Association Agreement, Ukraine needs to improve its business environment. In view of this, on 23 August 2016, the Cabinet of Ministers of Ukraine approved the updated **Action Plan for Business Deregulation**. The approval of the plan provides for:

– a systematic review of regulatory acts in the areas of agriculture and food safety, construction, energy, transport and infrastructure, information technology and telecommunications.

– **the development of the Strategy for the Development of Small and Medium-Sized Enterprises in Ukraine until 2020**.

The cooperation between the Parties ensures that the following international programmes/projects are actively being implemented:

– Strengthening SME Business Membership Organizations project aimed at strengthening the capacities of business associations;


For reference: **Business Support Centres will promote agricultural trade, energy efficiency, environmental management, the quality of public services and infrastructure, as well as innovative technologies. These Centres will advise entrepreneurs on legal aspects and market specificity of doing business in Ukraine and abroad.**

– the Programme to Support “Green” Modernization of the Ukrainian Economy aimed at providing Ukraine with expert and organisational advice in energy efficiency.

– the Manager Training Programme of the German Federal Ministry of Economics and Technology in Ukraine.

For reference: **This Programme enables its participants to obtain the managerial competencies and skills required for international economic activities.**

– **FORBIZ**, the project launched by the EU Delegation to Ukraine and the Ministry of Economic Development and Trade of Ukraine to create better business environment.

– the EU Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (COSME).

The Ministry of Economic Development and Trade of Ukraine, together with the Ministry of Education and Science of Ukraine, takes part in the implementation of EU **Horizon 2020** Programme including Innovation in SMEs.
COOPERATION IN MINING

According to Article 382 of Title V of the Association Agreement, the EU and Ukraine undertake to exchange information on the basic situation of and outlook for development, assurance of sustainable development, as well as the measures taken to facilitate the restructuring process in mining and metals industries.

In this respect, the following results were achieved in 2016:

– The background for the increased responsibility within use of mineral resources of national importance was established according to the EU standards.

For reference: The Draft law of Ukraine No 4840 “On disclosure of information in extractive industries” of 17 June 2016 was developed and registered in the Verkhovna Rada of Ukraine. The adoption of this law will provide public access to complete and objective information on payments made by natural resources companies.

– The documents for exchanging the information on permissions for use of subsoil, mineral mining output, mineral deposits and mining areas, mining companies, legal and regulatory framework, fiscal mode and capital investment, as well as the share of mining sector in the economy were prepared.

For reference: The national draft report of Ukraine’s Extractive Industries Transparency Initiative (EITI) was considered and approved by the Multi-Stakeholder Group (MSG). The final version of the report was submitted for consideration of the MSG.

– The permission for the tailored implementation of the EITI standard on disclosure of information in extractive industries in Ukraine was obtained.

For reference: At the EITI Board meeting held on 25–26 October 2016 in Astana (Kazakhstan), the EITI Board gave permission for the tailored implementation of information disclosure in extractive industries in Donetsk and Luhansk Oblasts, as well as Crimea for 2014–2015, given the difficulty in obtaining data from the zone of ATO in Eastern Ukraine and Crimea annexed by Russia.
FINANCIAL SERVICES

In accordance with Article 387 of Title V (Economic and Sector Cooperation) of the Association Agreement, Ukraine undertakes to adapt EU legislation covering company law, corporate governance, as well as accounting and auditing. The Ministry of Justice of Ukraine, the Ministry of Finance of Ukraine and the National Securities and Stock Market Commission are the main agencies responsible for the adjustment of the Ukrainian legislation to the EU legislation in the field of financial services.

For reference: According to Paragraph 2 of Article 125 of the Association Agreement, ‘financial service’ means any service of a financial nature offered by a financial service supplier. The financial services include insurance, insurance intermediation, brokerage and agency, as well as services auxiliary to insurance, including consultancy, actuarial, risk assessment and claim settlement services.

In 2016, a comprehensive analysis was conducted to ascertain that Ukrainian legislation on disclosure of information in the stock market and issue of securities complies with the EU legal acts. The analysis resulted in the defined list of legislative provisions, which require amendments to ensure that they are fully adjusted to the EU legal acts.

The National Securities and Stock Market Commission developed a comprehensive Draft law of Ukraine No 5592 “On amendments to certain legislative acts of Ukraine on disclosure of information in the stock market and on streamlining of rules governing issuance of securities and expanding opportunities to raise capital”.


In addition, the Verkhovna Rada of Ukraine approved in the first reading a number of draft laws aimed at improving the efficiency and functionality of capital markets and other regulated markets in Ukraine through the comprehensively settled functioning of derivatives markets, as well as legislative control over regulated markets infrastructure:
– Draft law of Ukraine No 3498 “On amendments to certain legislative acts of Ukraine (concerning regulated markets and derivatives)”;
– Draft law of Ukraine No 3500 “On amendments to the Budget Code of Ukraine (concerning regulated markets and derivatives)”;
– Draft law of Ukraine No 3516 “On amendments to the Customs Code of Ukraine (concerning regulated markets and derivatives)”;
– Draft law of Ukraine No 2413a “On amendments to certain legislative acts of Ukraine on the consolidation of state regulation of financial markets functions”.

In addition, Ukraine’s joining to the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information of the International Organization of Securities Commissions (IOSCO) is expected in 2017.
According to Article 387 of the EU–Ukraine Association Agreement, Ukraine undertakes to adjust its legislation to the EU standards governing the protection of rights of shareholders, creditors and other stakeholders; accounting and auditing; and corporate governance policy.

In December 2016, the Verkhovna Rada of Ukraine also approved in the first reading the Draft law of Ukraine No 4666 “On limited liability companies and additional liability companies” of 13 May 2016. It takes into account the certain provisions of Twelfth Council Company Law Directive 89/667/EEC of 21 December 1989 on single-member private limited liability companies as amended by Directive 2009/102/EC of the European Parliament and of the Council of 16 September 2009 in the area of company law on single-member private limited liability companies, and therewith Ukraine undertakes to implement the documents within 3 years of the entry into force of the Association Agreement. If this draft law is appropriately elaborated taking account of the requirements of the referred EU legal act, its adoption will facilitate the fulfillment by Ukraine of its respective commitments.

Given the timetable to implement legal acts on accounting and auditing set out in Annex XXXIV and Annex XXXV to Chapter 13: Company Law, Corporate Governance, Accounting and Auditing of Title V: Economic and Sector Cooperation of the EU–Ukraine Association Agreement, the Draft law No 4646 should be reviewed by the Verkhovna Rada of Ukraine without undue delay.

Within the implementation of Ukraine's commitments in 2016, the Draft law No 4646 “On amendments to the Law of Ukraine “On accounting and financial reporting in Ukraine” of 11 May 2016 was submitted for consideration of the Verkhovna Rada of Ukraine. It implements the provisions of Directive 2013/34/EU on accounting and auditing.

