

Report on Implementation of the Association Agenda and the Association Agreement between the European Union and Ukraine

September, 2014 – April, 2015



Secretariat of the Cabinet of Ministers of Ukraine

Government Office for the European Integration

Progress in Implementation of the Association Agenda and the Association Agreement between Ukraine and the EU

The report covers the information on major activities and results of implementation of the Association Agenda (AAG)¹ and the Association Agreement between the EU and Ukraine, which were planned and accomplished *in the period from September 2014 to April 2015*, as well as other important developments.

The report was prepared based on the analysis of information, submitted by nearly sixty government authorities engaged in implementation of the respective tasks.

The Association Agreement and the Association Agenda provide that the Parties may carry out common monitoring and assessment of annual progress made, or either side may carry out its own review of the progress in implementing the Association Agenda. This report is an example of preparing the respective document by the Ukrainian side.

The purpose of the report is to inform the citizens of Ukraine, representatives of non-governmental organizations and the international community, including the EU institutions and its Member States, on Ukraine's progress in implementing the objectives of political association and economic integration with the EU in order to facilitate broad public discussion and analysis of the government authorities' actions.

¹ On 16 March, 2015 the Ukraine-EU Association Council endorsed the updated Association Agenda. See: http://www.kmu.gov.ua/control/uk/publish/article%3fshowHidden=1&art_id=243281941&cat_id=223345338&ctime=1266423569791

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The Association Agenda Priorities

1. Constitutional reform

- The Constitutional Commission was established, its first meeting was held, and three working groups were set up within the Commission (on decentralization, judicial reform, and human rights).

2. Preventing and combating corruption and electoral reform

- The Law of Ukraine “On the National Anti-Corruption Bureau of Ukraine” was adopted. The Bureau was established by the Decree of the President of Ukraine No. 217/2015 dated 16.04.2015. Director of the Bureau was appointed on the results of competitive selection. The functions of this *law enforcement body* are *prevention, detection, and pre-trial investigation of serious corruption crime*.
- The Law of Ukraine “On the Prevention of Corruption”, aimed at a comprehensive reform of the system for prevention of corruption in accordance with international standards, in particular the recommendations of GRECO, was adopted.

The National Agency for the Prevention of Corruption was established; a number of regulations needed for launching its activity were endorsed. The main functions of this *central government executive authority with a special status* are the following:

- development and implementation of anti-corruption policy;
 - endorsement of the rules of ethical conduct for public servants and local self-government officials;
 - control over and verification of public and local self-government officials’ asset declarations;
 - development of Anti-corruption strategy and the relevant implementation action plans;
 - assistance to government agencies in detecting corruptogenic factors/risks in appropriate spheres.
- The Law of Ukraine “On Principles of the State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) for 2014 – 2017”, which defines a complex of priority tasks and measures aimed at reducing the level of corruption, was adopted.
The State Program for implementation of the principles of the state anti-corruption policy in Ukraine (Anti-Corruption Strategy) for 2014 – 2017 was endorsed.
 - The following draft laws were submitted to the Verkhovna Rada:
 - “On Amendments to the Constitution of Ukraine (relating to the immunity of the MPs and judges)”;
 - “On Amendments to Certain Laws of Ukraine Relating to Financing of Political Parties”, and the relevant draft Law “On Amendments to the Budget Code of Ukraine” to define respective categories of budget expenditures.

- The Law of Ukraine “On Amendments to Certain Laws of Ukraine Relating to the Access to Public Information in the Form of Open Data”, aimed at realization of the right to access to information of public interest by introducing mechanism for disclosure of public information in the form of open data, was adopted.

3. Judicial reform

- The Law of Ukraine “On Ensuring the Right to a Fair Trial” was adopted, which envisages the following significant changes:
 - o introducing assessment of the professional qualifications of judges and verification of their integrity;
 - o introducing a judge’s dossier;
 - o strengthening the disciplinary liability of judges;
 - o providing a more transparent mechanism for the formation, on a competitive basis, of the High Qualification Commission of Judges and the High Council of Justice of Ukraine;
 - o submitting applications for review of court decisions directly to the Supreme Court of Ukraine.
- The law “On Public Prosecutor’s Office” was adopted, which deprived this body from the function of the so called “general supervision” over observance of legislation.
- The Council on judicial reform was set up.

4. Public administration reform

- Draft laws “On Civil Service” and “On Service in Local Self-government Bodies” were submitted to the Verkhovna Rada.

The draft Law “On Civil Service”, in particular, provides for:

- o separation of political and administrative positions,
 - o competitive selection and recruitment to the civil service, including to senior civil service positions, and
 - o career development exclusively on merit-based principles.
- The Reform Strategy of civil service and service in local self-government bodies for the period up to 2017 was adopted, and the Action plan for its implementation endorsed.

5. Deregulation

- Moratorium on inspections of businesses was set up.
- The number of taxes and duties were reduced from 22 to 11.
- Licensing procedures were simplified, the terms of getting special licenses and certificates for companies working in the spheres of agriculture, fuel and energy, and in the food industry were reduced.
- In order to simplify administration of licensing procedures both for business and government, licensing regulation for certain types of economic activity was improved.
- Procedure of obtaining data maintained in the Unified State Register of legal entities and natural persons-entrepreneurs of the Ministry of Justice of Ukraine was simplified; the information can now be obtained in an online regime.

- On 7 April 2015 the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Relating to Facilitation of Conditions for Doing Business (deregulation)" took effect.

6. Public procurement reform

- The law on involvement of specialized agencies to implement public procurement of medicines and medical products was adopted.
- The *pilot system of electronic public procurement ProZorro* was launched (www.prozorro.org).

7. Taxation reform, including VAT refunds

- The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Laws of Ukraine Relating to Tax Reform" (No. 71) was adopted on 28 December 2014, which is one of the first steps in reforming the tax system. It establishes the norms that would promote balancing the interests of regulatory agencies and taxpayers, and, in particular, introduces a new mechanism for the administration of VAT (from 01.02.2015 to 01.07.2015 in a test mode).

8. External audit

- A new version of the Law of Ukraine "On the Accounting Chamber", submitted to the Verkhovna Rada, *is aimed at* defining the status of the Accounting Chamber as an independent body for external government control (audit), and performing by this body control over money transactions to the State budget of Ukraine, maintaining and use of state property in accordance with the standards of the International Organization of Supreme Audit Institutions (INTOSAI).
- The Law of Ukraine "On Amendments to the Law of Ukraine "On the Accounting Chamber" (relating to control of the State budget of Ukraine revenues), which defines the powers of the Accounting Chamber regarding the control over money transactions to the State budget of Ukraine in accordance with the provisions of Article 98 of the Constitution of Ukraine, was adopted.

<h2>Political Dialogue</h2>

- The laws regarding development of regional policy in line with European standards were adopted ("On Principles of the State Regional Policy", "On Amendments to the Budget Code of Ukraine Relating to the Reform of Intergovernmental Budget Relations", and "On Voluntary Association of Territorial Communities). Those laws gave a start to the processes of decentralization, increasing the financial capacity of local budgets, establishing viable and self-sufficient territorial communities.
- The draft Law of Ukraine "On Provision of Services and Service Centres of the Ministry of Internal Affairs of Ukraine", submitted to the Verkhovna Rada, specifically determines deadlines for issuing driver's licenses, vehicle registration, issuing a registration certificate for firearms, etc.
- The Government prepared the draft Law of Ukraine "On the National Police". According to this draft law, the top executive position in the national police will become politically independent. The head of the national police will exclusively serve

the law, and the Minister of internal affairs, as a political figure, will deal with making public policy in law enforcement area.

- The draft Law of Ukraine “On the State Bureau of Investigations” was submitted to the Verkhovna Rada; the primary functions of the Bureau will be investigation of the activity of criminal organizations, crimes related to terrorism, and particularly serious violent crimes.
- The official launch of the EU Advisory Mission for Civilian Security Sector Reform operations took place. The Mission's activities will be focused on supporting reform of internal affairs bodies (including police and the National guards) and the system of justice.
- The Government approved the draft Law of Ukraine “On Endorsement of the National Human Rights Strategy”. The draft National strategy is a comprehensive document, which relates to civil, political, social, and economic rights (ensuring rights to life, freedom and personal immunity, fair trial, freedom of expression and access to information, labour and social protection, freedom of peaceful assembly, protection of the rights of national minorities and indigenous peoples, etc.), and also covers those challenges in the field of human rights violations that Ukraine faces in connection with the Russian Federation’s aggression, the occupation of the Crimea, and carrying on the Anti-terrorist operation (ATO).
- Public broadcasting in Ukraine was launched. The public joint stock company “National Public Television and Radio Company of Ukraine” was established. The Law of Ukraine "On Amendments to Certain Laws of Ukraine on Public Television and Radio Broadcasting in Ukraine” was adopted.
- The draft Law of Ukraine “On Amendments to Article 124 of the Constitution of Ukraine (relating to acceptance of the ICC jurisdiction under the Rome Statute)" was submitted to the Verkhovna Rada.

Justice, Freedom and Security

- Results of 12 EU expert missions’ findings on assessment the implementation of the Action plan on EU Visa Regime Liberalization for Ukraine stated significant progress in the fulfilment of the relevant Action plan criteria/benchmarks by Ukraine.
- Admission of documents for issuing machine readable biometric international passports for Ukrainian citizens was launched. 610 terminals, fully equipped for issuing biometric passports, were established in 204 territorial units of the State Migration Service of Ukraine.
- A number of international agreements and implementation protocols on readmission of persons and on state borders (junction points) were concluded.
- The Law of Ukraine “On Preventing and Counteracting Legalization (money laundering) of Incomes Obtained in a Criminal Manner, Financing Terrorism and Proliferation of Weapons of Mass Destruction" was adopted, which provides for a comprehensive improvement of the national legislation in the sphere of financial monitoring.

Trade and Trade-related Matters

- The State Fiscal Service of Ukraine has developed and is ready to apply the mechanisms for regulating access to Ukrainian market of particularly sensitive products: sugar, pork and poultry meat, second-hand clothes, as well as the gradual reducing of export duties on raw leather materials, sunflower seeds, scrap alloyed ferrous metals, scrap non-ferrous metals and their semi-finished products, stainless steel, and copper. Regulation on import to Ukraine of cars originating from the European Union is under preparation.
- Starting from 3 January 2015 the new edition of the Law of Ukraine "On Standardization" was enacted. The law provides for bringing the national system of standardization in conformity with the European model.
- The national authority on standardization was determined, and competition for the position of its director was announced.
- The National Accreditation Agency of Ukraine signed a number of agreements with the International Association for Laboratory Accreditation (ILAC). This will facilitate mutual recognition, which significantly increases the level of acceptance of goods and services across national borders and supports the development of international trade.
- With the beginning of application of the Trade and Trade-related Matters Chapter of the Association Agreement, the Ukrainian customs offices will be able to issue certificates for the transportation of goods EUR.1, confirming the Ukrainian the origin of goods and granting them the status of products of preferential origin.
- Regulation on granting and revocation of the status of an authorized (approved) exporter entered into force. It provides, according to the Agreement, that Ukrainian exporters, who often transport goods, prepare invoice declarations themselves irrespective of the invoiced value of goods, which would speed up export procedures.
- The draft of a Comprehensive strategy for implementation of the legislation in the field of sanitary and phytosanitary measures was elaborated. The strategy will allow accelerating the harmonization of Ukrainian legislation with the EU legislation in the field of SPS, and thus opening up the European market for Ukrainian agricultural and food products.
- The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Relating to Identification and Registration of Animals" (No. 1648-VII) was adopted, according to which compulsory identification and registration of all farm animals is introduced. The application of this law would guarantee that consumers use meat and dairy products of the known origin from registered animals, the health of which are subject to examination, and, consequently, such products are safe.
- The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Relating to Food Products" (No. 1602-VII) was adopted. The law is aimed at harmonization of Ukrainian legislation with the EU legislation in the field of safety and quality of food products, it also provides for establishment of a single control body in the field of food safety, elimination of permits and licensing procedures which do not exist in the EU, and implementation of European principles for regulation of GMOs.

Energy Sector

- The Law of Ukraine "On the Natural Gas Market", aimed at the development of competition on the internal market of natural gas, was adopted.
- The Plan to reform the gas sector, which provides for restructuring of the Naftogaz of Ukraine until 2017, was approved.
- The Government approved the draft Law of Ukraine "On the National Commission for State Regulation of Energy and Public Utilities". Setting up the status of the Commission, as an independent public collegiate body, corresponds to Ukraine's commitments under the Association Agreement between the European Union and Ukraine and the provisions of the EU Third Energy Package.
- Ukraine and the World Bank signed a Loan agreement for provision to Ukraine of 378.4 mln. USD to finance the project on the development of national electric networks.
- Ukraine and the European Bank for Reconstruction and Development signed a Loan agreement, which provides for the allocation of 65 mln. EURO to the State enterprise NEC "Ukrenergo".
- The project on studying a possibility of linking up the Ukrainian power system to European networks was launched.
- Ukraine became a full member of the Western European Nuclear Regulators Association (WENRA).

Economic and Sector Cooperation

- The Agreement between Ukraine and the EU on Scientific and Technological Cooperation was renewed.
- Bilateral Agreement was signed on Ukraine's participation in the EU Framework Program for Research and Innovation "Horizon 2020". Participation in the Program will create a good basis for the recovery of Ukrainian science and its full integration into the European research area. Ukraine joined 11 leading scientific countries, identified as key strategic partners of the European Union in the EU program "Horizon 2020", and was also recognized as the EU sole strategic partner in Eastern Europe.
- The Law of Ukraine "On Amendments to Certain Laws of Ukraine Relating to Enhancing Social Protection of Internally Displaced Persons" (No. 245), adopted 5 March 2015, is aimed at ensuring employment of internally displaced persons, who are registered as unemployed.
- In the framework of European Neighbourhood Instrument, implementation of the projects "National Erasmus+ Office in Ukraine" and "National Higher Education Reform Expert Team" was extended.
- The Government developed the draft law "On Amendments to Certain Legislative Acts of Ukraine Relating to Euroregional Cooperation Groupings (ECGs)", aimed at legislative regulation of introducing a new form of cross-border cooperation bodies.

I. ORGANIZATION OF THE AGREEMENT IMPLEMENTATION, MONITORING AND ASSESSMENT

National internal mechanism for implementation of the Agreement

Internal institutional mechanism

For the efficient implementation of the Agreement, coordination of the government authorities' activities in the sphere of European integration was improved, systematic monitoring and common assessment of the progress in the Agreement implementation were introduced, consistency of the national reform priorities with the objectives of the Association Agreement was ensured.

In order to ensure efficient coordination of the public policy in the sphere of European integration and implementation of the Agreement, the Cabinet of Ministers of Ukraine established the Government Office on European Integration; introduced positions of Deputy Ministers on European integration, their appointments based on results of an open selection procedure; and approved the mechanism for coordination of central government executive authorities' activity in the sphere of European integration (see Appendix 2).

The Government Office on European Integration was established at the Secretariat of the Cabinet of Ministers of Ukraine according to the Cabinet's Resolution No. 157 dated 27 May 2014.

The main function of the Government Office (in accordance with Regulation No. 346 dated 13 September 2014, approved by the Cabinet of Ministers of Ukraine) is to ensure activities in the field of European integration of the Cabinet of Ministers, the Prime Minister and Vice Prime Minister of Ukraine on European integration, including the following:

- coordinating activity of the government authorities on the development and implementation of measures, aimed at the implementation of the Agreement, other international agreements and commitments of Ukraine in the sphere of European integration;
- planning, monitoring and assessment of the efficiency and effectiveness of implementing objectives in the sphere of European integration, including implementation of the Agreement;
- coordinating activity of the government authorities on elaboration of draft laws and regulations, aimed at the implementation of the Agreement and other international agreements and commitments of Ukraine in the sphere of European integration;
- improving the system and mechanisms for coordination of the government authorities' activity in the sphere of European integration.