The Ministry of Finance of Ukraine also developed the Draft law “On the audit of financial statements and auditing”. Its adoption will ensure audit deregulation and recognition of the equivalence of audit systems between the EU and Ukraine. In 2017, this Draft law should be submitted for consideration of the Verkhovna Rada of Ukraine.

The Draft law of Ukraine “On amendments to certain legislative acts of Ukraine on improving corporate governance in joint stock companies” was developed to provide additional guarantees to minority shareholders enabling them to sell their securities at market value, and relieving them of the duty to bear charges for depository services. Those legislative amendments were developed in accordance with Ukraine’s commitments under the Association Agreement, particularly its commitments on the implementation of Directive 2004/25/EC of the European Parliament and of the Council.
On 26 October 2016, the Government of Ukraine approved the Action Plan for Implementation of Digital Broadcasting in Ukraine (Resolution of the Cabinet of Ministers of Ukraine No 788-p). Its implementation will allow completing the country’s transition to digital broadcasting, increase the level of information security for the state and its citizens, as well as stimulate the development of national means of receiving digital signals, which is primarily important to provide vulnerable segments of the population with the national information product.

On 28 December 2016, the Government of Ukraine approved the Charter of Public Joint Stock Company “National Public Broadcasting Company of Ukraine” (Resolution of the Cabinet of Ministers of Ukraine No 1039).


For reference: The amendments proposed in the draft law will enable facilitation of the process of issuing control marks, as well as allow the owners of copyright and related rights to independently monitor the implementation of the law in terms of control marks issue.
To ensure sustainable tourism development in the context of the Association Agreement implementation, the Cabinet of Ministers of Ukraine developed the Draft resolution of the Cabinet of Ministers of Ukraine “On approval of the Strategy for Tourism and Resort Development until 2026”. Its approval is expected in the first half of 2017.

The amendments to the Law of Ukraine “On tourism” will be made taking full account of the provisions of Council Directive 90/314/EEC of 13 June 1990 on package travel, package holidays and package tours with regard to providing sufficient evidence of security for the refund of money paid over and for the repatriation of the consumer in the event of insolvency, as well as compulsory insurance of tour operators’ civil liability to refund tourists’ expenses for their return to the place of permanent residence.

Development of bilateral relations and cooperation in tourism is being handled within the activities of the bilateral International Commissions on Trade, Economic and Scientific and Technical Cooperation between EU Member States and Ukraine.

On 5–7 October 2016, the 23rd Ukraine International Travel Market 2016 (UITM’ 2016) was held, where more than 100 travel companies, professional associations, hotels, transport agencies, insurance companies, as well as the representative offices of many countries, including Bulgaria, the Dominican Republic, the Republic of Indonesia, India, Italy, Cuba, China, Palestine, Peru, Slovakia, Thailand, Tanzania, Turkey, Hungary, France and others, participated. The special exhibition of Ukraine’s cities and regions was organized to familiarize its visitors and guests with tourism potential of Ukrainian cities and regions.

On 12–13 December 2016, the International Workshop on the Implementation of the Protocol on Sustainable Tourism to the Carpathian Convention into National Law was held in Vienna (Austria) with the representatives of Ukraine, as well as the representatives of the Carpathian Convention Member States, including the Czech Republic, Hungary, Poland, Romania, Serbia and Slovakia, participating therein. The workshop resulted in adopting a decision to create a permanent cooperation platform and to open representative offices in three out of seven Carpathian Convention Member States, with one office to be opened in Uzhhorod (Zakarpattia Oblast), Ukraine.

On 16 December 2016, the Ministry of Economic Development and Trade of Ukraine held the Conference of donor states providing technical and financial assistance to Ukraine to attract international support for adjustment of tourism legislation and to facilitate competitiveness of tourism sector. The Conference presented the tourism potential of Ukraine, with the action plan for tourism and resort development, and proposed measures to be implemented with the assistance of the donor community.

11 national tourism standards of Ukraine, harmonised with international and European legal acts, entered into force on 1 September 2016. Their implementation will ensure higher quality of the national tourist product and tourism services provided to consumers.

To ensure Ukraine’s participation in the EU Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (COSME) (2014–2020), which provides for special measures in tourism sector by focusing on the enhanced competitiveness and sustainable development of the sector, the Verkhovna Rada of Ukraine ratified the Agreement to Participate in COSME between the European Union and the Government of Ukraine.
To promote increased production, domestic market saturation with high quality foodstuffs, as well as deeper integration of Ukrainian agricultural production with the EU market and global markets, the Government of Ukraine approved the following rules:

– detailed rules for organic bee product (raw materials) manufacture (Resolution 208 of the Cabinet of Ministers of Ukraine of 23 March 2016);
– detailed rules for organic animal product (raw materials) manufacture (Resolution 241 of the Cabinet of Ministers of Ukraine of 30 March 2016);
– detailed rules for organic plant product (raw materials) manufacture (Resolution 587 of the Cabinet of Ministers of Ukraine of 31 August 2016).

Therewith, the Order No 157 of the Ministry of Agrarian Policy and Food of Ukraine of 13 April 2016 approved the requirements for cocoa and chocolate products.


In addition, the Procedure for application of budgetary funds to support farms was amended (Resolution No 609 of the Cabinet of Ministers of Ukraine of 8 September 2016) to improve the application of funds intended to support the winning farms.

For reference: In particular, the procedure for the selection of competition winners was enhanced and the maximum amount of financial support for farms was increased up to UAH 500,000 on a repayment basis. In addition, the range of areas for financial support was extended and the priorities applicable to determining competition winners (membership in agricultural cooperatives; cattle raising and breeding; cultivation of land lots (less than 500 ha); establishment of orchards and vineyards; transition to organic products (raw materials)) were set.

To implement Council Directive 2001/110/EC of 20 December 2001 relating to honey, the draft requirements for certain honey quality criteria are being prepared to be submitted for consideration of the Government of Ukraine.

The Draft law of Ukraine “On stimulation of agricultural development of Ukraine”, approved by the Cabinet of Ministers of Ukraine on 17 January 2017, was submitted for consideration of the Verkhovna Rada of Ukraine on 23 January 2017. This law regulates relations associated with the implementation of state policy on agricultural development of Ukraine, stimulation of agricultural production, development and balancing of agricultural market, creation of favourable conditions for various types of business entities (including small agricultural producers) in agriculture and provision of food security, thus complying with the EU legal acts.
In accordance with the Association Agreement, the EU and Ukraine work together to preserve and manage living aquatic resources, to fight against unreported and unregulated fishing, as well as to expand international cooperation in the Black Sea.

Taking into account those areas of cooperation, in 2016:

– The stock of pelagic and demersal fish in the Black Sea was estimated under the BlackSea4Fish Project. The information on Ukraine’s possible participation in international survey in the Black Sea to provide qualitative biological data was obtained.

– The Letter of Agreement of 25 October 2016 on the Reform of Fishery Authorities in Ukraine between the State Agency for Fisheries of Ukraine and the Food and Agriculture Organization of the United Nations (FAO) concerning the implementation of the Technical Assistance to Responsible Fisheries and Sustainable Aquaculture project entered into force.
DANUBE REGION, DANUBE RIVER AND EU STRATEGY FOR THE DANUBE REGION

In the field of water policy, the EU–Ukraine Association Agreement provides for the implementation of Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, which has introduced a new approach to water management system — the so-called integrated water resources management on basin principle, which, inter alia, defines the water body basin as a main management unit.

On 4 October 2016, as part of the undertaken commitment, the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On amendments to certain legislative acts of Ukraine on the implementation of integrated approaches to water management on basin principle”, which provided for:
- hydrographic and water management division of the territory of Ukraine;
- development of river basin management plans;
- development of water management balances;
- determination of powers of central and local authorities, as well as local self-governments.

This Law, inter alia, establishes 9 areas of river basins, including the Danube River Basin District. Thus, 2017 requires to ensure proper implementation of this legislation as defined by the tasks and purpose of the EU legal regulation.

In 2016, there was an active dialogue within the International Commission for the Protection of the Danube River (ICPDR). In particular in February, two plans on the priorities of sustainable water use in the Danube River Basin until 2021 were approved, namely the Danube River Basin Management Plan aimed at further protecting and improving water resources, preventing their pollution and ensuring sustainable water use, and the Danube Flood Risk Management Plan aimed at preventing, protecting from and preparing for floods. As an official partner of the ICPDR, Ukraine may participate in the realisation of the projects implemented within these plans. Furthermore, Ukraine and Hungary as the Parties to the ICPDR have undertaken to protect the Danube River Basin, including the Tisza, within the framework of the ICPDR.

In addition, there has been permanently carried out work to ensure Ukraine's participation in the Danube Transnational Programme (DTP), which is the EU financial instrument with the specific area of focus, as well as the appropriate decision-making mechanism to implement integration policy in the Danube Region. Ukraine has recently received a favourable decision of the EU Party on the allocation of EUR 5 mln to finance Ukraine's participation in the Danube Transnational Programme. Thus, the next step to take will be to develop and sign the respective international agreement on Ukraine's participation in this programme between the European Commission and the Government of Ukraine.
Article 415 of the EU–Ukraine Association Agreement provides for cooperation to ensure high-level consumer protection and achieve compatibility between their systems of consumer protection.

Consumer protection reform in Ukraine should be based on the following EU fundamental principles of consumer right protection, including:

– changing the focus from production capabilities to consumers’ needs, which is essential;
– recognising the fact that consumers are an integral part of economic development;
– taking liability to guarantee minimum consumption at reasonable prices;
– taking into account the interests of producers with the leading role of consumers and establishing a certain balance of interests of the market parties.


In 2017, the Cabinet of Ministers of Ukraine should approve the Draft resolution of the Cabinet of Ministers of Ukraine “On amendments to the Procedures for trading activities and trade service rules for consumer market” developed to meet the requirements of Council Directive 87/357/EEC of 25 June 1987 on the approximation of the laws of the Member States concerning products which, appearing to be other than they are, endanger the health or safety of consumers.

The Cabinet of Ministers of Ukraine should shortly approve the Draft Concept of National Policy on Consumer Protection until 2020, developed in 2016.
COOPERATION ON EMPLOYMENT, SOCIAL POLICY AND EQUAL OPPORTUNITIES


For reference: This Convention specifies the types of social welfare, conditions for social benefits and their amounts in case of major social risks and proclaims the principle of equality treatment of non-national residents and national residents of a given country. Ukraine undertakes the following Parts of this Convention: Medical Care, Sickness Benefit, Unemployment Benefit, Old-Age Benefit, Employment Injury Benefit, Family Benefit, Maternity Benefit, Invalidity Benefit and Survivors’ Benefit.

Ukraine approved the Poverty Reduction Strategy (Resolution of the Cabinet of Ministers of Ukraine No 161 of 16 March 2016), which defines the mechanisms for poverty reduction, as well as the main tasks to be completed until 2020 to resolve this problem.

For reference: One of the strategic directions of poverty reduction is to promote increase in employment income and social benefits under state social insurance. In addition, access to public social services should be provided regardless of residence in order to minimize the risks of social exclusion in rural areas. Special attention should be given to prevention of chronic poverty and social exclusion hotspots among internally displaced persons. Developing this Strategy involved experts of UNDP, UNICEF and ILO.

This strategy will be implemented by realising a comprehensive action plan 2016–2017 (Resolution of the Cabinet of Ministers of Ukraine No 573 of 08 August 2016).

For reference: The poverty rate is expected to be reduced from 28% to 15%. However, the poverty rate for the employed should be reduced from 18.5% to 11%. The unemployment rate is expected to be reduced to 9% by 2020.


For reference: Under the provisions of the European Code of Social Security, the acceding state undertakes obligations to provide social benefits including: medical care to protected persons for health reasons; unemployment and old-age benefits to protected persons; employment injury benefits; family and maternity benefits to protected people; disability and survivors’ benefits, etc.

On 6 December 2016, the Law of Ukraine No 5130 “On amendments to certain legal acts” was adopted. This law regulates the procedure for merger of Ukraine’s social insurance funds (the Social Insurance Fund for Employment Accidents and Occupational Diseases and the Social Insurance Fund for Temporary Disability) into a single Social Insurance Fund as stipulated by law.

For reference: Implementation of this law will facilitate the completion of the merger of social insurance funds as stipulated by law, as well as improved management, establishment and start of unimpaired operation of the new Social Insurance Fund of Ukraine. The Cabinet of Ministers of Ukraine adopted six regulatory acts necessary for implementation of the Law in practice, as well as for support of Social Insurance Fund operations.

The Draft law of Ukraine “On social services” (Reg. No 4607) was developed. This draft law is aimed at refining legislation on administration of social services, raising the profile of social workers and other professionals who provide social services, protecting rights of people who receive social services, granting local authorities and local self-governments powers to organise social services locally in the place of residence of people who receive such services.

For reference: This draft law is available on the website of Ministry of Social Policy of Ukraine.

The Draft law of Ukraine (Reg. No 4608) provides for systematization of legislation on pension provision, which now comprises more than twenty laws, as well as award of all types of pensions according to the uniform law and abolition of special pensions, introduction of the second pillar contribution pension system and enhancement of the pay-as-you-go pension system.

For reference: The enhancement of the pay-as-you-go pension system, provided for by this draft law, should be reached through its release of indistinctive payments, particularly those related to funding of preferential and seniority pensions. In...
addition, this draft law suggests that payment of state pensions abroad and disability pension resulting from employment accident should be legislated. It is suggested to introduce the contribution pension system with occupational savings schemes for certain categories of people under the age of 35 years, as well as civil servants regardless of their age from July 1, 2017. From 1 July 2018, employers should start paying insurance contributions to the contribution pension system under occupational savings schemes. Those insured persons who will have less than 10 years left to reach the retirement age as on July 1, 2017, as provided for in Article 26 of the Law, will have the right to take a decision not to pay insurance contributions to the contribution pension system.