The monitoring and organizational components of the Government Office's work have been enhanced by entrusting it with functions of the Secretariat on the Ukrainian side in the Association bilateral bodies: Association Council and Association Committee.

Organization of planning, and strategic documents

a) At present, Ukraine and the EU implement the relevant parts of the Association Agreement, which are provisionally applied from 1 November 2014 pursuant to Article 486 of the Agreement, until it enters into force (**see Appendix 1. Provisional application of the Agreement**).

Progress has been made in preparation for the provisional application of the Deep and Comprehensive Free Trade Area – DCFTA (Title IV “Trade and Trade-related Matters” of the Agreement) as of 1 January 2016.

b) The Government approved the Association Agreement Implementation Action Plan for the period of 2014-2017 by the Resolution of the Cabinet of Ministers No. 847-p dated 17.09.2014 (hereinafter – the Action Plan), which includes about 490 short-term and medium-term tasks in all spheres of cooperation between Ukraine and the EU, determined by the Agreement.

Systematic work began on approximation of the Ukrainian legislation to the EU law, and implementation of obligations stipulated by the Agreement. To implement the Action Plan ministries and other central government executive authorities are preparing plans for implementation of the EU legislation acts that have to be approved by the Government².

Implementation plans are prepared in accordance with the unified methodology, developed taking into account the relevant experience of the EU Member States, candidate countries and peculiar characteristics of the governance system in Ukraine. According to this methodology, implementation of EU legislation should fully take into account not only the aspect of the approximation of legislation, but also the relevant implementation institutional and organizational measures, as well as conducting appropriate consultations with the stakeholders. Such approach enables to ensure consistency and transparency in fulfilling Ukraine’s obligations under the Association Agreement, and efficient monitoring of implementation of the EU legislation.

Overall, implementation plans for about 180 EU legislation acts³ in the spheres determined by the Agreement for the period of 2014-2017 have to be approved.

As of **22 April 2015**, **33 resolutions** of the Cabinet of Ministers of Ukraine on approving **129 implementation plans** for 179 EU legislation **acts**⁴ were taken, in particular:

² Preparation of implementation plans is not directly stipulated by the Agreement, it’s an internal instrument for ensuring implementation of the EU legislation under the Agreement.

³ The final number of legislation acts might slightly vary, since the application of a comprehensive approach to the implementation of obligations in the relevant field may require the inclusion to the plans additional acts of EU legislation, in particular those with the implementation term of more than 3 years as fixed in the Agreement, or implementation of which is not defined in the Agreement. Moreover, part of the obligations will be implemented in accordance with the relevant roadmaps, preparation of which is directly envisaged by the Agreement. In some spheres the Agreement does not clearly define the list of the EU legislation acts. Hence, the preparation of the relevant implementation plans is carried out in a comprehensive manner according to the material provisions of the Agreement and the proposals of responsible authorities (for example, in the sphere of intellectual property, as for today, implementation of 12 EU legislation acts is tentatively planned).

⁴Implementation plans are available at the GoU website in the section "European integration". Access the link: http://www.kmu.gov.ua/kmu/control/uk/publish/article?showHidden=1&art_id=247842640&cat_id=247749488&ctime=1419514932122

- **Ministry of Health** – 8 implementation plans for 13 EU legislation acts (Resolution of the Cabinet of Ministers No. 1141 dated 26.11.2014);
- **Ministry of Infrastructure** – 43 implementation plans for 45 EU legislation acts (Resolutions of the Cabinet of Ministers No. 1148, 1159, 1160 dated 26.11.2014; No. 142, 140 dd. 25.02.2015; No. 200 dd. 12.03.2015; No. 222 dd. 18.03.2015; No. 269, 270, 271 dd. 25.03.2015; No. 297, 298 dd. 31.03.2015; No. 343 dd. 08.04.2015);
- **Ministry of Justice** – 2 implementation plans for 2 EU legislation acts (Resolution of the Cabinet of Ministers No. 1146 dated 26.11.2014);
- **Ministry of Agrarian Policy and Food** – 3 implementation plans for 3 EU legislation acts (Resolution of the Cabinet of Ministers No. 1144 dated 26.11.2014);
- **Ministry of Economic Development and Trade** – 10 implementation plans for 38 EU legislation acts (Resolution of the Cabinet of Ministers No. 1150 dated 26.11.2014);
- **Ministry of Social Policy** – 14 implementation plans for 14 EU legislation acts (Resolution of the Cabinet of Ministers No. 34 dated 21.01.2015);
- **Ministry of Education and Science** – 1 implementation plan of 1 EU legislation act (Resolution of the Cabinet of Ministers No. 74 dated 04.02.2015);
- **State Committee for Television and Radio Broadcasting** – 1 implementation plan for 2 EU legislation acts (Resolution of the Cabinet of Ministers No. 79 dated 04.02.2015).
- **Ministry of Internal Affairs** – 1 implementation plan of 1 EU legislation act (Resolution of the Cabinet of Ministers No. 114 dated 18.02.2015);
- **State Nuclear Regulatory Inspectorate** – 3 implementation plans for 3 EU legislation acts (Resolution of the Cabinet of Ministers No. 110 dated 18.02.2015).
- **National Commission for State Regulation of Financial Services Markets** – 2 implementation plans for 2 EU legislation acts (Resolution of the Cabinet of Ministers No. 3-p dated 18.02.2015);
- **State Service for Emergency Preparedness** (Ministry of Internal Affairs) – 2 implementation plans for 2 EU legislation acts (Resolution of the Cabinet of Ministers No. 132 dated 25.02.2015);
- **Ministry of Regional Development, Construction and Municipal Economy** – 3 implementation plans for 6 EU legislation acts (Resolution of the Cabinet of Ministers No. 162 dated 04.03.2015);
- **Anti-Monopoly Committee** – 1 implementation plan of 1 EU legislation act (Resolution of the Cabinet of Ministers No. 167 dated 04.03.2015);
- **Ministry of Energy and Coal Industry** – 7 implementation plans for 9 EU legislation acts (Resolution of the Cabinet of Ministers No. 346 dated 08.04.2015);
- **Ministry of Finance** – 6 implementation plans for 9 EU legislation acts (Resolution of the Cabinet of Ministers No. 345 dated 08.04.2015);
- **Ministry of Ecology and Natural Resources** – 20 implementation plans for 20 EU legislation acts (Resolution of the Cabinet of Ministers No. 371 dated 15.04.2015);
- **Administration of the State Service for Special Communications** – 1 implementation plan for 20 EU legislation acts (Resolution of the Cabinet of Ministers No. 360 dated 15.04.2015).

The Cabinet of Ministers of Ukraine plans to adopt in the near future 2 draft resolutions on approving EU legislation implementation plans, that were submitted by the State Agency on Energy Efficiency and Energy Saving (1 plan for 6 acts) and by the Ministry of Ecology and Natural Resources (1 plan for 6 acts on eco-design).

The work of government authorities in the framework of implementation plans will ensure regularity, transparency and timeliness of accomplishing activities and measures related to the implementation of the provisions of each legislation act of the European Union.

Implementation plans will also help the civil society and business community to better understand the situation in a relevant sphere and provide substantive proposals to draft acts of legislation, which will be developed on the basis of Implementation plans. Each ministry is obliged to ensure participation of the stakeholders in the legislation drafting process. Such format would foster transparent and efficient implementation of the Association Agreement between Ukraine and the EU.

The Government Office on European integration will coordinate the work of ministries on accomplishing plans for implementation of the EU legislation acts, approved the Cabinet of Ministers of Ukraine.

c) On 16 March, 2015 the Ukraine-EU Association Council endorsed the **updated Association Agenda** in the form of Exchange of Letters.

Prior to this, the decision was taken on approval of the Association Agenda by the Government of Ukraine (Resolution of the Cabinet of Ministers No. 207 dated 13 March 2015 “On Approval of the Recommendations of the Ukraine-EU Association Council on implementation of the Association Agenda between Ukraine and the EU”), the EU and its Member States.

The Association Agenda is a common practical instrument aimed to prepare and facilitate the full implementation of the Ukraine - EU Association Agreement, taking into account the structure of the institutional framework, as set up in the Agreement.

Ukraine and the European Union define the priorities for actions of the Association Agenda, which complement the responsibilities of the Parties in accordance with the Association Agreement to fully implement all its provisions once it enters into force.

The updated Association Agenda outlined ten short-term reform actions, that Ukraine should address as a matter of priority in the areas of political reform, reform of the judiciary, election reform, anti-corruption, public administration, energy, deregulation, public procurement, taxation and external audit.

The Association Agenda (AAg) is a key instrument for monitoring and assessment of the Ukraine’s progress in implementation of the Association Agreement, including the achievement of the overall objectives of political association and economic integration. Assessment of the AAg implementation will be carried out on an annual basis.

The European Union will assist Ukraine in implementing the objectives and priorities set out in the Association Agenda by using all available sources of EU support, and by sharing expertise and advice, best practices and know how.

d) The Association Agreement, Association Agenda and other commitments of Ukraine in the sphere of European integration form the basis for Ukraine’s public policy strategic documents.

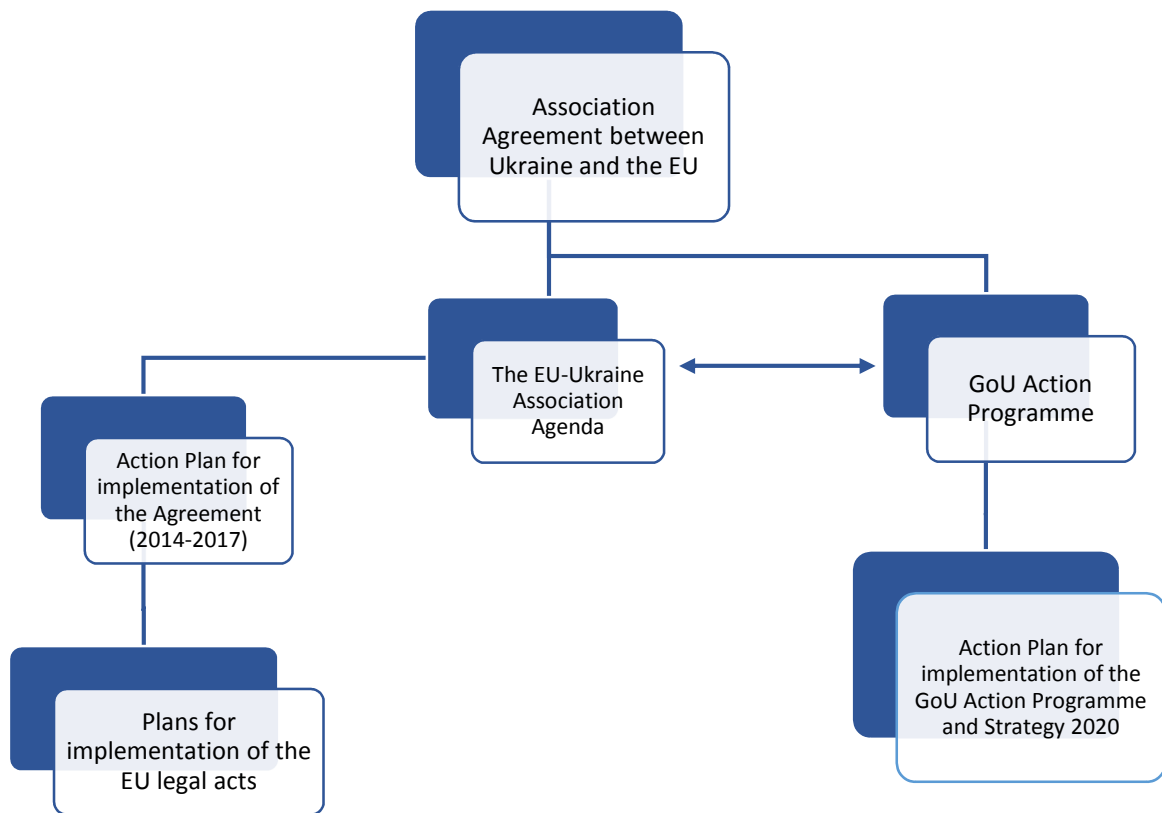
The Government Action Programme, the plan on its implementation, as well as on implementation of the Sustainable Development Strategy “Ukraine – 2020” in 2015 (Resolution No. 21 dated 4 March 2015) are aimed at realization of reforms in the spheres , which are key for implementation of the Agreement, and they also provide for concrete immediate measures on the Agreement implementation.

- *Reforms in the spheres, which are key for the Agreement implementation:*
 - public administration reform, including the decentralization of power;
 - establishment of a new regulatory model;
 - ensuring a fair justice;
 - reform in law enforcement and fight against corruption;
 - tax reform and public procurement reform;
 - changes in the management of State property and transparent privatization; and
 - strengthening energy independence.
- *Measures directly associated with the Agreement implementation:*
 - using the benefits of a free trade regime with the EU;
 - harmonization of tax and accounting reporting, harmonization of the corresponding legislation with international standards in this field;
 - implementation of EU standards regarding the number and functions of regulatory authorities;
 - adoption and implementation of legislation in the sphere of technical regulation;
 - improvement of legislation on transfer pricing;
 - introduction of a new system of VAT administration;
 - completing of public procurement reform and implementation of e-procurement;
 - improvement of legislation and practice of its implementation in the field of economic competition, demonopolization of the economy;
 - using agricultural quotas for the EU market and increasing their volumes.

The Government, in close cooperation with the EU, also plans measures for attracting international financial support for the reconstruction of the economy and implementation of reforms.

Special attention is paid to the implementation of the Ukraine’s commitments within the scope of the Energy Community Treaty, including commitments in the framework of the EU Third Energy Package.

Fig. 1. Strategic documents in the sphere of Ukraine's European integration policy



Association bilateral bodies

a) According to the Agreement (Article 460) **the highest level of political and policy dialogue** between the Parties **shall be at Summit level**. Summit meetings take place in principle once a year.

The Summit provides overall guidance for the implementation of the Agreement as well as an opportunity to discuss any bilateral or international issues of mutual interest.

Currently, preparation for the first Ukraine-EU Summit in the framework of the Agreement (27 April 2015) is going on.

The Agreement (Articles 461 – 466) provides for establishment of bilateral bodies, including the Association Council and the Association Committee.

The Association Council supervises and monitors the application and implementation of the Agreement and periodically reviews the functioning of the Agreement in the light of its objectives. The Association Council may also examine any major issues arising within the framework of the Agreement and any other bilateral or international issues of mutual interest.

The Association Council meets at ministerial level at least once a year, and when circumstances require. It consists of members of the Government of Ukraine, and members of the Council of the European Union and the European Commission. By mutual agreement, the Association Council may meet in all necessary configurations. The Association Council is chaired in turn by a representative of Ukraine and by a representative of the European Union. Where appropriate, and by mutual agreement, other bodies may take part as observers in the work of the Association Council.

The Association Council has the power to take decisions within the scope of this Agreement, which are binding upon the Parties, and make recommendations. In particular, it may update or amend the Annexes to the Agreement to this effect, taking into account the evolution of EU law.

On 15 December, 2014 the **first meeting of the Association Council** was held in Brussels. At this meeting, in order to ensure the proper work of the Association bilateral bodies, the following decisions of the Association Council were taken⁵:

- on adoption of the rules of procedure of the Association Council, the Association Committee and its Sub-committees (No. 1/2014);
- on establishment of two sub-committees – Sub-Committee on freedom, security and justice and Sub-Committee on economic and sector cooperation (No. 2/2014);
- on delegation by the Association Council certain powers to the Association Committee in Trade configuration (No. 3/2014).

The Association Committee assists the Association Council in the performance of its duties; it is composed of representatives of the Parties, in principle at senior civil servant level; and chaired in turn by a representative of Ukraine and a representative of the European Union.

⁵Drafts of those decisions were previously approved by the GoU (Resolution № 1209 dated 10.12.2014).

Responsibilities of the Association Committee include the preparation of meetings of the Association Council. In addition, the Association Council may delegate to the Association Committee any of its powers, including the power to take binding decisions.