In order to improve the delivery of social services to children and families with children who are in difficult straits, the Cabinet of Ministers of Ukraine approved the Reference regulation on centre of social services for family and children (Resolution of the Cabinet of Ministers of Ukraine No 834 of 16 November 2016).

For reference: This document shall regulate regional and city centres of social services for family and children in terms of their formation and operation through merger, acquisition, separation or transformation of social services institutions (orphanages and boarding schools, i.e. operating network of institutions). This will help to ensure the child’s right to live in the family and in local community, primarily in the place of their origin, with the regional and city centres delivering affordable social services to support families with children and providing alternative care of children. These centres will establish sub-centres with the peculiar functions to satisfy the needs of a community, thus replacing institutions with similar functions within the given administrative-territorial unit.

The Cabinet of Ministers of Ukraine adopted the Resolution No 520 “On amendments to Section 8 of the Procedures for awarding and paying state social benefits to orphans and children deprived of parental care, monetary allowance to house parents and foster parents for social services in family-type children’s homes and foster homes on the ‘Money Follows the Child’ principle” of 23 August 2016.

The Verkhovna Rada of Ukraine supervises the Draft law of Ukraine “On custody and guardianship of adults without and with restricted capacity to act” (Reg. No 4606).

For reference: This draft law is aimed at unification of fundamental legal, social and organisational principles and guarantees of public policy on custody and guardianship of adults without or with restricted capacity to act.

The Draft Concept of National Programme on Gender Equality until 2021 and the Draft National Programme on Gender Equality until 2021 were developed.

The 8th periodic report of Ukraine on the implementation of The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) was prepared to submit on the Committee on the Elimination of Discrimination against Women 66th Session (14 February 2017).

In addition, some legislative and regulatory acts are being drafted to fulfill Ukraine’s commitments on the implementation of EU acquis communautaire under the Association Agreement (including Annex XL to Chapter 21: Cooperation on Employment, Social Policy and Equal Opportunities), as well as other international agreements.

The Draft Labour Code of Ukraine, now prepared to get its second reading in the Verkhovna Rada of Ukraine (it was approved in the first reading on 05 November 2011), is aimed, inter alia, at implementing the provisions of numerous EU legal acts stipulated by the Association Agreement.


For reference: This draft law will amend Article 31 of the referred law with a new provision, according to which hazardous works should be excluded from the list of community service.

To implement Council Directive 2001/23/EC of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees’ rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses, the Draft amended law of Ukraine “On collective agreements and contracts” was developed.

For reference: This draft law includes the provisions introducing the obligation for an employer to meet the terms and conditions of the effective collective agreement before transfers of undertakings or businesses (parts of undertakings or businesses) take place, within the period prescribed by this Directive.

As part of the implementation of Council Directive 92/85/EEC of 19 October 1992 on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding, the State Labour Inspectorate, during scheduled and random inspections of labour law compliance, exercises control over employers’ obligations, including those of transfer to other easier work of pregnant women and women with children under three years old; and involvement of pregnant women and women with children up to three years in night and overtime work, work on weekends and business trips.


For reference: This draft law provides for more effective legal protection for workers in case of mass discharge by amending the Labour Code of Ukraine and the Law of Ukraine “On employment”; introduction of non-discrimination provisions in execution, alteration and termination of an employment contract, employment ads, as well granting of the right to people who have faced discrimination to apply to the court for restoration of rights or compensation for pecuniary and non-pecuniary damage.

The amendments to the legislation on employment of disabled people (Reg. No 4578) were developed, which, inter alia, provide for:
– introduction of incentive mechanisms for employers to employ people with disabilities;
– subsidies for employers to provide common employment opportunities for people with disabilities (thus, the effective legislation provides for subsidies on special employment opportunities only);
– compensation of employer’s actual costs related to paying a single fee for obligatory state social insurance of workers with disabilities.

For reference: The adoption of this draft law will provide that the right to work for persons with disabilities will be exercised in accordance with the UN Convention on the Rights of Persons with Disabilities and ILO Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159).

As part of the implementation of Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services the following actions were carried out:
– the Draft law “On amendments to certain legislative acts of Ukraine (concerning the harmonization of Ukrainian legislation on preventing and combating discrimination with the EU law)” (Reg. No 3501, approved in the first reading on 16 February 2016) was developed.

For reference: This draft law provides for amendments to Article 188 of the Code of Ukraine on Administrative Offenses and liability in the form of a fine for gender discrimination. In addition, authorised officers of the Secretariat of the Ukrainian Parliament Commissioner for Human Rights and its representatives should be conferred powers to draw up administrative protocols for such violations.

– the Expert Board on preventing and combating gender discrimination was established at the Ministry of Social Policy of Ukraine (Order No 376 of 11 April 2016).

For reference: The meeting of the reshaped Expert Board of 19 October 2016 discussed the results of 5 lodged complaints about gender discrimination, of which 4 complaints referred to discriminatory advertisement and 1 referred to discriminatory statements made on the radio.
– a series of workshops, round tables, seminars and other actions were held for personnel development in ensuring gender equality and combating gender discrimination.

To implement Council Directive 79/7/EEC of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security, the Ministry of Social Policy of Ukraine carried out the detailed analysis of the conformity of Ukrainian regulatory acts with the requirements of that Directive. The results of the analysis show that the national law provisions comply with the provisions of Council Directive 79/7/EEC, which was confirmed by the Ministry of Justice of Ukraine (02 February 2016). Thus, this provision can be considered as implemented.

The State Labour Service of Ukraine is drafting the Resolution of the Cabinet of Ministers of Ukraine, which provides for approved plans of the implementation of eighteen EU legal acts on health and safety.
According to the Association Agreement, Ukraine has undertaken to reform its health care system. This materialises, inter alia, into the following objectives: to reform health care financing; to build and codify at the appropriate level the national solidarity health insurance model with full coverage; to establish hospital districts; to approve licensing terms and conditions for production, wholesale and retail trade of medicines and their import.

Thus, in 2016:
- the Cabinet of Ministers of Ukraine approved the Concept of Reform of Health Care Financing (No 1013 of 30 November 2016).

For reference: Insurance contributions will be collected through general tax system and accumulated in the state budget. Insurance payments for individual treatment will not be dependent on the amount of individual contributions. Single national customer will plan and purchase health care services for the citizens, make direct contracts with medical institutions, assess and monitor the quality of services, support the electronic system for collecting and sharing medical information, etc. The state introduces the concept of a guaranteed package of health care assistance, i.e. a clearly defined set of medical services and medicines provided to all citizens of Ukraine without exception. This guaranteed package of health care assistance will be reviewed and published annually. With a 3-year transition period, a new funding model for health care will be finally implemented in 2020.

- the Concept of Development of Public Healthcare in Ukraine was approved (1002, of 30 November 2016).

For reference: With the adoption of this document the public healthcare system will be developed with stakeholder involvement. This concept is aimed at fulfilling the tasks of public health and productive life protection as defined in Health 2020: a European policy framework supporting action across government and society for health and well-being, as well as in the EU–Ukraine Association Agreement.

- the Licensing terms and conditions for production, wholesale and retail trade of medicines and their import (except active pharmaceutical ingredients) were approved.

For reference: They will enable the state to define common requirements for the participants of the pharmaceutical market and create conditions to protect the interests of citizens. A list of the documents, which confirm compliance of a business entity with the requirements of licensing terms and conditions, application and work sheet forms, qualification, organisational, technological and special requirements, and requirements for ensuring the quality of medicines, was completed.

There is an urgent need for Ukraine to implement EU acquis on public health. To achieve this goal, the following actions have been taken for now:
- the List of communicable diseases to be progressively covered by the Community network under Decision 2119/98/EC of the European Parliament and of the Council was approved (Order of the Ministry of Health of Ukraine No 362 of 13 April 2016);
- the Criteria to diagnose cases as communicable and parasitic diseases subject to registration was approved (Order of the Ministry of Health of Ukraine No 905 of 28 December 2015);
- the Draft law of Ukraine “On amendments to certain legislative acts of Ukraine concerning healthcare and transplantation of organs and other anatomic materials to humans” (No 2386а-1 of 21 April 2016) was approved in the first reading;
- the Licensing terms and conditions for business of banks of umbilical cord blood and other human tissues and cells were approved in accordance with the list certified by the Ministry of Health of Ukraine.

The Association Agreement provides for activating cooperation to reform and modernize higher education system, and promote convergence in this field deriving from the Bologna process.

To implement the Law of Ukraine “On higher education”, the academic, organisational and financial autonomy of Ukrainian universities expanded substantially in 2014–2016.

In particular, in 2016:

– the European principles of state educational standards were being implemented.

For reference: The former standards, including the fixed list of subjects with course hours planned, as well as specific topics to cover, will be substituted with final competencies a graduate should master and framework requirements for the educational process (total training period, final certification, etc.). It will promote the European principle of academic autonomy of higher education institutions.

– the competitive selection of members and composition of methodological commissions on higher education, which would develop new higher education standards for the relevant professional fields to meet the requirements of the European qualification standards, were completed;

– the Procedures for training Doctors of Philosophy and Doctors of Science in higher education institutions (research institutions) were approved (Resolution of the Cabinet of Ministers of Ukraine No 261 of 23 March 2016) making key changes to the approximation of Ukraine’s higher education with EU standards.

For reference: Postgraduate Doctor of Philosophy studies include full-time, evening and part-time (distance) PhD programmes. The candidates who combine their research and teaching activities may work on their dissertation research extramurally. Postgraduate Doctor of Science studies include only full-time programme. Alternatively, the candidates may work on their dissertation research independently. Postgraduate Doctor of Philosophy course (full-time, evening and part-time PhD programmes) will take 4 years to complete. Postgraduate Doctor of Science course will take 2 years to complete.

– the National repository of academic texts was initiated (Resolution of the Cabinet of Ministers No 504 of 22 July 2016), which would help computerize the process of detecting academic plagiarism and provide higher education institutions with technical capability to adhere to academic integrity;

– Ukrainian education institutions were granted the right to place the funds received for for-profit services into deposit accounts of national banks.

For reference: This will enable education institutions to create special purpose funds and spend interest earned on educational operations. This practice is essential in terms of financial autonomy of education institutions.

The reform of higher education financing is among the priorities of higher education reform. A new model of university funding is being developed to provide for block grants and encourage universities to education quality enhancement.

In accordance with the provisions of the Association Agreement on higher education quality and relevance enhancement, the National Agency for Quality Assurance in Higher Education was established in September 2016. The National Agency is a permanent collegial body in higher education, which should partially assume the functions of the Ministry of Education and Science of Ukraine, particularly those of higher education quality assurance and quality control.

For reference: The National Agency consists of 25 members who are elected for 3 years and may not serve on the agency for more than two terms. The members of this body are delegated representatives of the National Academy of Sciences of Ukraine (2 members), national sector academies of sciences (5 members), higher education institutions (13 members), employers (3 members) and student government (2 members).

In order to implement the provisions of the Association Agreement on strengthening cooperation between higher education institutions, empowering higher education institutions and enhancing mobility of students and teachers, Ukraine managed to keep its leading position in Erasmus+ projects among the Eastern Partnership countries.

For reference: Based on the results of two calls of Erasmus+ International Credit Mobility in 2015 and 2016, 245 bilateral projects of higher education institutions in Ukraine and Europe won finances to develop their individual mobility. By the aid of these EU-funded projects, 3,355 students and academic staff of Ukrainian universities won an opportunity to go for studying, teaching or training to one of EU countries in 2015–2018. During the same period, 1,019 students and academic staff from European universities will arrive on exchange in Ukraine. Overall, this call annually receives more than 300 applications involving Ukrainian and European partner universities.

Out of 147 projects recommended for funding by the European Commission in 2016 within the framework of Erasmus+ Capacity Building in the Field of Higher Education, 7 projects will be carried out with the participation of Ukrainian higher education institutions. The total estimated cost (amount of EU grants) for these new seven projects involving Ukrainian universities is about EUR 5.9 mln.
The number of submitted applications involving Ukrainian educational institutions increased significantly (91 applications in 2015 and 130 applications in 2016), which demonstrated the interest of Ukrainian universities in the development of cooperation with the European partners.

In 2014–2016, Ukraine received funding for 29 projects within the Jean Monnet Programme.

For reference: These projects, focused on studying experience of European integration, finance education and research (modules, chairs) and development of academic contacts (networks, projects), and support activities of institutions or associations dealing with European integration. Ukrainian universities annually file more than 100 applications to participate in this programme.

In October 2016, the Verkhovna Rada of Ukraine approved in the first reading the Draft amended framework law “On education” setting the key principles of educational policy in Ukraine in a long-term perspective and aimed, inter alia, at achieving the following objectives:

– to create conditions for lifelong learning and to expand rights for those who get education: there will be available three equal types of education — formal, non-formal and informal — with the results of all forms accepted equally;
– to ensure decentralisation of the education system management;
– to provide tuition-free pre-school and complete general secondary education in public educational establishments;
– to raise the profile of teachers and modernize conversion training, further professional training and practical training of teachers, academic staff and principals;
– to transfer to the European education structure: high school will last 12 years;
– to improve education quality by introducing a new quality assurance system.

The Government of Ukraine approved the State Targeted Social Programme “Youth of Ukraine” for 2016–2020 (Resolution of the Cabinet of Ministers No 148 of 18 February 2016) aimed at creating favourable conditions for the development and self-re-alisation of Ukrainian youth, as well as building of their citizenship and national-patriotic awareness.

The Draft law “On youth” (Reg. No 3621, introduced by MPs of Ukraine) was developed with the support of the UNDP in Ukraine. This draft law provides for creating a new system of national youth policy, methods and instruments for its implementation, as well as establishing a new type of relationship between the state and youth.

For reference: A public discussion of the draft law was held in 5 regions of Ukraine, and expert consultations to refine the draft have been in progress.