The Association Committee adopts its decisions by agreement between the Parties. The meetings of the Association Committee are held at least once a year.

The Association Committee holds meetings in a specific configuration to address all issues related to Title IV (Trade and Trade-related Matters) of the Agreement. The Association Committee meets in this configuration at least once a year.

Preparation for the first meeting of the Association Committee, planned for June 2015, has been started.

b) Organization from the Ukrainian side the activity of the Association Council and Association Committee are determined by relevant acts of the Government of Ukraine.

Resolution of the Cabinet of Ministers No. 700 dated 10 December 2014 “On issues of preparing and holding meetings of Ukraine-EU Association bilateral bodies” stipulates that issues of the Agreement implementation, preparation of meetings, implementation of decisions and recommendations of the Association Council, the Association Committee and its Sub-committees have to be discussed in the due course at special meetings of the Cabinet of Ministers, devoted to European integration, and the Government Committee on European integration respectively.

This resolution also determined, that from the Ukrainian side the members of the Association Council are Ministers, and the members of the Association Committee – Deputy Ministers on European integration, the Deputy Minister of Economic Development and Trade – Trade Representative of Ukraine, Deputy Heads of other central government executive authorities, to the functions of which belong the issues of implementation of the Agreement.

According to the Cabinet’s Resolution No. 84 dated 4 March 2015 “On issues of making public the decisions and recommendations of the Association Council and the Association Committee between the European Union and Ukraine”, decisions and recommendations of the Association Council and the Association Committee should be posted on the Government website and published in the periodical “Official Bulletin of Ukraine” within a ten day term.

c) The Association Committee is assisted by sub-committees, established under the Agreement.

The Association Council on 15 December, 2014 took a decision to set up two sub-committees – Sub-Committee on freedom, security and justice and Sub-Committee on economic and sector cooperation.

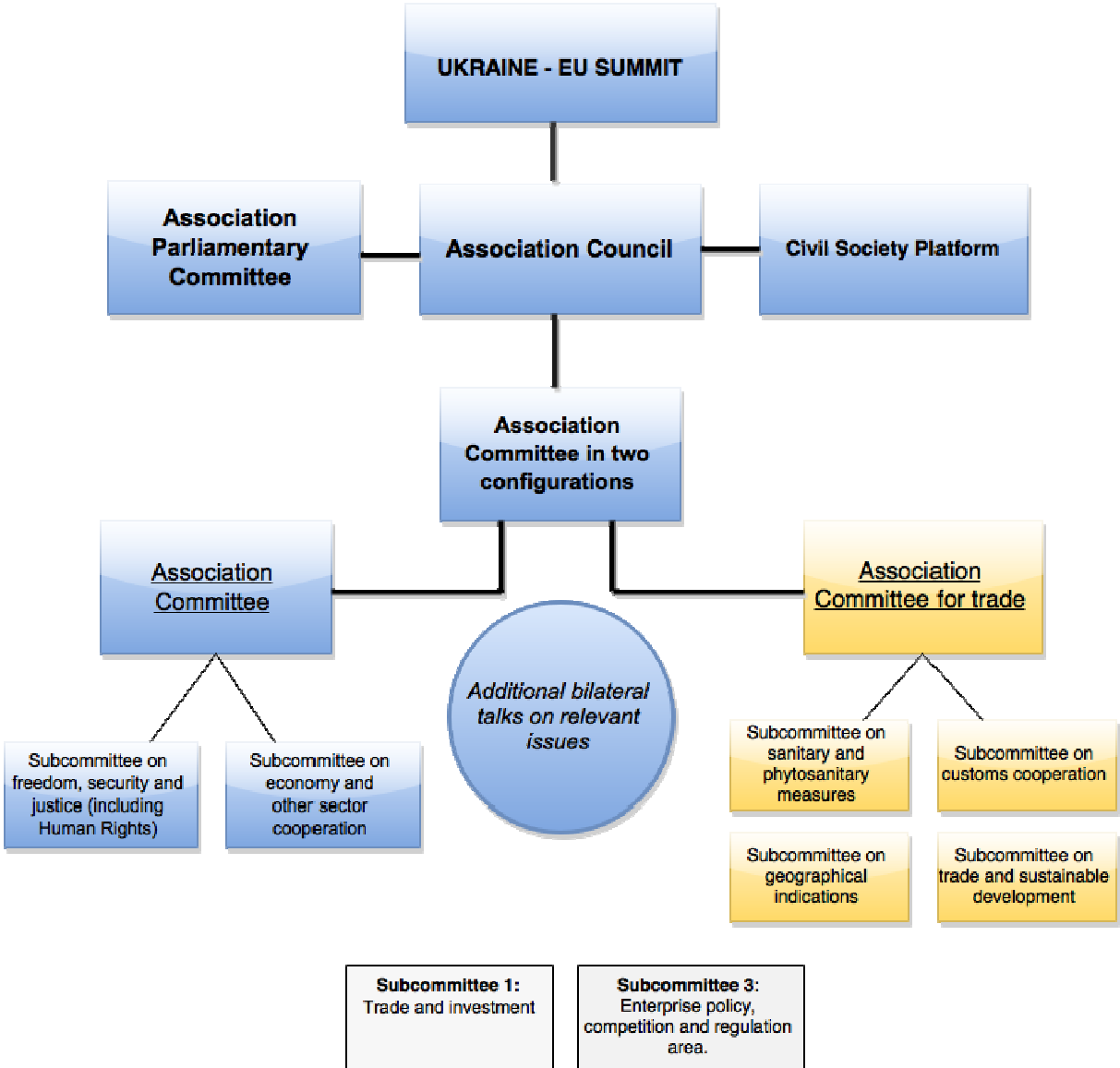
Moreover, the Agreement directly provides for establishing of:

- Sub-Committee on Geographical Indications (GI);
- Sanitary and Phytosanitary Management (SPS) Sub-Committee;
- Customs Sub-Committee;
- Trade and Sustainable Development Sub-Committee.

Those sub-committees will begin their work once Title IV of the Agreement “Trade and Trade-related Matters” is provisionally applied from 1 January, 2016.

Prior to provisional application of the Deep and Comprehensive Free Trade Area (DCFTA) on 1 January 2016 (Title IV “Trade and Trade-related Matters” of the Agreement), the Parties agreed to continue the work of the two Sub-committees, established under the Partnership and Cooperation Agreement between Ukraine and the EU – Sub-committee on trade and investment and Sub-committee on entrepreneurship policy and competition.

Fig. 2. The Ukraine-EU Association bilateral bodies



At the moment, consultations are carried out on preparation of the first meetings of the Sub-committee on issues of freedom, security and justice and the Sub-committee on economic and sector cooperation.

Meetings of the Sub-Committee on economic and sector cooperation are planned to be held in configurations according to jointly defined clusters.

d) The Parliamentary Association Committee is a forum for Members of the Verkhovna Rada of Ukraine and of the European Parliament to meet and exchange views. It consists of Members of the Verkhovna Rada of Ukraine, on the one hand, and of Members of the European Parliament, on the other.

The Parliamentary Association Committee may request relevant information regarding the implementation of this Agreement from the Association Council and make recommendations to the Association Council. It may establish Parliamentary Association sub-committees.

The **first meeting of the Ukraine-EU Parliamentary Association Committee** was held on 24-25 February, 2015 in Brussels, where the members discussed the state of relations between Ukraine and the EU, as well as the overall security and political situation in Ukraine. As a result of the meeting, the Parliamentary Association Committee approved its Final statement and Recommendations.

According to Article 469 of the Agreement a **Civil Society Platform was also established**, which consists of representatives of trade unions, employers' associations and civil society organizations of Ukraine, on the one hand, and members of the European Economic and Social Committee (EESC), on the other.

The Civil Society Platform may make recommendations to the Association Council, and also shall be informed of the decisions and recommendations of the Association Council.

The Association Committee and Parliamentary Association Committee are supposed to organize regular contacts with representatives of the Civil Society Platform in order to obtain their views on how to attain the objectives of the Agreement.

Monitoring and assessment

Joint monitoring and assessment mechanisms are set out by the provisions of the Agreement and the Association Agenda.

The Association Council supervises and monitors the application and implementation of the Agreement with the assistance of the Association Committee. Monitoring (Article 475 of the Agreement) means the continuous appraisal of progress in implementing and enforcing all measures covered by this Agreement. Monitoring shall include assessments of approximation of Ukrainian law to the EU *acquis* as defined in the Agreement, including aspects of implementation and enforcement of the relevant acts.

Monitoring and assessment of implementation of the Association Agenda will be carried out by the Association Committee, or other relevant bodies.

The Association Agreement and the Association Agenda provide that the Parties may carry out common monitoring and assessment of annual progress made, or **either side may carry out its own review** of the progress in implementing the Association Agenda. This report is an example of preparing the respective document by the Ukrainian side.

The Government introduced a new comprehensive system of reporting, monitoring and assessment of the implementation of the Agreement and the Association Agenda. The comprehensive approach is realized by adhering to the following basic principles of proper planning and coordinating activities, determined by the strategic policy documents:

- clearly determined deadlines⁶ for reporting;
- application of uniform requirements to the content and format for providing information on the status of implementation of the Agreement and the Association Agenda, namely the Association Agreement Implementation Action Plan for the period of 2014-2017 and plans for implementation of the EU legislation acts, as well as other policy documents and organizational-administrative acts of the Government, ministries, and other central executive authorities;
- regarding the reporting process not only as a tool for monitoring and assessment, but also as an instrument for further planning, including changes to policy documents and specifying the content of the planned measures;
- focusing primarily on qualitative performance indicators, including assessment of impacts of the Agreement implementation, comprehensive reforms and fulfilment of obligations in the areas, determined by the Agreement;
- transparency, openness, accountability, involvement in planning, implementation and assessment of the activities of a wide range of stakeholders, including civil society, experts from NGOs and business, in order to find most optimal ways of fulfilment of Ukraine's commitments.

The EU side carries out monitoring and assessment of the Association Agenda implementation by Ukraine through preparing annual reports on the implementation of the European Neighbourhood Policy (ENP).

Thus, the Annual report of the European Commission and the High Representative of the European Union for Foreign Affairs and Security Policy "Implementation of the European Neighbourhood Policy in Ukraine: Progress in 2014 and recommendations for actions"⁷, published on 25 March 2015, made reference to the progress of reforms in Ukraine and recommendations for the next year.

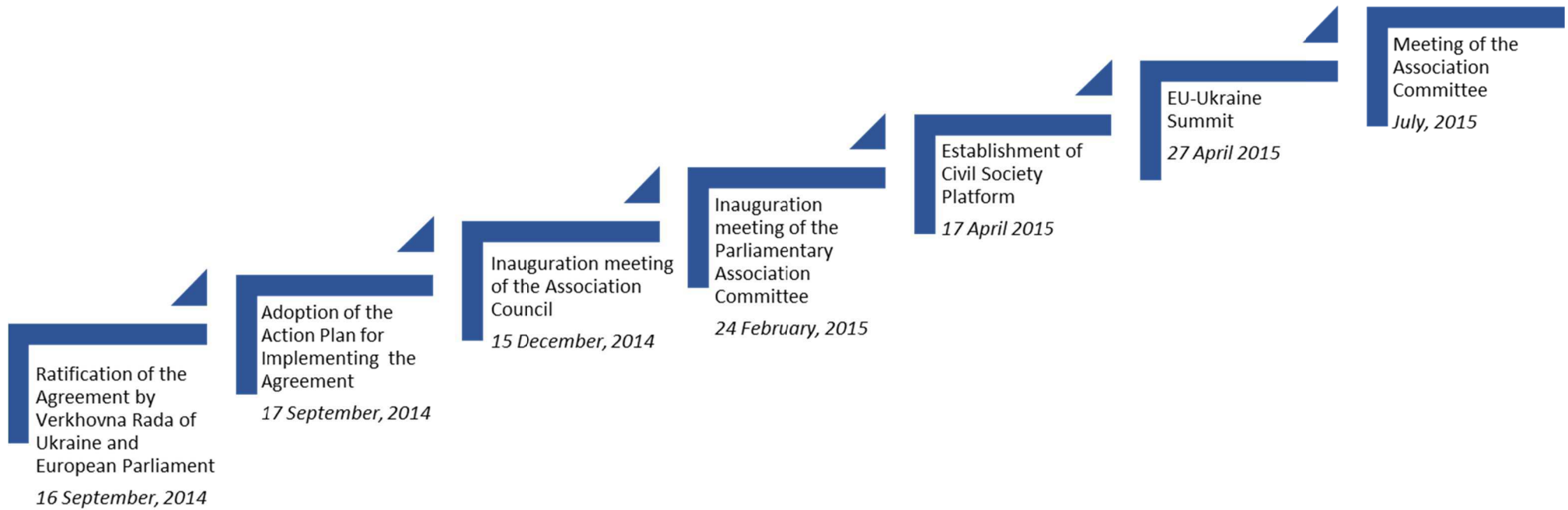
As stated in the document, Ukraine achieved notable progress in deepening and strengthening democracy, human rights and fundamental freedoms, in particular regarding the presidential and parliamentary elections in accordance with European and international standards, adoption of the anti-corruption laws package, launching reform of the judicial system and law enforcement, and the process of decentralization.

At the same time, the European Commission expressed several criticisms and recommendations on constitutional, judicial and election reforms, reforms of public administration and internal affairs bodies, efficient implementation of anti-corruption legislation, reforms in the energy sector, etc.

⁶ Quarterly, by the 10th day of the month, following the reporting month.

⁷ The document is available at: http://eeas.europa.eu/enp/pdf/2015/ukraine-enp-report-2015_en.pdf

Fig. 3. Schedule of preparation and implementation of the Agreement

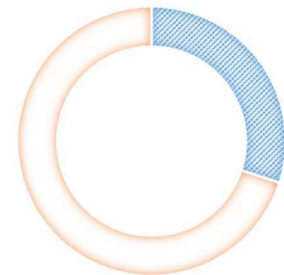


II. IMPLEMENTATION OF THE ASSOCIATION AGENDA PRIORITIES

In the first part of Section III of the Association Agenda Ukraine and the EU defined short-term reform actions that should be addressed as a matter of priority. Assessment of the progress in implementing priority actions was made, based on the content of tasks set out by the Association Agenda.

Constitutional reform

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



Some progress was made in implementing constitutional reform.

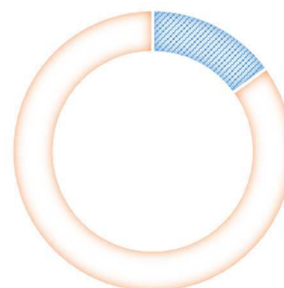
On March 3, 2015 by the Decree of the President of Ukraine the Constitutional Commission was established to work out the agreed proposals on improving the Constitution of Ukraine, in particular regarding decentralization of power. Constitutional Commission, according to its statute, is a special subsidiary body of the President of Ukraine.

The main tasks of the Constitutional Commission are: to generalize practice of implementation of the Constitution of Ukraine and proposals for its improvement with regard to current challenges and the needs of society, to work out agreed proposals for carrying out a constitutional reform and to ensure their broad public and expert discussion.

On March 31, 2015 the President of Ukraine by his decree endorsed a personal composition of the Constitutional Commission, headed by Volodymyr Groysman, Chairman of the Verkhovna Rada of Ukraine. The Commission consisted of 72 members, including representatives of academia, MPs, and judges.

In April 2015 the first two meetings of the Constitutional Commission were held, resulting in setting up within the Commission three working group to address the following issues: decentralization of power and local self-government, judicial reform and human rights. The composition of the working groups and the Commission's work schedule were also approved, its next meetings have to take place on 13 and 26 May and on 17 June 2015.

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



Little progress was made in reforming electoral legislation.

With the purpose to coordinate actions on elaborating legislative provisions for election of local council deputies and mayors in accordance with the requirements of local self-government reform, an expert group was set up in the Verkhovna Rada of Ukraine to work on preparation of the draft law "On election of deputies of the Verkhovna Rada of the Autonomous Republic of Crimea, local councils, and chairs (mayors) of villages, settlements and towns". This expert group enlisted MPs of Ukraine, representatives of civil society and government agencies.

On 6 April, 2015 the Cabinet of Ministers of Ukraine submitted to the Verkhovna Rada the draft law "On Amendments to Certain Legislative Acts of Ukraine Relating to Financing of Political Parties". The draft law was elaborated with the aim to meet the criteria of the Action Plan on EU visa regime liberalisation for Ukraine, in particular according to recommendations of the EU expert mission, which took place in March this year, and to fulfil the recommendations of the Group of States against corruption (GRECO) on transparency of financing political parties and election campaigns⁸.

This draft law provides for introducing amendments to the Code of Ukraine on Administrative Offences, to the Criminal Code of Ukraine, and to the Laws of Ukraine "On Accounting Chamber", "On Political Parties in Ukraine", and "On the National Anti-corruption Bureau of Ukraine" with the purpose to:

- fix the sources of acquiring funds and property by political parties, including through financial support from the State budget;
- specify the list of subjects that may not finance political parties;
- set up limits to the amounts of voluntary contributions by legal and physical persons;
- fix the types, content and terms of publication of financial statements by political parties;
- determine procedure of control over political party financing, and a controlling authority in this sphere;
- introduce administrative and criminal liability for violating restrictions in financing of a political party.

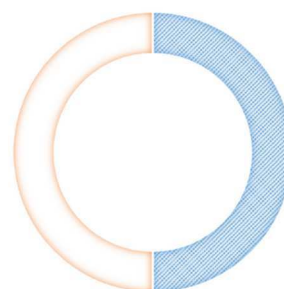
⁸ The Parliament Coalition Agreement envisages increasing responsibility of political parties for noncompliance with requirements regarding openness and transparency of financing their activities, and during the first quarter of 2015 – adoption of comprehensive amendments to legislation on ensuring transparency of financing political parties and election campaigns in accordance with GRECO recommendations.

At the same time, for the consideration of the Verkhovna Rada was submitted the draft law "On Amendments to Article 87 of the Budget Code of Ukraine", which provides for introduction of political party financing to the categories of expenditures made from the State budget of Ukraine.

In addition, the Verkhovna Rada Committee on Prevention and Combating Corruption set up a working group on elaboration of proposals for legislative regulation of political party financing, which enlisted MPs of Ukraine, representatives of the civil society and government authorities.

Preventing and combating Corruption

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



Serious progress was made in reforming the system of preventing and combating corruption.

Reference should be made, in the first place, to the Laws of Ukraine "On the National Anti-Corruption Bureau of Ukraine" (entered into force on 25 January, 2015) and "On the Prevention of Corruption" (entered into force on 26 April, 2015).

The Law of Ukraine "**On the Prevention of Corruption**" (No. 1700-VII dated 14 October 2014) is aimed at a comprehensive reform of the system for prevention of corruption in accordance with international standards, in particular the recommendations of GRECO⁹, and successful practices of foreign countries. The law, inter alia, stipulates the establishment of a separate independent preventive anti-corruption body – the National Agency for the Prevention of Corruption (central government executive authority with a special status), empowered with the functions to coordinate the development and implementation of anti-corruption programs by government authorities within their competence, to ensure public servants' compliance with the legislation on preventing and settling conflicts of interest and the rules of ethical conduct, to apply financial control measures to them, etc.

According to Resolution of the Cabinet of Ministers of Ukraine No. 118 dated 18 March 2015, the National Agency for the Prevention of Corruption was established.

⁹ In particular, implementation of Recommendation 1 out of 25 recommendations provided by GRECO, based on the results of the First and Second Rounds of Mutual Evaluation on Ukraine (*Eval/IIRep (2006) 2E*), that underlined the need to establish an independent body, which has no law enforcement functions and oversees the implementation of the national anti-corruption strategy and the relevant action plans, and also offers new strategies and measures to fight corruption.

On 25 March 2015 the Government adopted a number of normative acts needed for launching the activity of the National Agency for the Prevention of Corruption, in particular:

- the Regulation on the competition for selection of candidates to the positions at the National Agency for the Prevention of Corruption and the Rules of Procedure of the Competition Selection Commission, *endorsed by Resolution of the Cabinet of Ministers No. 170 dated 25 March 2015*, that provide for selection of candidates for the National Agency's members based on principles of transparency and with active participation of civil society.
- the Procedure on organization and holding competition for the formation of a Public board at the National Agency for the Prevention of Corruption, *endorsed by Resolution No. 140 dated 25.03.2015*.

Establishment and formation of the Public board, that will ensure public control over the activity of the National Agency and will be composed of 15 members, will be approved by the Cabinet of Ministers of Ukraine on the basis of results of an open competition.

The Law of Ukraine "**On the National Anti-Corruption Bureau**" (No. 1698-VII dated 14 October, 2014), in turn, defines the legal framework for the organization and activity of a specialized law enforcement anti-corruption body – the National Anti-Corruption Bureau of Ukraine (hereinafter – National Bureau).

The main functions of the National Bureau, according to Law, would be pre-trial investigations of corruption crimes and corruption-related offences committed by senior officials, authorized to perform the functions of State or local government, or those that have a high degree of social hazard. Meanwhile, the competence of the National Bureau would not cover the private sector; therefore, this body would not interfere into doing business.

Also, one of the important functions of the National Bureau would be to detect and return to Ukraine the assets of corrupt officials.

To ensure proper functioning of the National Bureau and the National Agency for the Prevention of Corruption, the State Budget of Ukraine for 2015 provides expenditures in the amount of 249 and 112.5 million UAH respectively.

For selection of candidates for the position of Director of the National Bureau, in accordance with the provisions of the Law, the Competition Selection Commission, composed of 9 persons identified in an equal number by the President of Ukraine, Cabinet of Ministers and Verkhovna Rada of Ukraine, was formed. On 16 April 2015, the President of Ukraine, based on the proposals of the Competition Selection Commission, appointed Artem Sytnyk to the position of Director of the Bureau.

The Law of Ukraine "**On Principles of the State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) for 2014 – 2017**" (No. 1699-VII dated 14 October 2014) defines a complex of priority tasks and measures to reduce the level of corruption, and aims to achieve the following results:

- establishing in Ukraine the system of decision-making regarding anti-corruption policy, that is based on the analysis of reliable data on corruption, monitoring the implementation of these decisions and their impact on the state of affairs in the fight against corruption by an independent specially authorized body for anti-corruption policy in partnership with civil society, as well as securing public support in combating corruption;

- developing a sound legislative framework for the efficient functioning of an independent specifically authorized body for anti-corruption policy;
- establishing the system of the integral and professional public service, in accordance with international standards and world best practice;
- implementing efficient anti-corruption programs in the central government executive bodies, ensuring transparency of their activity for the society;
- introducing legal provisions for lobbying;
- eliminating corruption risks and implementing a transparent system of public procurement;
- overcoming corruption in the judicial system and criminal justice bodies;
- eliminating corruption-related preconditions for doing business, creating a favourable business climate conducive for refusal from the corrupt practices and intolerant attitude to corruption on part of business;
- ensuring the openness of information of public interest;
- developing a complex of instruments that would allow to efficiently detect and investigate corruption offences, to confiscate property that was obtained in a criminal way or as its consequence, to sue to liability persons involved in the commitment of corruption offences, etc.

The State Program for implementation of the principles of the state anti-corruption policy in Ukraine (Anti-Corruption Strategy) for 2014 – 2017 was endorsed on 4 April 2015 by the decision of the Cabinet of Ministers. In order to perform activities stipulated by the Anticorruption Strategy, the State program will be reviewed annually, taking into account the results of the implementation of the planned activities, findings and recommendations of the Parliamentary hearings on the national report regarding the state of affairs in fighting corruption.

The Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Relating to Determination of Final Beneficiaries of Legal Persons and Public Figures” (No. 1701-VII dated 14 October 2014) is aimed at counteraction to legalization of incomes obtained in a criminal manner, and provides for:

- obligations of legal entities under private law to specify the final beneficiary – a physical person, when registering, changing the ownership of a legal person, and opening accounts in financial institutions;
- introduction of free access to the State Register of rights to immovable property for government and local self-government bodies, as well as for physical and legal persons.

On 25 February 2015 the Verkhovna Rada adopted **the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Relating to Ensure the Functioning of the National Anti-Corruption Bureau and the National Agency for the Prevention of Corruption” (No. 198-VIII)** in order to improve the newly adopted legislation in the sphere of counteracting corruption and legalization (money laundering) of incomes obtained in a criminal manner, in particular in the part of the efficient functioning of the abovementioned anti-corruption institutions, and to implement the relevant recommendations of the experts of the International Monetary Fund monitoring mission.

This law, in the part of ensuring the efficient functioning of the National Bureau, provides for: improving the procedure for competitive selection of candidates for vacant positions; regulating the issues of remuneration of employees; introducing the regulation on interaction with other law enforcement bodies and government agencies; clarifying the notion of investigative jurisdiction liability, in particular regarding spreading it over to the President of Ukraine, whose powers are terminated; fixing in legislation the ban on appointing individuals, who over the past five years had been working in specially authorized departments for combating corruption in law enforcement bodies.

The law also improves the provisions of the Law “On the Prevention of Corruption” in the part of ensuring the competition for the positions of members of the National Agency for the prevention of corruption, specifying the information that should be filed in the annual declarations by the persons authorized to perform the functions of the State or local government, including the obligatory identification of legal entities, whose ultimate beneficiary owner (controller) is a person who submits a declaration, or his/her family members, including filing in the declaration the gifts received from relatives.

Moreover, amendments are envisaged to the Law of Ukraine “On Preventing and Counteracting Legalization (money laundering) of Incomes Obtained in a Criminal Manner, Financing Terrorism and Financing for Proliferation of Weapons of Mass Destruction”, in particular relating to broaden the pool of national public figures, which will cover, inter alia, civil servants, positions of which are attributed to the second category, heads of regional territorial units of central government executive bodies, prosecution offices, heads and judges of appeal courts, as well as the heads of the administrative, management or supervisory bodies of commercial companies, in which the State's share in their statute capital exceeds 50%.

To improve the legal framework for combating corruption **on 30 March 2015 the Cabinet of Ministers of Ukraine submitted to the Verkhovna Rada the following draft laws:**

- **“On Amendments to Certain Legislative Acts of Ukraine Relating to the Adoption of the Law of Ukraine “On the National Anti-corruption Bureau of Ukraine” (Reg. No. 2492 dated 31 March 2015),** which is envisaged to specify the regulation of labour relations involving employees of the Bureau, set the ban to be members of political parties and restrict their participation in the electoral process, as well as to include the Bureau in the list of public authorities that deal with the fight against organized crime and ensuring the national security;
- **“On Amendments to the Laws of Ukraine “On the National Anti-corruption Bureau of Ukraine” and “On the Prevention of Corruption” (Reg. No. 2494 dated 31 March 2015),** which stipulates ruling out from the Laws of Ukraine “On the Prevention of Corruption” and “On the National Anti-corruption Bureau of Ukraine” provisions on payment of a lump sum financial aid in case of death of a member of the National Agency, its managerial staff, or an employee of the National Bureau in the course of performing their official duties.

To implement the relevant recommendation of the Council of Europe's Group of States against corruption (GRECO), on 16 January 2015 **the draft law “On Amendments to the Constitution of Ukraine (relating to the immunity of the MPs and judges)”** was submitted to the Verkhovna Rada (Reg. No. 1776), which the Verkhovna Rada, in its turn, on 5 February 2015 passed on to the Constitutional Court for the conclusion on its compliance

with the provisions of Articles 157 and 158 of the Constitution of Ukraine.

The draft law provides for elimination of deputy immunity (at the same time, the deputies would not bear the legal responsibility for the results of voting or their statements in parliament and its committees, with the exception of responsibility for insult or defamation) and change the procedure for elimination of the immunity of judges.

On 9 April 2015 the Verkhovna Rada adopted the Law of Ukraine “**On Amendments to Certain Laws of Ukraine Relating to the Access to Public Information in the Form of Open Data**” (Reg. No. 2171), aimed at realizing the right of a person to access to information of public interest, and ensuring transparency in the activity of government and local self-government bodies by introducing mechanism for disclosure of public information in the form of open data.

In order to ensure transparency of the government authorities’ activity, to foster reducing the level of corruption and preventing malpractice (unfair treatment) towards businesses in Ukraine, the Cabinet of Ministers:

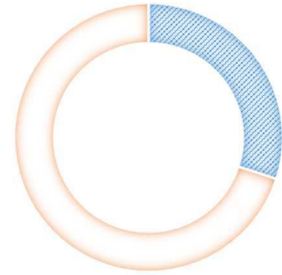
- on 22 December 2014 appointed (*by Resolution No. 1251-p*) to the position of **Business Ombudsman of Ukraine** Algirdas Semeta – Lithuanian and European politician, ex-Minister of Finance of Lithuania, European Commissioner for Financial Programming and Budget (2009-2010) and then for Taxation, Customs, Statistics, Audit and Anti-Fraud (2010-2014).
- **established the Council of Business Ombudsman’s Office** as a permanent consultative-advisory body of the Cabinet of Ministers of Ukraine and approved its Statute (*by Resolution No. 691 dated 26.11.2014*).

The Council’s activity is governed by a Memorandum of Understanding to support Ukrainian Anti-Corruption Initiative, concluded on 12 May 2014 between the Cabinet of Ministers of Ukraine, the European Bank for Reconstruction and Development, the Organization for Economic Cooperation and Development, the American Chamber of Commerce in Ukraine, the European Business Association, the Federation of Employers of Ukraine, the Ukrainian Chamber of Commerce and Industry, and the Ukrainian Union of Industrialists and Entrepreneurs.

The Council shall prepare proposals to the draft law relating to establishment of the Business Ombudsman’s Office. With the establishment of this new institution, businesses will be able to report claims of unfair treatment and corruption. The Business Ombudsman’s Office will assess the claims, and where it concludes that the alleged malpractice may have occurred, it will be able to request further investigation by the relevant bodies and seek to have these complaints addressed by governmental authorities.

Judicial reform

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



Some progress was made in the judicial reform.

On 12 February 2015 the Verkhovna Rada adopted the Law of **Ukraine “On Ensuring the Right to a Fair Trial”**, which provides for a new edition of the Law “On the Judiciary and the Status of Judges”, and amendments to other legal acts. The Law was published on 26 February 2015.

The main innovations of the Law include the following:

- introducing assessment of the professional qualifications of judges and verification of their integrity;
- introducing a judge’s dossier, which will contain all information about a judge and his/her career;
- improving procedure for specialized training of a candidate for the position of a judge;
- strengthening the disciplinary accountability of judges;
- providing a new and more transparent mechanism for the formation, on a competitive basis, of the High Qualification Commission of Judges and the High Council of Justice of Ukraine;
- providing a possibility to submit applications for review of court decisions directly to the Supreme Court of Ukraine.

Part of the Law of Ukraine “On Ensuring the Right to a Fair Trial” is a new edition of the Law “On the Judiciary and the Status of Judges”, which received a generally positive assessment of the experts of the Council of Europe, which is reflected in the opinion of the Venice Commission, adopted at its Plenary Session on 20-21 March 2015¹⁰. However, the Venice Commission in its opinion underlined the need for further legislative measures on a number of important issues. In particular, the Venice Commission recommends:

- to expand the possibilities of using other languages in courts, in addition to the Ukrainian language;
- to limit the powers of the President to transfer judges without a competition in case of liquidation or reorganization of the courts;

¹⁰ Joint opinion by the Venice Commission and the Directorate of Human Rights of the Directorate General of Human Rights and the Rule of Law on the Law “On the Judiciary and the Status of Judges” and “On Amendments to the Law on the High Council of Justice of Ukraine”, adopted by the Venice Commission at its 102nd Plenary Session (Venice, 20-21 March, 2015) (CDL-AD(2015)007).