The Association Agreement provides for cooperation between the parties in non-formal education. To introduce the appropriate legislative standards on non-formal education into the national law, the Draft law “On amendments to certain laws of Ukraine (concerning recognition of non-formal education)” (Reg. No 2121) was registered in the Verkhovna Rada of Ukraine.

For reference: This draft law provides for recognising non-formal and informal education (self-organised education, self-education) as types of education in Ukraine, recognising by the state non-formal education received by volunteers in organisations and institutions that involve volunteers in their activities, and securing the rights of volunteers to consider the fact of this education obtained while getting employment with public service.

Having regard to the Council of Europe Recommendation on the recognition of non-formal and informal learning, Youth Worker training programme and Youth Worker media online course were developed and have been implemented together with the UN Development Program in Ukraine.
The Association Agreement provides for closer cooperation between the EU and Ukraine in order to enhance mutual understanding and foster cultural exchanges, as well as to boost mobility of art and artistes. In 2016, Ukraine significantly strengthened its cooperation with the European Union on culture, namely:

– In March 2016, Ukraine joined Creative Europe, the EU’s largest grant programme aimed at developing the sector of culture and creative industries in Europe, strengthening competitiveness of the European audio-visual products and ensuring promotion and protection of cultural and linguistic diversity.

For reference: Ukraine became a member of two sub-programmes — Culture and Media. The Center for Ukrainian Cultural Studies is a coordinator of the program, i.e. the country’s national bureau. It distributes information on opportunities within the program, advises potential participants, holds seminars and trainings. In June 2016, Iryna Vikiychak was elected the Head of the Programme’s National Bureau through open competitive selection. In 2016–2017, Ukraine participates in the Programme on favourable terms, with the annual token payment of EUR 1.

– In 2016, Ukraine was actively promoting its national cultural product in the EU. Thus, in January–August 2016, “See Ukraine: Docudays UA travels around the world” project was carried out. As the result, five European countries — France, Germany, Italy, Spain and Greece — watched Ukrainian documentaries. The festival embraced documentary films, photo exhibitions, meetings with Ukrainian filmmakers, as well as lectures and discussions with civil society activists and human rights defenders.

Ukraine managed to attract technical assistance for public administration reform in culture: in December 2016, the decision was made to initiate function audit of the Ministry of Culture of Ukraine within the framework of the EU–Eastern Partnership Culture and Creativity Programme in the first quarter of 2017. The audit should define the degree of operational efficiency and effectiveness of the Ministry. This is the first step on the way to the Ministry’s internal structure reorganisation.

For reference: The EU–Eastern Partnership Culture and Creativity Programme is designed to provide support to cultural and creative sectors and increase their contribution to sustainable humanitarian and social economic development.

– To implement the Association Agreement, the Government of Ukraine approved the Long-Term Strategy for Ukrainian Culture Development (Resolution of the Cabinet of Ministers of Ukraine No 119-p of 01 February 2016). The implementation of this strategy will promote citizens’ creative activity and create conditions to strengthen civil society in Ukraine.

Within the framework of the Association Agreement, Ukraine has undertaken to promote cultural diversity, as well as preserve and evaluate its cultural and historical heritage.

– In 2016, the Law of Ukraine “On museums and museum affairs” was being enhanced to be brought into compliance with international treaties. The amended law will lead to optimisation of public administration functions and decentralisation of powers in the museum affairs.

– In order to introduce the national lists of intangible cultural heritage, the Methodological Recommendations on preparation and execution of documents on inclusion of elements of intangible cultural heritage Ukraine in the UNESCO list were developed and the Procedure for establishing and updating the National register of intangible cultural heritage of Ukraine was approved in 2016. In addition, the Draft law of Ukraine “On intangible cultural heritage” is being worked upon.

For reference: Intangible cultural heritage of Ukraine is the source of our cultural diversity and the guarantee of sustainable development. The National List of Ukraine currently includes 6 elements: Opishnia ceramics, Kosiv painted pottery, Krolevets woven towels, Culture of bread (Bread culture and tradition), Petrykivka painting — Ukrainian decorative ornament painting of XIX–XXI century, and Cossack songs of Dnipropetrovsk region.

Promoting the development of cultural industries in the EU and Ukraine is among the key objectives of the Association Agreement.

– In May–December 2016, the EU–Eastern Partnership Culture and Creativity Programme together with the Center for Ukrainian Cultural Studies implemented the CDIS (the UNESCO Culture for Development Indicators) project. The project results will be used to formulate development strategies, with special attention given to cultural indicators. The introduction of cultural indicators will put culture and art in the centre of public interest, create appropriate conditions for the development of creative industries and ensure further economic and social development of Ukraine.
COOPERATION IN THE FIELD OF SPORT AND PHYSICAL ACTIVITY

The Association Agreement provides for promotion of sport and physical activity, healthy lifestyle, enhanced national competencies in sports, integration of disadvantaged people through sport, as well as protection against threats to sport such as doping, match-fixing, racism and violence.

In 2016, Ukraine achieved significant results in those areas.

In February 2016, the National Strategy on Recreational Physical Activity in Ukraine until 2025 — “Physical Activity–Healthy Lifestyle–Healthy Nation” was approved (Decree of the President of Ukraine No 42 of 9 February 2016). The Government of Ukraine approved the Action Plan 2017 for Implementation of the National Strategy (Resolution of the Cabinet of Ministers of Ukraine No 653 of 8 September 2016).

For reference: The National Strategy on Recreational Physical Activity in Ukraine until 2025 — “Physical Activity–Healthy Lifestyle–Healthy Nation” defines the purpose and main tasks aimed at creating conditions to increase public involvement in recreational physical activity. This will contribute to the solution of the humanitarian and social economic problems for individuals, society and the state. Development of the National Strategy is based on the recommendations of the World Health Organization, the Council of Europe, the European Union; and national legislation under which the state aims at providing the formulation and implementation of multilevel and comprehensive policies to encourage citizens to recreational physical activity. This will reduce the risk of noncommunicable diseases, which are the main reason for high premature mortality rate in Ukraine.

To execute the Action Plan 2017 for Implementation of the National Strategy on Recreational Physical Activity in Ukraine until 2025 — “Physical Activity–Healthy Lifestyle–Healthy Nation”, the Draft resolution of the Cabinet of Ministers of Ukraine “On establishment of Coordination Council for the Popularization of Recreational Physical Activity” was developed.

For reference: The Draft resolution of the Ministry of Youth and Sport of Ukraine No 9934/5.4 of 25 November 2016 was submitted for approval to the Ministry of Education, the Ministry of Health, the Ministry of Regional Development, the Ministry of Information Policy, the Ministry of Social Policy, the Ministry of Economic Development and Trade, the Ministry of Finance, the State Communications Committee, the National Olympic Committee, the Sports Committee of Ukraine, the National Sports Committee for the Disabled of Ukraine, “Sport for All” Volyn Oblast Centre for Physical Health of Nation, and the State Scientific and Research Institute of Physical Training and Sports. As of 28 December 2016, the Draft resolution was approved by the Ministry of Education, the Ministry of Regional Development, the Ministry of Information Policy, the Ministry of Finance, the State Communications Committee and the State Scientific and Research Institute of Physical Training and Sports.

The draft of the National Targeted Social Programme of Physical Activity and Sport Development until 2020 is being agreed upon.

For reference: This Programme is aimed at allocating the leading role to physical activity and sport in Ukraine as an important factor of healthy lifestyle, disease prevention, formation of humanistic values, creation of conditions for comprehensive harmonious development of an individual, promotion of physical and spiritual perfection, identification of reserve capacity of the organism, formation of citizens’ patriotism and positive image of the state in the world community.

In order to bring the legislation in compliance with the European requirements and standards, in May 2016, the Ministry of Youth and Sport of Ukraine drafted the Amendments to the Law of Ukraine “On physical activity and sport”, which defines sporting weapons and regulates purchase, storage, carriage and use of sporting weapons and ammunition (Articles 1 and 48 respectively). In November 2016, this draft law was submitted for consideration of the Cabinet of Ministers of Ukraine (letter No 1382/4.3/16 of 30 November 2016).

Given the need for reforms in sport infrastructure construction and maintenance, the Ministry of Youth and Sport of Ukraine developed the Draft resolution of the Cabinet of Ministers of Ukraine “On amendments to the list of physical activity and sport establishments having the status of Olympic, Paralympic and Deaflympic training centres”: The project provides for excluding from the list the centres that are not used for national and international sports competitions and training process, and including instead physical activity and sport establishments. Implementation of these amendments
will improve the organisation of the training process of Ukrainian national teams. In 2016, the new list of Olympic and Paralympic training centres to be exempted from land tax was initiated. The Draft resolution of the Cabinet of Ministers of Ukraine “On approval of the list of Olympic and Paralympic training centres to be exempted from land tax”, which is being worked upon, should improve legal regulation of land relations for the development of physical activity and sport, improvement of material and technical conditions, as well as stable functioning of Olympic and Paralympic training centres. While working on the draft amendments, the Ministry of Youth and Sport of Ukraine has analysed the initiatives made by physical activity and sport societies, the Ministry of Defence of Ukraine and the Ministry of Education and Science of Ukraine. For the purposes of the Association Agreement, the Ministry of Youth and Sport of Ukraine continued its organisational and methodological work on public experiment to involve national sports federations of individual Olympic sports in the organisation of sporting events (Resolution of the Cabinet of Ministers of Ukraine 573 of 5 August 2015), included in the Uniform schedule of fitness and sporting events aimed at training athletes and national teams for their participation in national and international sports competitions. The sports federations play a leading role in sport, so the expansion of their powers is an important step for the development of sport in Ukraine. The experiment enables the federations to gain experience in independent planning, use and appropriate reporting on the use of the State Budget of Ukraine for organising and holding events. In October–December 2016, the progress of the experiment within the national sports federations was checked; as a result the federations were recommended to refine federation-to-ministry reporting procedures on the use of budget funds and sporting events. In late December 2016, the Draft resolution of the Cabinet of Ministers of Ukraine was approved extending the experiment duration, increasing the number of participants and expanding the powers of the national sports federations. During 2016, the federations received from the state budget more than UAH 90,000,000 for the organisation and holding of sporting events.

On 16 November 2016, Minister of Youth and Sport of Ukraine Ihor Zhdanov met with the representatives of the Ligue Européenne de Natation (LEN) to discuss issues of the 2017 European Diving Championship to be held in Ukraine.

Ukraine achieved significant results in its fight against doping in sport. On 7–8 November 2016, the first meeting of the European Committee for the World Anti-Doping Agency (CAHAMA) and the Monitoring Group of the Anti-Doping Convention of the Council of Europe (T-DO) was held in Kyiv, Ukraine. At the meeting, the Agreement on Cooperation between the National Anti-Doping Center of Ukraine and the NADO of Germany was signed. According to this agreement, the first working meeting was held in 2016, at which the parties discussed the action plan for the next year, the activities of the anti-doping services in Germany were reviewed, and the plan and the programme of doping control officer training were drafted.

On 19 October 2016, the Draft law of Ukraine “On anti-doping control in sport” (Reg. No 4724) was approved in the first reading. The provisions of the draft law are aimed at bringing the Ukrainian legislation in compliance with the International Convention against Doping in Sport, creating a legal and institutional framework for doping control laboratory accreditation and meeting the World Anti-Doping Agency (WADA) requirements by Ukraine and the National Anti-Doping Center.

The Association Agreement provides for stronger fight against match-fixing in cooperation with European partners. Thus, on 3 July 2016, Ukraine signed the Council of Europe Convention on an integrated safety, security and service approach at football matches and other sports events that would become the platform for intergovernmental joint efforts to combat manipulation of sports competitions, including match-fixing in football, hockey and other sports games.

On 16 November 2016, the Verkhovna Rada of Ukraine ratified the Council of Europe Convention on the Manipulation of Sports Competitions. Its implementation will allow preventing, detecting and sanctioning national or transnational manipulation of national and international sports competitions, and promote national and international cooperation against manipulation of sports competitions between relevant state bodies, organisations involved in sport and sports betting.

For reference: The expenditures totaled UAH 91,874,800, including: UAH 12,038,700 for the Ukrainian Weightlifting Federation; UAH 42,414,300 for the Ukrainian Athletics Federation; UAH 14,674,800 for the Ukrainian Diving Federation; UAH 21,000,000 for the Basketball Federation of Ukraine; and UAH 1,747,000 for the Ice Hockey Federation of Ukraine.

For reference: The draft law defines legal and organisational principles of anti-doping control in Ukraine, participation of relevant institutions and organisations in prevention of use and spread of doping in sport. Through the amendments to the draft law, the Committee suggested that Ukraine should apply the European anti-doping activity management principle, i.e. establish the Supervisory Board for Doping Control. The anti-doping laboratory will become a business entity upon the WADA accreditation.

The Association Agreement provides for stronger fight against match-fixing in cooperation with European partners.
COOPERATION ON CIVIL SOCIETY

Under Articles 469–470 of the Association Agreement, the EU–Ukraine Civil Society Platform was established as a joint civil society body aimed at ensuring public control over the implementation of the Association Agreement.

On 11 February 2016, the second meeting of the EU–Ukraine Civil Society Platform was held in Brussels assessing the progress in the implementation of the Association Agreement and the related reforms. The EU–Ukraine Civil Society Platform submitted two analytical reports: the report on anti-corruption policy and the report on energy.

On 8–9 November 2016, the third meeting of the EU–Ukraine Civil Society Platform was held in Kyiv presenting two thematic reports:

– Regulation of Labour Market in the EU and Ukraine: common features and differences;
– Adaptation of Ukrainian labour law to the EU legislation. Anti-discrimination legislation and practice with regard to the rights of vulnerable groups in the context of the Association Agreement.

The 2017 action plan and the topics of the following analytical reports (annual results of the EU free trade area, social and economic situation in Ukraine and the analysis of the implemented provisions of the Association Agreement in terms of environmental protection) were agreed on.