<http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD%282015%29007-e>

- to dismiss incompetent and corrupt judges through a procedure that comply with the principles of equity, proportionality and the independence of the judiciary.

The Venice Commission also emphasized that effective reform of the judicial system of Ukraine, in accordance with European standards, would be impossible without amendments to the Constitution of Ukraine, in particular, in the following part:

- repealing the powers of the Verkhovna Rada of Ukraine in the process of appointment of judges for permanent terms and their dismissal;
- changing the composition of the High Council of Justice in such a way, that most of its members would be judges, elected by judges;
- repealing the powers of the Verkhovna Rada of Ukraine regarding removal of immunity of judges;
- abolishing the constitutional powers of the President to establish and liquidate courts, and, instead, regulating this issue at the level of legislation.

In order to prepare proposals for judicial reform, aimed at achieving European standards of protection of the rights and freedoms of a person and a citizen, to arrange an efficient mechanism of interaction of government authorities and institutions of civil society in the process of implementation of this reform, the President of Ukraine set up the Council on judicial reform (*Decree No. 812 dated 16 October 2014*). The key tasks of the Council include the preparation of a draft strategy to reform justice and the judicial system, and other related legal institutions.

With the participation of experts of the EU project “Support to the Reform in the Sphere of Justice”, the Reform Strategy in the sphere of justice for 2015-2020 was prepared, which was approved by the Council on judicial reform on 17 March 2015, and passed on to the President for endorsement.

According to the Strategy, judicial system reform will be implemented in two key stages. The first stage – immediate update of the legislation in order to restore confidence in the judiciary, implementation of which do not require amendments to the Constitution. The second stage – making necessary amendments to the Constitution of Ukraine in accordance with European standards and the recommendations of the Venice Commission.

Public prosecution reform

The Law of Ukraine “**On the Public Prosecutor’s Office**” was adopted by the Verkhovna Rada on 14 October 2014.

Provisions of the Law relating to elimination of the elements of so-called “general supervision” took effect on October 26, 2014. Those provisions abolished organizational-administrative documents that regulated procedures for prosecution supervision over the observance and application of laws, and brought a number of ministries’ and government agencies’ orders in compliance with the legislative changes. The other provisions of the Law took effect on 25 April 2015.

In accordance with the requirements of the new Law, implementation of its provisions would be carried out in the following stages:

- Arranging and holding the All-Ukrainian conference of the prosecutors, as the highest authority of the prosecution self-governance, which would be convened twice a year.

- Establishing the Qualification-disciplinary commission of prosecutors; its members would be appointed by the All-Ukrainian conference of the prosecutors, Reunion of representatives of the higher law educational institutions, Reunion of advocates, and the Ukrainian Parliament Commissioner for human rights in consultation with the Committee of the Verkhovna Rada of Ukraine on Prosecutor's Office issues. In November 2014, reunions of representatives of higher law educational and scientific institutions, as well as the reunion of advocates were held, resulting in the appointment of members to the Qualification-disciplinary commission of prosecutors.
- Setting up the Council of prosecutors, as the highest authority of the prosecution self-governance in the period between All-Ukrainian conferences of prosecutors.

In order to implement the Law, normative legal acts of the Prosecutor General's Office of Ukraine are currently being developed, in particular relating to:

- separation of powers regarding fulfilment of constitutional functions between the Prosecutor General's Office and regional and local prosecution offices;
- exercise of the powers of a prosecutor regarding the entrusted functions relating to areas of activities (ministerial orders);
- Regulation on the approval of the activity of structural units of Prosecutor General's Office of Ukraine, etc.

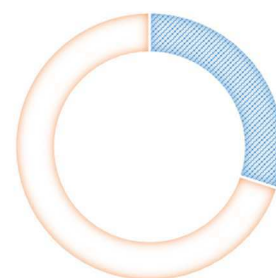
Currently, the following draft acts are under preparation: Rule of procedure of the All-Ukrainian conference of prosecutors, Regulation the Board/Council of prosecutors of Ukraine, Regulation on Qualification-disciplinary commission of prosecutors, Regulation on the **procedure for preparing and submitting for the State registration** the normative legal acts of the Prosecutor General Office, Regulation on the organization of work for coordination activity of law enforcement agencies, and interaction of the prosecution offices with the subjects for combating crime.

In addition, the Verkhovna Rada registered a number of draft laws prepared by the MPs (Reg. No. 1734, 1734-1, 2404, and 2404-1), aimed at regulating issues on the appointment of prosecutors at regional and local prosecutors' offices, as well as on formation of the prosecution self-governance authorities.

The **mechanism for publishing orders of the Prosecutor General of Ukraine** was also **introduced**. The Orders of the Prosecutor General of Ukraine, which are the normative legal acts, after they are included into the Unified State Register of legal acts, would be published in the Ukrainian language in the State official publications and posted on the official website of the Prosecutor General's Office of Ukraine.

Public administration reform

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



Some progress was made in the civil service reform.

With the aim of implementing a comprehensive reform of public administration, on 30 March 2015 the Government submitted to the Verkhovna Rada the following draft laws:

1) “On Civil Service” (Reg. No. 2490), which takes into account the successful experience of relevant reforms in European countries, primarily – Poland, recommendations of SIGMA experts on the principles of a professional civil service, made in their Evaluation report regarding the Law of Ukraine “On Civil Service” No. 4050-VI dated 17 November 2011, as well as their comments provided as a result of expert missions in 2014.

The draft law introduces a number of key innovations, namely: separating political and administrative positions, regulating the status of a public servant, introducing competitive selection and recruitment to the civil service, including to senior civil service positions, guaranteeing equal access to civil service, linking the system of remuneration to performance assessment, giving priority to the career system of civil service, increasing personal responsibility for performance of official duties, creating conditions for transparent activity of government bodies and decent remuneration to public servants based on a well-grounded model with the minimization of managerial discretion component, and career development exclusively on merit-based principles.

2) “On Service in Local Self-government Bodies” (Reg. No. 2489), which establishes the legal framework for raising the prestige of the service in local self-government bodies; regulating the status of a local government official; ensuring equal access to the service in local self-government, based exclusively on merit; transparent recruitment to local self-government bodies; stimulating career growth; depolitisation; new models of remuneration that minimizes managerial discretion; introducing the efficient mechanism for preventing corruption; enhancing the social and financial protection of employees. This draft law was elaborated on the basis of European principles of public administration and harmonized with the draft Law of Ukraine “On Civil Service”.

In the annual report of the European Commission and the High Representative of the European Union for Foreign Affairs and Security Policy “Implementation of the European Neighbourhood Policy in Ukraine: Progress in 2014 and recommendations for actions” was made reference to the positive assessment of those draft laws by SIGMA (a joint EU-OECD initiative on Support for Improvement in Governance and Management)¹¹.

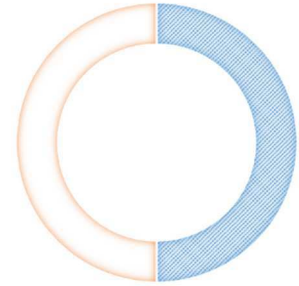
The Reform Strategy of civil service and service in local self-government bodies for the period up to 2017 was adopted, and the Action plan for its implementation endorsed by the Cabinet of Ministers of Ukraine on 18 March 2015 (Resolution No. 227). The Strategy

¹¹ See p. 9 in the document at: http://eeas.europa.eu/enp/pdf/2015/ukraine-enp-report-2015_en.pdf

identifies problems that require immediate solution, the overall goal of the reform of the civil service and service in local self-government bodies, the ways and indicators of its implementation, and contains a set of priority objectives and measures aimed at ensuring the development of the civil service and service in of local self-government bodies.

Deregulation

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



Notable progress was made in the sphere of deregulation.

With the purpose of reducing the regulatory burden of the State on business by means of simplifying procedures, reducing the number of control authorities and frequency of inspections, eliminating excessive permits and licenses, etc., the Government implemented the following measures:

1) Moratorium on inspections of businesses was set up, according the Law of Ukraine “On Amendments to and Acknowledging as Ineffective Certain Legislative Acts of Ukraine “(*Resolution No. 76-VIII dated 28 December 2014*).

Also, the Law of Ukraine “On Amendments to the Tax Code of Ukraine and Certain Laws of Ukraine Relating to Tax Reform” (No. 71-VIII) stipulates that **in 2015 and 2016 inspections** of enterprises, institutions and organizations, physical persons-entrepreneurs with the income of up to 20 million UAH in the previous calendar year, **would be carried out** by control authorities **only with the permission of the Cabinet of Ministers**, upon request of an entity regarding its inspection, according to the court decision, or according to the requirements of the Criminal Procedure Code of Ukraine.

2) Licensing procedures were simplified, and the terms of getting special licenses and certificates for companies working in the spheres of agriculture, fuel and energy, and in the food industry were reduced (*by Resolution of the Cabinet of Ministers No. 42 dated 28 January 2015*).

- *In the agrarian sector* the terms for issuing quarantine and phytosanitary certificates were reduced (from 5 days to 1 day), mandatory quarantine certificate for the transportation of grains and oilseeds was cancelled (from now on it will be issued only at the request of companies), as well as the need to get quarantine certificate for internal transportation.

These innovations would assist in solving problems with delayed shipments, would lead to a reduction of extra costs to companies during transportation of grain and, as a result, would contribute to lowering the costs of supply chains of Ukrainian agricultural products.

- Procedures in the area of subsoil use were simplified (monitoring and scientific

support were ruled out from mandatory conditions for granting special authorization on subsoil use).

- State registration of dietary food products was eliminated.

3) Licensing regulation for certain types of economic activity was improved, administration of licensing procedures both for business and government was simplified (by the Law of Ukraine No. 222-VIII dated 02.03.2015). The Law of Ukraine “On Licensing the Types of Economic Activity” provides for:

- reducing the number of types of activities that are subject to licensing from 56 to 30;
- strengthening control over the licensing authorities;
- introducing principles of distant, particularly electronic licensing;
- introducing the possibility of granting licenses for certain types of economic activity at the local level;
- creating the possibility to delegate to the territorial units the powers regarding carrying out inspections on licensees’ compliance with licensing conditions;
- banning solicitation from the entities the data contained in State registers;
- approving the licensing conditions at the highest level of the executive power – by the Cabinet of Ministers of Ukraine;
- setting the principles for increasing the accessibility of information in the field of licensing by ensuring free access to it (to the Unified State Register of legal entities and natural persons-entrepreneurs) through the Internet;
- reducing the number of administrative procedures for licensees and licensing authorities.

Implementation of the provisions of the Law will foster significant facilitation of the procedure for obtaining licenses, reduction of the number of types of economic activity that are subject to licensing, introduction of modern electronic technology for obtaining licenses, establishment in the field of licensing a foundation for more transparent partnerships between the State and business, raise the rating of Ukraine according to the classification by the World Bank through creation of more favourable conditions for entrepreneurship development, and improvement of investment attractiveness of Ukraine.

4) On 18 March 2015 the Cabinet of Ministers approved the Action plan on deregulation of economic activity, which contains 131 tasks and measures, aimed at removing regulatory and administrative barriers that prevent efficient doing of business activities, in particular relating to improvement of licensing and permit procedures, technical regulation procedures, State supervision (control), customs and tax regulations, conditions of entrepreneurship in the agricultural, food, construction industry, electricity, oil and gas sectors, information technology, and telecommunications (Resolution No. 357 dated 18 March 2015).

5) On 7 April 2015 the procedure of obtaining data maintained in the Unified State Register of legal entities and natural persons-entrepreneurs from the Ministry of Justice in Ukraine was simplified, the information can now be obtained in an online regime in the spheres of:

- **State registration of legal entities and physical persons-entrepreneurs** (issue of certificates relating to registration and doing business);

- **State registration of rights to immovable property** (such documents as evidence of ownership, extract from State registration file, decision on the consideration of the application, and decision to refuse in registration of ownership).

For obtaining information one need to visit the website of the Ministry of Justice of Ukraine new.minjust.gov.ua, go to the appropriate portal, make an application for preparing a certificate or extract, pay for the service by credit card, and after that the required document will be prepared online, and can be printed as the official document. Each document is assigned a unique identification code. Documents without stamps and without signatures of respective State registrars have the same official status as the hard (paper) copies.

Applications for preparing the required document from the register of enterprises can be done through maximum expanded list for search: by company name, by information on founders, by information about directors, or by the corresponding code.

The cost of obtaining a document will be 45,68 UAH plus 3 UAH of commission to be paid to the Oshchadbank so, the total amount will come to 48,68 UAH, which equals 75% compared to obtaining the hard (paper) copy of the same document.

Those innovations enabled to improve Ukraine's position in the ranking of Doing Business in 4 areas, for which the Ministry of Justice is in charge: business registration – from 76 to 12 place; registration of ownership – from 59 to 35 place; resolving matters of insolvency – from 142 to 108 place; and enforcing contracts implementation – from 43 to 27 place.

6) On 7 April 2015 the Law of Ukraine (No. 191-VIII dated 12.02.2015) “On Amendments to Certain Legislative Acts of Ukraine Relating to **Facilitation of Conditions for Doing Business (deregulation)” entered into force. The Law provides for:**

- reducing the number of permit documents up to 16 (permits, decisions, conclusions, approvals);
- establishing the term for registration business of no more than two days (from 5 days to 2);
- stimulating sustainable use of agricultural land and simplifying relations in the sphere of land lease;
- introducing the issue of permit documents through the centres for providing administrative services.

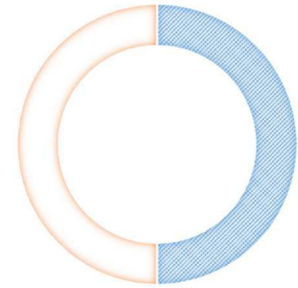
7) In March 2015 the Government submitted to the Verkhovna Rada the following draft laws:

- “On State registration of legal entities and physical persons-entrepreneurs” (Reg. No. 2493), aimed at simplifying the State registration for termination of central government executive bodies, which the founders of other legal entities;
- “On Amendments to Certain Legislative Acts of Ukraine Relating to Some Legal Aspects of Improving the Position of Ukraine in the Rating of Doing Business (Reg. No. 2382), which provides for improving the mechanism for protection of the rights of creditors;

- “On Amendments to the Tax Code of Ukraine (relating to facilitation of conditions for doing business) (Reg. No. 2381), which provides for extending the principle of tacit consent in the field of taxation to tax relations, when registering a taxpayer’s account at regulatory (control) authorities.

Public procurement reform

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



Significant progress was made in reforming the system of public procurement.

Ukraine continued to work on further¹² approximation of its legislation in the field of public procurement to the EU legislation, and its implementation according to the best international practices and standards in this field.

On 12 February 2015 a presentation of **the pilot system of electronic public procurement** under the name ProZorro (www.prozorro.org) was held. In the first stage the “sub-threshold” public procurement of goods – up to 100 thousand UAH, and services – up to 1 million UAH, will be carried out through an electronic system.

The main objective of the system is to ensure the transparency of the public procurement process, to increase the confidence on the part of business, and to combat corruption. Electronic system simplifies the access of small and medium businesses to public bidding, allows spending budget funds more efficiently, and provides public control over the process of bidding.

Three electronic tender points have been already connected to the system – e-tender.biz; dz.prom.ua; and smarttender.biz/government.

The first tenders have already been carried out by the Ministry of Justice; the Ministry of Defence; the National Bank of Ukraine; Energoatom; Kyiv City State Administration; the State authority for administration of affairs; the Ministry of Economic Development and Trade; State Finance Inspection; the Ministry of Infrastructure; the Ministry of Health; and Lviv City Council.

In all the tenders that took place, the savings amounted to the expected 10-20% of the original price. For example, when the Ministry of Defence carried out purchases of the insulated field jackets for the military, price per one unit dropped to 283 UAH compared with purchasing of the same product through “paper” procedure. The State company Energoatom noted that the price in an electronic auction was lower by 13%, compared even with the lowest price that Internet-shops offer online.

¹² On 10 April 2014 the Law of Ukraine “On Public Procurement” (No. 1197-VII) was adopted.

On 19 March, 2015 the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine (to ensure the timely access of patients to necessary medicines and medical products) through **Involving Specialized Organizations to Implement Public Procurement**” was adopted.

Successful experience of applying a mechanism of involving specialized organizations to carry out procurement of medicines and medical products at the expense of public funds demonstrated the timely delivery of effective, safe and quality medicines and medical products, as well as saving of budget funds for the purchase of medicines by up to 30%.

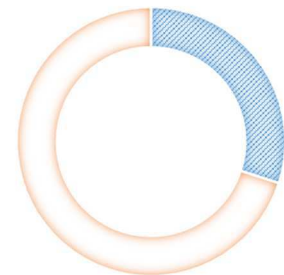
According to Articles 152 and 153 of the Association Agreements, Ukraine is obliged to make a planned, phased and controlled reform of the public procurement system by introducing into the national legislation the provisions of EU legislation acts, as defined in Annexes to the Agreement. In order to efficiently organize implementation of Ukraine's reforms, the Agreement provides a requirement to develop “a road map” in the field of public procurement.

The Ministry of Economic Development and Trade, with the support of the EU project “*Harmonization of Public Procurement System in Ukraine with EU Standards*”, developed a draft Strategy for reforming the public procurement system in Ukraine for 2015-2032, the part of which would be the road map on implementation of provisions of the Association Agreement between Ukraine and the EU in the field of public procurement.

Currently, the draft Strategy has been offered for broad public discussion¹³.

Taxation reform, including VAT refunds

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



Some progress was made in reforming the efficiency of tax system, **including VAT refunds.**

The Law of Ukraine “On Amendments to the Tax Code of Ukraine and Certain Laws of Ukraine Relating to Tax Reform” (No. 71 dated 28 December 2014), which introduced a new mechanism for the administration of VAT (from 01.02.2015 to 01.07.2015 it would work in a test mode), was adopted.

Electronic administration of VAT ensures conformity between the paid and accrued VAT, and makes it impossible to make up a fictitious VAT and then illegally compensate it from the budget. As of today, all legislative and by-law acts necessary for the functioning of electronic VAT administration system were adopted.

¹³ On 9 April 2015 the round table to discuss provisions of the Strategy, with the participation of European experts, representatives of civil society organization and journalists, took place in the Kyiv Mohyla Academy.

During 2014 43.3 billion UAH was refunded, out of which 55.3%, or 24.0 billion UAH – in automatic mode (by 6.3%, or 1.4 billion UAH more than in 2013). VAT refunds by means of issuing of internal state loan bonds equalled 6.9 billion UAH.

In January – February 2015 9.1 billion UAH was refunded (by 36.5%, or 2.4 billion UAH more than for the same period in 2014), out of which 72.3%, or 6.6 billion UAH – in automatic mode (by 54.2%, or 2.3 billion UAH more than for the same period in 2014).

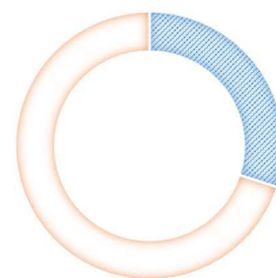
The positive dynamics has been also settled on the budgetary compensation of VAT to businesses with a share of foreign capital. In 2014 the entities with a share of foreign capital were refunded 19.0 billion UAH, including 11.6 billion UAH, or 61% in automatic mode. It's almost by 3%, or 0.3 billion UAH more than in 2013.

In January– February 2015 entities with a share of foreign capital were refunded 4.7 billion UAH, including 4.0 billion UAH, or 85% in automatic mode, which is by 2.9%, or 0.3 billion UAH more than for the same period in 2014.

VAT payers with a share of the European Union countries' capital were refunded 3.2 billion UAH, including 2.6 billion UAH in automatic mode.

External audit

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



Some progress was made in reforming the system of external audit.

The Accounting Chamber developed a new version of the Law of Ukraine “On the Accounting Chamber”¹⁴ (Reg. No. 2072).

This draft law defines the status of the Accounting Chamber as an independent body for external government control (audit), establishes the functional, organizational and financial independence of the Accounting Chamber, which is necessary to perform the tasks entrusted to it. The draft law also provides for exercising by the Accounting Chamber control over money transactions to the State budget of Ukraine, maintaining and use of state property in accordance with the standards of the International Organization of Supreme Audit Institutions (INTOSAI).

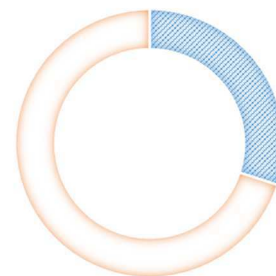
On 7 April 2015 the Law of Ukraine “On Amendments to the Law of Ukraine “On the Accounting Chamber” (relating to control of the State Budget of Ukraine revenues) was adopted¹⁵. The law defines the powers of the Accounting Chamber regarding the control over money transactions to the State Budget of Ukraine in accordance with the provisions of Article 98 of the Constitution of Ukraine.

¹⁴ On 5 March 2015 the Law, submitted to the Verkhovna Rada by the President of Ukraine, was approved in the first reading.

¹⁵ On 9 April 2015 the Law was passed on for signature to the President of Ukraine.

Energy Sector Reform

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



Some progress was made in reforming of the energy sector.

On 9 April 2015 the Law of Ukraine “**On the Natural Gas Market**” was adopted.

The law was developed in close cooperation with international experts, in particular the European Union and its Energy Community Secretariat(EnC) with the aim of creating an efficient, competitive environment in the market of natural gas in line with the requirements of the European Third Energy Package, Directive 2009/73/EC concerning common rules for the internal market in natural gas, and Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks.

The next step for Ukraine would be the practical implementation of this key document. The creation of a full-fledged and a competitive natural gas market in Ukraine will foster increasing the efficiency of administrative decision-making in the energy sector, the depolitisation of the market, increasing the attractiveness of economic activity in the market for its subjects, creating the conditions for long-term investment into the sector, reducing risks and dependence on external monopoly suppliers of the natural gas, strengthening the energy security of Ukraine and the prospects for a new quality of integration of the Ukrainian gas market into the EU market.

On 25 March 2015 the **Government approved the Plan to reform the gas sector, which provides for restructuring of the Naftogaz of Ukraine until 2017.**

On 7 April 2015 the Government approved the draft Law of Ukraine “**On the National Commission for State Regulation of Energy and Public Utilities**”, aimed at improvement of the state regulation in the energy sector, setting up in legislation the status of the Commission as an independent public collegiate body, as well as fulfilment of Ukraine’s commitments under the Association Agreement between the European Union and Ukraine and the provisions of the EU Third Energy Package.

In cooperation with experts from the EnC Secretariat, Ukraine continues the elaboration of the draft law “**On the Market of Electric Energy**”, which was prepared according to the requirements of the European Third Energy Package, in particular the provisions of Directive 2009/72/EC. To this end, on 31 March – 2 April 2015 the relevant consultations with the EnC Secretariat were held in Vienna.

III. POLITICAL DIALOGUE AND REFORM, POLITICAL ASSOCIATION

The main objectives of this part of the Agreement, in addition to the respective priorities of the Association Agenda, is the adherence to the principles of democracy, the rule of law, human rights and fundamental freedoms.

Functioning of democratic institutions

With the aim of strengthening local and regional self-government, and implementation of decentralization reform the following acts were adopted:

- The Law of Ukraine **“On Amendments to the Budget Code of Ukraine (Relating to the Reform of Intergovernmental Budget Relations)”**, aimed at decentralization of powers and funds, providing local budgets with budgetary and financial independence, improving services of the Treasury for budget funds, increasing responsibility of the main administrators of budget funds, functioning of the budget system of Ukraine in a special period, establishing a new mechanism for budget equalisation, simplifying procedures of providing local guarantees and borrowings from the international financial institutions;
- The Law of Ukraine **“On Voluntary Association of Territorial Communities”**, aimed at establishing viable and self-sufficient communities that would own material and financial resources, territory and objects of social infrastructure, necessary for the efficient execution of tasks and functions delegated to their local self-government authorities, improving the quality of administrative, social and public services to the residents of local communities;
- The Law of Ukraine **“On Principles of the State Regional Policy”**, which determines the basic legal, economic, social, environmental, humanitarian and organizational principles of the State regional policy as an integral part of the national internal policy of Ukraine.

The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Relating to Decentralization of Powers in the Field of Architectural-Construction Control and Improvement of City Planning Legislation", which provides for transfer of functions to execute state architectural-construction control from the Ministry of Regional Development, Construction and Municipal Economy to local self-government and local government executive authorities, as well as for simplification of some permit and authorization procedures in the sphere of construction.

Reform of law enforcement bodies

On 12 February, 2015 the Verkhovna Rada adopted the Law of Ukraine **“On Amendments to Certain Legislative Acts of Ukraine Relating to Reform of Internal Affairs Bodies”**. The law provides for merging of existing special units of the Ministry of Internal Affairs into a single universal special police unit; elimination of the directorate for combating organized crime, the transport police, the internal affairs’ structures on children’s matters.

On 22 October, 2014 the Cabinet of Ministers approved **the Concept of the reform of internal affairs bodies and the respective Strategy** (Resolution No. 1118). The major

objectives of the Strategy for the development of the Ministry of Internal Affairs and police are the following:

- 1) Optimization of the organizational structure of the Ministry of Internal Affairs. The national police will be responsible for the crime prevention and protection of the public order. District and patrol police services will constitute 70 percent of the police staff, and 30 per cent – the staff of duty service, officers (detectives) for solving general criminal offenses, information and logistics services. At the same time, police will be divided into administrative and criminal.
- 2) Rule of law.
- 3) Depolitisation.
- 4) Demilitarization. Ministry of Internal Affairs has to be converted into a civilian authority. Structural units of the Ministry will become civilian services, the staff of which will partially fulfil their responsibilities in uniform clothes, however, without special titles similar to the military, and without military paraphernalia or symbols.
- 5) Decentralization. Territorial agencies and units of the Ministry of Internal Affairs will have the right to make independent decisions on issues of planning their operational activities, personnel policies and distribution of the budgets provided with full responsibility for the decisions before the local community and top management of the Ministry.
- 6) Accountability and transparency. The Ministry will ensure provision of feedback to different categories of citizens, as well as make sure that the decisions and actions of law enforcement officers are most transparent and open to the public.
- 7) Close cooperation with the population and local communities according to the well-known in the world model of “community policing”.
- 8) Professionalization of the personnel. In particular, in addition to the physical qualities of a candidate, there will be assessed their intellectual skills, motivation and self-control; ability to understand emotions of other people and ability to affect them; the ability to build and maintain working relationships; ability to work in a group.

On 6 April, 2015 the Government submitted to the Verkhovna Rada the following draft laws:

“On the Internal Affairs Bodies” (Reg. No. 2561), which defines the legal and organizational principles for activity of central government executive authorities of Ukraine in the sphere of internal affairs, as well as the formation of internal affairs agencies (namely: the Ministry of the Internal Affairs, the National Police, the National Guards, and the Main Centre for providing services) as a system of independent executive authorities;

“On Provision of Services and Service Centres of the Ministry of Internal Affairs of Ukraine” (Reg. No. 2567), which specifically determines deadlines for providing services by the Centre, in particular:

- issuing driver's licenses (including international) — five working days;
- vehicle registration or removal a vehicle from registration — one working day;
- issuing a registration certificate for the weapons of a standard form, or a document that certifies writing-off the weapons — one working day;

- issuing a document about the absence (presence) of a criminal record or the restrictions stipulated by the criminal procedure legislation of Ukraine — five working days;
- conducting by the specialist of the service centre a vehicle test/check — forty five minutes.

The following draft laws, prepared by MPs, are under consideration at the Verkhovna Rada:

“On the National Police” (Reg. No. 1692) that provides for:

- establishment of the National Police as a central government authority, which is coordinated by the Minister of Internal Affairs; liquidation of Directorates of internal affairs at oblast and rayon levels;
- appointment by the Cabinet of Ministers of a professional Head of the National Police on a contract basis for the term of 5 years;
- establishment within the National police a Police commission, 3/5 members of which will be human rights activists and other civilians;
- appointment to positions in the police through competitive selection, which will be carried out by Police commissions with using a polygraph;
- appointment of heads of the police on a contract basis for the term of 5 years;
- mandatory approval by local councils the appointment of heads of public security police and traffic police, and the right of their dismissal by 2/3 votes;
- the right of local councils to dismiss by the majority vote any officer of the public security police (patrol, precinct) and traffic police;
- response to alleged violations by police officers through disciplinary investigations by Police commission with using a polygraph.

“On Police and Police Activity” (Reg. No. 1692-1), aimed at establishing police as an efficient, unified system of all bodies, the main function of which is provision of services on maintaining public order; the draft law provides for:

- depolitization and demilitarization of police bodies;
- establishment of municipal police;
- introduction of competition based and transparent mechanism of recruitment to vacant positions in the police, including to executive positions;
- establishment of objective and independent mechanism to review cases on bringing policemen to disciplinary liability;
- depriving police of functions uncharacteristic for it;
- increasing the salary level for police officers;
- protection of policemen from unlawful pressure on them by top executives;
- proper regulation of the procedure for using measures of coercion by the police.

On 12 February 2015 a group of MPs submitted to the Verkhovna Rada the **draft Law of Ukraine “On the State Bureau of Investigation”** (Reg. No. 2114), which establishes the legal basis for the organization and activity of the State Bureau of Investigation as a

government law enforcement agency, entrusted with the functions of preventing, detecting, stopping and solving crimes within its competence, namely:

- preventing, detecting, solving and investigating crimes related to the activity of criminal organizations, terrorism, and particularly serious violent crimes;
- preventing, solving and investigating crimes associated with torture and other brutal, inhuman or degrading kinds of treatment and punishment, committed by investigators (detectives) of the National Anti-corruption Bureau, Security Service of Ukraine, internal affairs bodies, as well as prosecutors;
- solving and investigating corruption offences and corruption-related crimes, committed by officers of the National Anti-corruption Bureau of Ukraine and prosecutors of Specialized Anti-corruption Prosecutor's Office.

On December 1, 2014 the official launch of **the EU Advisory Mission for Civilian Security Sector Reform (EUAM)** operations took place.

The Mission's activities focus on supporting the elaboration and implementation of the reform strategy for civilian security sector in Ukraine, primarily reform of internal affairs bodies (including police and the National guards) and system of justice, establishing coordination between law enforcement bodies, judicial system, security and border authorities, defence units. In addition, the EU mission will monitor implementation of the decisions taken, and provide assistance in conducting training for the staff of the civilian security sector.

On 4 February, 2015 the Verkhovna Rada ratified the Agreement between Ukraine and the EU on the status of the EU Advisory Mission for Civilian Security Sector Reform, which entered into force on 13 March, 2015.

With the purpose of humanization of penalty system the Verkhovna Rada on February 5, 2015 adopted the Law of Ukraine **“On Probation”** (№ 160-VIII), which provides for establishment in Ukraine the system of probation as a system of supervisory and socio-educational measures, applied by court decisions and in accordance with the law to persons who are supposed to be brought or were brought to criminal responsibility.

Human rights and fundamental freedoms

In order to provide a systematic approach to solving problems in the field of ensuring, realization and efficient protection of human rights and fundamental freedoms, the Government on 25 March, 2015 approved the draft Law of Ukraine **“On Endorsement of the National Human Rights Strategy”**, which was passed on to the President of Ukraine to be further submitted for consideration by the Verkhovna Rada.