On 24 February 2016, within the framework of the implementation of the Agreement on regular contacts between the EU–Ukraine Civil Society Platform and Association Committee, the Government of Ukraine decided on obligatory quarterly meetings to be held by Government Office for European and Euro-Atlantic Integration of the Cabinet of Ministers Secretariat between the members of the Association bilateral bodies and the Ukrainian Party representatives of the EU–Ukraine Civil Society Platform. In 2016, three meetings were organised and held to discuss the results of the Government’s work, and organisation, monitoring and coordination of the Association Agreement implementation.

On 26 February 2016, the National Strategy for Civil Society Development in Ukraine for 2016–2020 was approved together with the action plan for its implementation. The strategy defines the areas of cooperation between civil society organisations of Member States of the European Union and Ukraine in the harmonisation of national legislation on civil society with the EU law.
To implement cross-border cooperation (CBC) projects, the following agreements on raising EU funds within four cross-border cooperation programmes were signed in the reporting period:

1. The agreement on funding of **Black Sea Basin** Joint Operational Cross-Border Cooperation Programme 2014–2020 (EUR 53.9 mln with maximum EU contribution amounting to EUR 49.03 mln).

2. The agreement on funding of **Hungary–Slovakia–Romania–Ukraine** Joint Operational Cross-Border Cooperation Programme 2014–2020 (EUR 81.3 mln with maximum EU contribution amounting to EUR 73.95 mln).

3. The agreement on funding of **Poland–Belarus–Ukraine** Joint Operational Cross-Border Cooperation Programme 2014–2020 (EUR 201.38 mln with maximum EU contribution amounting to EUR 183.07 mln).

4. The agreement on funding of **Romania–Ukraine** Joint Operational Cross-Border Cooperation Programme 2014–2020 (EUR 66 mln with maximum EU contribution amounting to EUR 60 mln).

For reference: The total sum of the maximum EU contribution amounts to EUR 366.05 mln. Under the terms of international agreements, “co-financing should be not less than 10% of the EU contribution to the program.”

Each agreement provides for implementing, with EU grant assistance, the joint projects of the participating countries in the following areas:

- support for local culture and historic preservation;
- support for border management and security, as well as migration management;
- common challenges of security and public order protection;
- improvement of the infrastructure of border regions.

The programme of cross-border cooperation will promote:

- Effective and mutually beneficial cooperation between border regions of Ukraine through the implementation of the joint projects;
- Exchange of experience and best practices between partners in different areas to solve common problems of development;
- Raising of additional resources for sustainable development and competitiveness of the border regions of Ukraine;
- Implementation of local community initiatives in Ukraine.
CHAPTER VI
FINANCIAL COOPERATION,
WITH ANTI-FRAUD PROVISIONS
The amount of tasks required to fulfill the Ukrainian commitments on approximation of the Ukrainian legislation to the requirements of certain provisions of the Convention on the protection of the European Communities’ financial interests of 26 July 1995, the Protocol and Second Protocol to the Convention on the protection of the European Communities’ financial interests as provided in Annex XLIV to Title VI: Financial Cooperation, with Anti-Fraud Provisions, is being defined.

In addition, to enable the practical implementation of the provisions of this Title, in particular Annex XLIII to Title VI: Financial Cooperation, with Anti-Fraud Provisions, which establishes specific mechanisms to combat fraud and monitor the use of EU financial assistance, there is a need for a clear institutional mechanism and procedure for interaction between law enforcement and fiscal authorities to ensure that this commitment is fulfilled under the Agreement.
CHAPTER VII
EU–UKRAINE FREE TRADE AREA: FIRST RESULTS
Since 1 January 2016, the trade part of the EU–Ukraine Association Agreement has been provisionally applied, in particular, the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) has been launched. So, there have been changes introduced in customs tariff regulation, including the mechanisms of gradual reduction of tariff rates by both Parties, administration of product origin, as well as tariff quotas. The EU Party largely liberalised customs regime for Ukrainian goods back in 2014 — 95% of EU import duties on industrial goods and 84% of EU import duties on agricultural products were cancelled. The most significant issue for Ukrainian producers was the reduction of tariffs by the EU in the following sectors: textiles sector, food industry, chemical industry, and machine building industry. At the same time since 1 January 2016, Ukraine has reduced to zero the import duties for approximately 70% of goods originating in the EU, while to the rest of goods, which are sensitive for Ukraine, transition periods in accordance with the Schedule set out in Annex I-A to the Association Agreement apply.

According to the results of 2016, the EU became Ukraine’s major trading partner. The share of the EU amounted to 37.1% of total export of Ukrainian goods and 43.7% of import. During the first year of the DCFTA, a positive dynamics in trade development between the EU and Ukraine was traced, both in terms of exports and imports. In contrast to the previous year, the export of goods to the EU grew by 3.7% amounting to USD 13.5 bln, and the import of goods from the EU grew by 11.8% amounting to USD 17.1 bln trillion. Reasonable rates of Ukrainian export in nominal terms are related, primarily, with continuing stagnation in global prices for important goods of Ukrainian export (grains and metal).

The important drivers of the growth of exports to the EU in 2016 were the following areas: textiles sector and wood industry, machine building industry, agriculture and food industries. Moreover, it is important that the export to the EU saw a positive trend to increase in goods items, primarily due to products of higher-level processing and value added. In particular, it concerns machinery and appliances, textiles and foodstuffs. The largest contribution to the growth of exports to the EU was made by the following products: sunflower oil, car spare parts, electrical equipment, wood products, insulated wires, cables, electric water heaters, furniture, etc.

Some new companies, including SMEs, that had not previously exported to the EU, started to enter the EU market gradually or, at least, to demonstrate their interest. Ukraine made progress in obtaining permits to export most animal products to the EU. In 2016, the domestic producers entered the European market of dairy products.

With reference to the tariff quotas for agricultural products and foodstuffs utilised by Ukraine, Ukrainian exporters have been making advantage of only 26 out of 40 tariff quotas available. The top-requested quotas being quickly exhausted by Ukrainian exporters are honey, juices, processed tomatoes, flour, and grains. In 2016, the tariff quotas for sweet corn, sugar products, dairy products, starch, bran, processed sugar products, processed grain products, garlic, etc. also started to be utilised.

At this stage, the potential of the Deep and Comprehensive Free Trade Area Agreement (DCFTA) between the EU and Ukraine has not been used to the full extent yet, because there are a lot of non-tariff barriers on the way to export to the EU. The further priority of the Government’s activity is to continue reforms to increase the EU market access for Ukrainian goods within the DCFTA, which have been expanded, in particular, due to:

– additional autonomous trade preferences (ATP);
– reduction of non-tariff barriers, in particular, those related to sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT) (this calls for implementing the SPS Strategy, signing the ACAA, adjusting legislation in the area of export of services and public procurement, which provides for full EU market access after the harmonisation is completed);
– support for small and medium-sized enterprises to enter the EU market.