The draft **National Human Rights Strategy** was elaborated with the broad involvement of the public. On 24 November, 2014 a Working group was set up to prepare the draft of the National human rights strategy (overall, 6 meetings of the Working group and 20 meetings of thematic sub-groups were held), which consisted of representatives of all interested government authorities, civil society, international organizations (UN, Council of Europe, OSCE), and Secretariat of the Ukrainian Parliament Commissioner on human rights. Based on the results of working groups' activity, public discussions and Committee

hearings in the Verkhovna Rada (on 4 March 2015), the draft Strategy incorporated the recommendations of representatives of civil society and international organizations.

Strategy aims at eliminating the basis for human rights violations and the introduction of effective mechanisms to ensure the implementation and protection of human rights and fundamental freedoms. The draft National strategy is a comprehensive document, which relates to civil, political, social, and economic rights (ensuring rights to life, freedom and personal immunity, fair trial, freedom of expression and access to information, labour and social protection, freedom of peaceful assembly, protection of the rights of national minorities and indigenous peoples, etc.), and also covers those challenges in the field of human rights violations that Ukraine faces in connection with the Russian Federation's aggression, the occupation of the Crimea, and carrying on the Anti-terrorist operation (ATO)

On January 21, 2015 the Committee of Ministers approved the Council of Europe Action Plan for Ukraine 2015-2017 to support Ukraine in the following key priority reform areas: constitutional reform, reform of the judiciary, democratic governance, the fight against economic crimes, and the protection of human rights (the overall budget of the Action plan is up to 45 million EUR).

With the aim of **establishing gender approaches** Ukraine on 16-17 September, 2014 presented its Eighth periodic report to the UN Committee on Elimination of Discrimination against Women (CEDAW), which highlighted achievements and challenges in the implementation of the gender policy for 2010-2013.

In reviewing country reports, CEDAW focuses on the following aspects: functioning of national mechanisms for gender equality, temporary special measures, common cultural and social stereotypes, violence against women, trafficking in human beings, low level of participation of women in political and public life, position of women in the labour market, expanding economic opportunities for women, health condition of vulnerable groups of women, etc.

The report was prepared with the participation of experts, representatives of NGOs, the Government and international organizations.

Freedom of expression

With the aim to reform the information sector in accordance with the recommendations of the PACE (Parliamentary Assembly of the Council of Europe) and the EU, in particular **on establishing public television and radio broadcasting and enhancing the independence of mass media** while ensuring observance of the principle of political pluralism, and in the framework of implementation of the Law of Ukraine "On Public Television and Radio Broadcasting of Ukraine":

- on November 7, 2014, the Government established the public joint stock company "National Public Television and Radio Company of Ukraine"; 100 percent of its shares belong to the State;
- on 19 March, 2015 the Verkhovna Rada adopted the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Public Television and Radio Broadcasting of Ukraine", which defines which defines the organizational-legal form of public broadcasting, sources of funding, remuneration of employees, etc.

On 7 April 2015 the official presentation and launch of public broadcasting (it will comprise two TV channels and three radio channels) took place.

Foreign and security policy

Ukraine continues to practice **adherence to the statements and addresses of the EU** on international issues, including in the framework of international organizations (the UN and its organs and agencies, OSCE, MAGATE, etc.) At the beginning of April 2015 Ukraine adhered to 4130 statements out of 5026.

In the framework of cooperation in the field of security and defence, consultations with the EU side continue regarding the preparation for negotiations and signing of the **Administrative agreement between the Ministry of Defence of Ukraine and the European Defence Agency** (on 14 October 2014 the GoU granted its consent to negotiations).

On 19 September 2014 the **Agreement** between the Cabinet of Ministers of Ukraine, the Government of the Lithuanian Republic and the Government of the Republic of Poland **on the establishment of a joint military unit was signed**. This Agreement was ratified by the Verkhovna Rada of Ukraine on 4 February 2015 and by the Parliaments of Poland and Lithuania – on 20 and 26 March 2015 respectively. Implementation of the Agreement will promote active participation of Ukraine in the regional initiatives, aimed at strengthening peace and stability.

Ratification of the Rome Statute of the International Criminal Court (ICC)

On 16 January 2015 the draft Law of Ukraine **“On Amendments to Article 124 of the Constitution of Ukraine (relating to acceptance of the ICC jurisdiction under the Rome Statute)”** was registered in the Verkhovna Rada (Reg. No. 1788).

The issue of ratification of the Rome Statute will be discussed by the Constitutional Commission (Decree of the President of Ukraine No. 119 dated 3 March, 2015). Three working groups were set up to elaborate amendments to the Constitution of Ukraine, one of which will work out amendments in the part that regulates reform of justice, including the acceptance of the Rome Statute of the International Criminal Court.

Combating terrorism

The following Laws of Ukraine, aimed at improving legislative regulation in the field of combating terrorism, were adopted:

- “On Amendments to the Laws of Ukraine Relating to Combating Terrorism”, which, in particular, specifies the notion of “counter-terrorism operation”, determines the subjects for combating terrorism, and specifies their powers;
- “On Amendments to the Criminal and Criminal Procedure Codes of Ukraine Relating to the Inevitability of Penalty for Certain Crimes Against National Security, Public Safety, and Corruption Crimes”.

Liberalization of visa regime

On 20 September, 2014, the **National Plan of activities for implementation of the second phase of the Action Plan on EU Visa Regime Liberalization for Ukraine was approved** (Resolution of the Cabinet of Ministers No. 805-p). This document was prepared with regard to the decision approved by the European Council on Foreign Relations on transition to the second phase of the Action plan; it is aimed at fulfilling the benchmarks of the second phase.

In the period from September 2014 to March 2015 the following **EU expert missions took place to assess implementation of the Action plan on EU Visa Regime Liberalization for Ukraine:**¹⁶

- 15-26 September, 2014 – on Block 1 (*Document security, including biometrics*) and Block 2 (*Illegal immigration, including readmission*) of the Action plan;
- 24-28 November, 2014 – on Block 3 (*Public order and security*);
- 9-13 February, 2015 – on Block 3 (*Personal data protection*) and on Block 4 (*External relations and fundamental rights*);
- 16-20 February, 2015 – on Block 1 (*Document security – additional mission on biometrics issues*);
- 16-20 March, 2015 – on Block 3 (*Public order and security – on issues of money laundering and financing of terrorism*);
- 23-27 March, 2015 – on Block 3 (*Public order and security – on issues of law enforcement cooperation, preventing and fighting corruption, organized crime, illegal drugs and trafficking in human beings*).

Based on results of missions' findings, EU experts stated significant progress in the fulfilment of the relevant Action plan benchmarks by Ukraine, although noted that a number of issues still needs to be resolved.

Starting from 12 January, 2015 the State Migration Service **began admission of documents for issuing machine readable biometric international passports for Ukrainian citizens.**

The Plan of activities for the period of 2014-2017 on introducing documents that confirm Ukrainian citizenship and provide identity of a person or his/her special status with entrenched contactless electronic device, and on establishing a national system of biometric verification and identification of the citizens of Ukraine, foreigners and stateless persons is being implemented (*Resolution of the Cabinet of Ministers No. 780 dated 20.08.2014*).

With the EU financial assistance (*first instalment in the amount of 35.7 million UAH received in the framework of the Agreement on financing the programme "Support to sector border management policy in Ukraine"*) the establishment of information-communication infrastructure of the State Migration Service information system for issuing machine readable biometric international passports for Ukrainian citizens was launched.

¹⁶ Proceedings of Parliamentary hearings on "Prospects of introducing by the European Union visa free regime for citizens of Ukraine" are available at the website of the Committee of Verkhovna Rada of Ukraine on European Integration (<http://comeuroint.rada.gov.ua>).

With the purpose to further develop this information-communication infrastructure, the Cabinet of Ministers allocated 150 million UAH for acquisition of more than 600 terminals for issuing biometric passports (Resolution No. 613). Currently, 610 terminals, fully equipped for issuing biometric passports, were established in 204 territorial units of the State Migration Service of Ukraine.

As of April 2015, 192847 applications for issuing Ukrainian citizens' international passports of a new format (*with contactless electronic device*) were admitted, and 84339 relevant international passports were issued. Furthermore, as of April 2015, 257 new computerized workstations (*for processing machine readable biometric international passports*) were installed at 68 priority checkpoints along the whole perimeter of the State border, which represents 43% of their total number (*including: on the Ukrainian-Russian border – 11; on the Ukrainian-Belarusian border – 4; on the Ukrainian-Polish border – 9; on the Ukrainian-Romanian border – 4; on the Ukrainian-Slovak border – 2; on the Ukrainian-Hungarian border – 4; on the Ukraine-Moldova border – 21; in air terminals – 12; at “Kiev-Passenger” checkpoint – 1*). Overall, in the framework of State budget funding for 2015, it is planned to purchase and deploy 180 more workstations for processing biometric passport documents.

Additionally, the following documents were approved:

- sample of the form, technical description and the Procedure for issuance, exchange, forwarding, withdrawal, return to the State, and extinction of a crew member identity document (Resolution of the Cabinet of Ministers No. 622 dated 12.11.2014);
- Procedure for obtaining, withdrawal from the Unified State Demographic Register, and extinction of electronically scanned fingerprints of a person (Resolution of the Cabinet of Ministers No. 669 dated 26.11.2014);
- sample of the application form for entering information into the Unified State Demographic Register (Order of the Ministry of Internal Affairs No. 1279 dated 26.11.2014).

Legal Cooperation

On 16 February 2015 the final version of the draft Agreement on cooperation between the European Union and Ukraine's Judicial Cooperation Unit (Eurojust) was agreed. The College of Eurojust approved the draft Agreement on 10 March 2015, which has to be approved by the decision of the Council of the EU.

Cooperation on border management, migration and asylum

On the Ukrainian-Belarusian State border. The Agreement between the Cabinet of Ministers of Ukraine and the Government of the Republic of Belarus on approval of Regulation on the demarcation of the State border between Ukraine and the Republic of Belarus was concluded (Resolution of the Government No. 610 dated 12.11.2014). The Demarcation plan of the Ukrainian-Belarusian State border for 2015 is being implemented (*308 km of boundary lines were demarcated*). In 2015 800 border marks is planned to be set up (*400 from each side*).

On the Ukrainian-Moldovan State border. The demarcation of Ukraine-Moldova State border is almost completed. This year the efforts are focused on the completion of the demarcation of the central (Transnistrian) part of the border. Joint demarcation commission settled issues at practically all problematic sections of the border, including at its central (Transnistrian) part.

The draft Agreement between Ukraine and the Republic of Moldova on the Ukrainian-Moldovan border regime, cooperation and mutual assistance on cross-border issues was fully agreed.

Practical implementation of the Protocol between the Administration of the State border service of Ukraine and the Department of border police of Moldova on exchange of statistical and analytical information (*signed 20.11.2014*) was launched.

On junction points of State borders. On 8 April 2015, the Verkhovna Rada ratified the Agreement between the Cabinet of Ministers of Ukraine, the Government of the Republic of Belarus and the Government of the Republic of Poland on the junction point of State borders of Ukraine, the Republic of Belarus and the Republic of Poland, signed on 14 March 2013 in Lutsk.

In the framework of cooperation on readmission a number of international agreements and implementation protocols were concluded:

- Implementation Protocol between the Cabinet of Ministers of Ukraine and the Government of the Czech Republic to the Agreement between Ukraine and the EU on the Readmission of Persons, done on October 21, 2013 at Kyiv (approved by Resolution of the Cabinet of Ministers No. 433 dated 10 September 2014), was endorsed;
- Implementation Protocol between the Cabinet of Ministers of Ukraine and the Government of the Republic of Estonia to the Agreement between Ukraine and the EU on the Readmission of Persons was signed on January 14, 2015.

Cooperation in law enforcement, combating organized crime and money laundering

In the context of development and improvement cooperation between Ukraine and the European Police Office (Europol) and ensuring interaction with EU Member States in combating international crime, **a Memorandum of understanding between Ukraine and the European Police Office** on setting up a special secured communication channel "SIENA" for information exchange with Europol was signed (*by the Ukrainian side – on 11 March, by Europol – on 19 March this year*). Signing the memorandum is an important prerequisite for the conclusion of an Agreement on operational cooperation between Ukraine and the European Police Office (*internal procedures required to enter it into force are now carried out*).

On 14 October, 2014 **the Law of Ukraine “On Preventing and Counteracting Legalization (money laundering) of Incomes Obtained in a Criminal Manner, Financing Terrorism and Proliferation of Weapons of Mass Destruction”** was adopted, which provides for a comprehensive improvement of the national legislation in the sphere of financial monitoring, in particular:

- introducing a national risk assessment system of financial monitoring and improving the risk-based approach;

- taking apart activities to combat financing of proliferation of weapons of mass destruction;
- changing approach to the definition of predicate crimes (inclusion of tax crimes to predicate offences);
- improving the legislative aspects that affect the quality of investigation of the money laundering crimes;
- making amendments to the Criminal Procedure Code of Ukraine (concerning the investigative jurisdiction over money laundering crimes);
- carrying out financial monitoring regarding national public figures and officials of international organizations;
- setting the ceiling for international money transfers;
- removing threshold amounts for the financial monitoring by realtors and notaries;
- excluding persons, who carry out cash transactions in amounts exceeding 150,000 UAH, from a list of subjects for primary financial monitoring by introducing compulsory monitoring of such transactions by the banking institutions;
- improving the procedure for suspending of financial operations.

On 11 March, 2015 the Cabinet of Ministers and the National Bank of Ukraine endorsed the Action plan for 2015 on preventing and counteracting legalization (money laundering) of incomes obtained in a criminal manner, financing terrorism and proliferation of weapons of mass destruction (by Resolution No. 99).

Situation in Eastern Ukraine and Crimea

On the Ukrainian-Russian State border. Checkpoints across the state border and a control point were temporarily closed in Luhansk and Donetsk oblasts (Cabinet's Resolution No. 50 dated 21 January 2015). In addition, the decision was taken to close a number of checkpoints across the state border in Luhansk, Donetsk, Chernihiv, Sumy, and Kharkiv oblasts (Cabinet's Resolution No. 106 dated 18 February 2015). Overall, 23 checkpoints were closed (*1 – international, 4 – inter-state and 18 local checkpoints*). 39 checkpoints continue to operate (*3 – in Chernihiv oblast, 14 – in Sumy oblast, 15 – in Kharkiv oblast, 6 – in Luhansk oblast, and 1 – in Kyiv oblast*).

From 1 March, 2015 certain provisions of the Agreement between the Government of Ukraine and the Government of the Russian Federation on visa-free trips of citizens of Ukraine and the Russian Federation were suspended. Pursuant to the Cabinet's Resolution No. 23 dated 30 January 2015, citizens of the Russian Federation may enter, go by transit, stay and travel through the territory of Ukraine only with international passports.

The decision was taken (Cabinet's Resolution No. 86 dated 4 March 2015) on introduction of temporary restrictions for crossing the State border of Ukraine by the residents of border regions. Thus, from 16 March 2015, the residents of the border regions of the Russian Federation may enter Ukraine exclusively through international and inter-state checkpoints and stay on its territory for a period up to 90 days within 180 days on the basis of the documents valid for going abroad.

On 20 October 2014 the Law of Ukraine **“On Ensuring the Rights and Freedoms of Internally Displaced Persons”** was adopted, aimed at solving urgent issues related to

registration and life support of internally displaced persons and members of their families, simplification of the procedure of temporary registration, improvement and reduction of terms for processing applications for issuing, renewal and extension of social payments to internally displaced persons, providing them with social and medical services.

In order to ensure ***the social protection of the people, who moved from the temporarily occupied territory of Ukraine and areas of the anti-terrorist operation***, the Government adopted Resolution No. 509 on 1 October, 2014 “On register of persons displaced from the temporarily occupied territories and areas of the anti-terrorist operations. By operational information of social protection services, at the beginning of April 2015, 897 143 families (1 219 008 people) were registered, and 332 030 families applied for financial aid (298 951 families received such aid).

The Cabinet of Ministers defined the procedure for disbursement of social payments to internally displaced persons (Resolution No. 637 dated 5 November 2014).

The Law of Ukraine “On Amendments to Certain Laws of Ukraine Relating to Enhancing Social Protection of Internally Displaced Persons” (No. 245) was adopted on 5 March 2015, which is aimed at regulating the issue of enhancing social protection of the internally displaced persons, who are unemployed, averting restriction of their rights, and expanding the opportunities for the unemployed to be engaged in public works.

At the beginning of April 2015, 34 375 people out of 104 247 applied to employment centres for assistance, 6 079 persons were employed.

V. TRADE AND TRADE-RELATED MATTERS

It is planned that the provisional application of Title IV of the Agreement "Trade and Trade-related Matters" will start from January 1, 2016. Currently, the GoU works on preparation of establishing conditions necessary for the functioning of a Free Trade Area between Ukraine and the EU.

Market access for goods

At present, Ukrainian customs offices are ready to issue certificates in a format EUR.1 for goods to be exported to the European Union countries in the framework of the Agreement.

Once DCFTA is applied, the Ukrainian customs offices will issue certificates for the transportation of goods EUR.1 (order of the Ministry of Finance No. 1142 dated 18.11.2014), confirming the Ukrainian origin of goods, which grant them the status of products of preferential origin, thus allowing after importing the goods on the territory of the EU to use the trade preferential terms in accordance with the provisions of the Agreement.

The procedure of issuing certificates EUR.1 is similar to that used in European countries and provides for maximum simplification of issuing certificates at no cost in the shortest terms, and for increasing the responsibility of an exporter for the accuracy of submitted information, which is necessary for determining the Ukrainian origin of goods.

The certificate is filled in and issued by the customs authorities of Ukraine, and for each shipment of goods in cases, when it is required to provide evidence that the goods meet the rules of determining their preferential origin, established in the Agreement, to apply the preferential import duty rates.

On 23 December 2014 **the Regulation on granting and revocation the status of an authorized (approved) exporter entered into force** (order of the Ministry of Finance No. 1013 dated 07.10.2014).

The Regulation provides for a mechanism, according to which Ukrainian exporters, who often transport goods prepare invoice declarations themselves irrespective of the invoiced value of goods, which would speed up export procedures. Invoice declarations confirming the Ukrainian origin of goods grant them the status of products of preferential origin, thus allowing after importing the goods on the territory of the EU to use the trade preferential terms in accordance with the provisions of the Agreement.

An authorized exporter is an exporting company – a legal entity, registered in Ukraine (except for a customs broker), that regularly transports goods under the terms of contracts and has the right to prepare declarations irrespective of the invoiced value of goods. The regulation also determines criteria for granting the status of an authorized (approved) exporter.

The status of an authorized (approved) exporter is granted by customs offices within 30 calendar days from the date of receiving the application and documents, specified in the Regulation. The exporter is assigned a personal number for a simplified customs control procedure for Ukrainian goods of preferential origin.

With the purpose of regulating the issue of using specific safeguard measures on access to Ukrainian market for particularly sensitive products and goods, which will be applied under the Agreement, a number of relevant mechanisms have been developed.

a) For the application and administration of tariff quotas for imports to Ukraine of certain types of agricultural products, originating from the EU Member States, the Ministry of Finance by its order No. 1203 of 11.12.2014 approved **the Procedure for control over the use of tariff quotas** (*will be enacted from the date of provisional application of Title IV of the Agreement*).

In accordance with Annex I-A of the Agreement, Ukraine introduces tariff quotas for imports into Ukraine sugar, pork and poultry meat from the EU Member States. The approved procedure provides for distribution of the quotas by using a computer programme-informational toolset, which is part of the centralized computer information system of the State Fiscal Service agencies, on the basis of submission of the customs declaration by importers.

Information on the total volume and remaining unused tariff quotas will be daily updated on the official web-portal in the Internet. Currently, the work is going on developing the proper software and creating a separate webpage on the official web-portal of Ukrainian customs authorities, where the information on unused volume of tariff quotas will be posted.

6) To implement provisions of the Agreement in the part of **safeguard measures on imports to Ukraine of worn clothing and other second hand items**, originating from the EU Member States (classified according to the Ukrainian customs code 6309 00 00), the State Fiscal Service has developed a mechanism (terms of reference) for application of specific safeguard measures on the basis of a defined entry price. This mechanism will be integrated into centralized computer information system of the State Fiscal Service and will become operational from the date of provisional application of Title IV of the Agreement.

This will allow introducing in Ukraine the mechanism for gradual annual reduction of import duty rates on worn clothing during 5 years from the date of entry into force of the Agreement, applying a system of entry prices.

The base for calculating the entry prices will be average prices for new clothing over the previous two years, according to the list defined in Annex 1-B of the Agreement. The entry price will be defined as 30% of the average customs value of respective clothing for the previous year. If the value of imported worn clothing is lower than the entry price, the basic import duty rate, valid on the date of entry into force of the Agreement, will be applied. This mechanism will also be implemented electronically without human intervention, and information on entry prices for worn clothing will be published on the official web-site of the State Fiscal Service.

b) The State Fiscal Service developed a mechanism (terms of reference) for applying by customs offices specific safeguard measures, stipulated by the Agreement, with respect to certain types of goods subject to export duties.

This mechanism will be integrated into centralized computer information systems of the State Fiscal Service and will become operational from the date of provisional application of Title IV of the Agreement. This will allow for application by Ukraine, during 15 years from the date of entry into force of the Agreement, of special measures in the form of an additional fee to export duties (if the total volume of exports from Ukraine to the EU on each

specific Ukrainian customs code exceeds the volume limit) with a gradual reduction of the additional fee to "0" rate on: *raw leather materials, sunflower seeds, scrap alloyed ferrous metals, scrap non-ferrous metals and their semi-finished products, stainless steel, and copper* on conditions according to the Schedule specified in Annex I-D to the Agreement. In addition, this mechanism (ToR) provides for gradual cancellation of export duties rates for certain goods, which will also be integrated into centralized computer information system of the State Fiscal Service and will become operational from the date of provisional application of Title IV of the Agreement. The export duties rates will be gradually cancelled on *live cattle and leather raw materials, some kinds of oilseeds, scrap alloyed ferrous metals, scrap non-ferrous metals and their semi-finished products, waste and scrap ferrous metals* during 10 years according to the Schedule determined in Annex I-C of the Agreement.

At the same time, in order apply specific safeguard measures on imports into Ukraine of passenger cars, originating from the EU Member States, the internal Regulation procedure needs to be developed (*to be approved by resolution of Cabinet of Ministers*) in accordance with Article 44 of the Agreement.

Technical barriers to trade

Main efforts in the sphere of technical regulation were focused on strategic issues concerning reform of Ukrainian legislation in order to establish European principles of market surveillance and consumer protection, as well as reform of the infrastructure system of technical regulation and consumer policy.

Technical regulation

In order to create conditions necessary for implementation of AA/DCFTA, the Verkhovna Rada on 15 January 2015 adopted **the Law of Ukraine "On Technical Regulations and Conformity Assessment"** (No. 124-VIII), which establishes common legal and organizational principles for the development, adoption and application of technical regulations and conformity assessment procedures in line with European requirements and provisions of the WTO Agreement on technical barriers to trade, cancellation of the centralized registration of certificates of conformity in the State certification system. The law will take effect from 10 February 2016.

The law creates preconditions for establishing European regulatory system in Ukraine, which would open for national producers the possibility of conducting tests in Ukraine and get certificates that will be recognized by the EU. This will reduce the costs for business to obtain the relevant documentation, go through procedures of certification and conformity assessment.

To create conditions for transition from mandatory certification to conformity assessment in line with the technical regulations' requirements, from the List of products subject to mandatory certification in Ukraine (order of the State Committee on Technical Regulation and Consumer policy No. 466/10746 of 04.05.2005) certain products would be removed, including products with a low degree of risk.

Moreover, the Law of Ukraine “On Technical Regulations and Conformity Assessment” establishes the legal basis for adaptation of the "vertical (sector) legislation", stipulated by Section 2 of Annex III to the Agreement.

Given the adoption by the European Parliament and Council of the EU (in February 2014) of new versions of the Directives on low voltage electrical equipment (No. 2014/35/EU), electromagnetic compatibility (No. 2014/30/EC) and simple high pressure vessels (Directive No. 2014/29/EC), Ukraine is reviewing the current national technical regulations in these spheres.

In line with the commitments under the Agreement, Ukraine shall gradually integrate into national legislation the EU acts in 27 sectors of industrial products, specified in Annex III to the Agreement, through adoption of the corresponding technical regulations. According to those commitments, Ukraine adopted 24 technical regulations, 17 of which have already become binding to apply.

Overall, Ukraine adopted 45 technical regulations, 43 of them were developed on the basis of the EU legislation acts, including EU New and Global Approach Directives; 34 technical regulations have already become binding to apply.

As of 1 April 2015, **the list of products subject to mandatory certification in Ukraine was reduced by more than 70%**, compared to 2009.

Standardization

Starting from 3 January 2015 the **new edition of the Law of Ukraine "On Standardization" was enacted**. The law provides for bringing the national system of standardization in conformity with the European model, and takes into account the conclusions of the Twinning project “Strengthening of Standardization, Market Surveillance, Metrology and Legal Metrology, Conformity Assessment and Consumer Policy in Ukraine”.

In line with European practice, the functions of the national authority on standardization will be performed by an institution, which is not a government authority – the State Enterprise “Ukrainian Scientific Research and Training Centre for Standardization, Certification and Quality” (Resolution of the Cabinet of Ministers No. 1163-p). This will promote its independence in making decisions regarding adoption and repeal of national standards taking into account that, according to the WTO Agreement on technical barriers to trade, the standards are defined as voluntary. By the order of the Ministry of Economic Development and Trade (No. 1491 dated December 30, 2014) the new edition of the Statute of the State Enterprise related to performing the functions of the national authority on standardization was approved. The competition for the position of its director was announced.

The **Management Board will be established** as an advisory and supervisory body of the national authority on standardization in order to ensure participation in its management of all stakeholders – government authorities, scientific institutions, non-government organizations, business entities, consumer associations, other public associations and trade unions.

The Appeals Commission – a permanent consultative-advisory body of the Ministry of Economic Development and Trade was also established, its Statute and Procedure of appeals review were endorsed (order of the Ministry No. 103 of 09.02.2015), the composition of the Commission was approved (order of the Ministry No. 324 of 01.04.2015).

The Appeals Commission reviews appeals, submitted by any natural or legal person that has a direct or indirect interest in standardization activity and/or in the application of its results, or by a technical standardization committee concerning decisions, actions or non-actions of the national authority on standardization.

The competencies of the national authority on standardisation include:

- organization and coordination of activity in the sphere of standardization,
- approval of the work program on standardization,
- adoption and repeal of national standards (including in the field of construction),
- setting up and termination of technical standardization committees,
- representation of the interests of Ukraine in international and regional organizations on standardization, and cooperation with national standardization bodies of other countries.

Two levels of standardization were introduced, depending on the subject of standardization, which adopts standards: (1) national standards, adopted by a national standardisation authority, and (2) standards and technical conditions, adopted by enterprises, institutions and organizations. Sectorial standardization is annulled, and in this regard, central government executive authorities shall have the right within their competencies during fifteen years to examine and revise standards in the respective sectors in order to reposition them at the national level or at the level of enterprises, or repeal.

The new Law also provides for:

- putting an end to approval of draft national standards by government authorities;
- abolishing state registration of technical conditions and setting up any rules relating to development of standards and technical conditions by enterprises;
- abolishing mandatory application of national standards.

According to the Law, national standards are applied on a voluntary basis, except in cases when their mandatory application is stipulated by legislative and regulatory acts. The open access to the texts of national standards, the application of which is mandatory according to legislation, is ensured through posting them on the official website of the national authority on standardization.

In 2014, 2 313 national regulatory documents were adopted, and 1 998 of them were harmonized with international and European standards.

The overall number of national standards adopted in Ukraine, which are harmonized with international and European standards, amounts to 8 849. Depository of national standards includes 29.6 thousand documents.

Starting from 2006, 3 934 former inter-state standards (GOSTs) were annulled, 122 of them became invalid in 2014.

The comprehensive electronic database of regulation documents contains 10 800 texts of regulation documents and bibliographic information to them; 343 regulation documents were entered into the database in 2014.

Metrology

The new version of the Law of Ukraine "On Metrology and Metrological Activity" was adopted (No. 1314-VII dated 05.06.2014). The Law is aimed at full harmonization of Ukrainian legislative acts with the documents of the International Organization of Legal Metrology (OIML), acts of the EU on legal metrology, and the documents of the European Cooperation in Legal Metrology (WELMEC), and at establishment of modern metrological system in Ukraine for its further integration to the world and European economic area.

The law provides for:

- differentiation of regulatory, surveillance (monitoring) and economic functions in the field of metrology;
- separation of administrative economic metrological services;
- narrowing the scope of normative regulation of metrological activity;
- extending the application of accreditation mechanisms for verifying the competence of entities that perform metrological activity;
- establishing a state metrological inspection;
- reducing the number of permits in the field of metrology;
- protecting citizens of Ukraine and the national economy from the consequences of unreliable measuring results of carrying out metrological activity aimed at: ensuring protection of life and health of citizens; control of quality and safety of foodstuffs and pharmaceuticals; control of the state of environment; control of workplace safety; trade and commercial operations and transactions between the buyer (consumer) and seller; calculation of the amounts of due taxes and fees, tax and customs clearance control; works related to the determination of the parameters of buildings, structures and the territory for construction.

In order to implement the provisions of the Law, the Ministry of Economic Development and Trade has been preparing the following regulatory acts:

– 19 acts of the Cabinet of Ministers of Ukraine relating to: endorsement of Technical regulations on measuring instruments, non-automatic weighing instruments, legally regulated measuring instruments; adoption the List of categories of legally regulated measuring instruments that subject to periodic verification; approval the criteria and procedure for granting a measurement standard the status of the national measurement standard (etalon); designation of scientific metrology centres etc.;

– 10 acts of the Ministry on endorsement of: definitions of SI basic units, names and definitions of SI derived units, decimal multiples and submultiples of SI units, permitted off-system units, as well as their symbols and rules of spelling; Procedure for maintenance and application of the national measurement standards; Procedure for approval and registration of national standard samples on the composition and properties of substances and materials; Procedure for keeping the register of the approved types of measuring instruments, etc.

Accreditation

Recognition of the National Accreditation Agency of Ukraine (NAAU) at the international and European levels is a necessary condition for mutual recognition of the results of Agencies on certification and testing laboratories' activity in order to facilitate the access of products to the markets and development of international trade.

At present, the National Accreditation Agency of Ukraine is a signatory of a number of agreements with the International Association for Laboratory Accreditation (ILAC) on the following international standards:

- ISO/IEC 17025 – “General competence requirements to testing and calibration laboratories”;
- ISO/IEC 17020 – “Conformity assessment. Requirements for the operation of various types of bodies performing inspection”;
- ISO/IEC 17024 – “Accreditation of personnel certification bodies against the standard”;
- ISO/IEC 17021 – “Accreditation of bodies providing certification of management systems against the standard”.

Sanitary and phytosanitary measures

Regulatory approximation

In order to approximate Ukraine's legislation to the EU law the State Veterinary and Phytosanitary Service of Ukraine, with the support of the EU technical assistance Project “Improvement of Food Safety Control System in Ukraine”, drafted a Comprehensive strategy for implementation of the legislation in the field of sanitary and phytosanitary measures”. Currently, the draft Strategy is under consideration of the EC Directorate General for health and food safety.

The purpose of the strategy is to work out the schedule of systematic legal approximation of Ukraine's legislation in the field of sanitary and phytosanitary measures (SPS) to EU legislation. Not later than within three months after entry into force of the Agreement (provisional application of Title IV – DCFTA) Ukraine has to submit the Strategy to SPS Subcommittee. The strategy will allow accelerating the harmonization of Ukrainian legislation with the EU legislation in the field of SPS, and thus opening up the European market for Ukrainian agricultural and food products.

Furthermore, in September 2014 the following laws were adopted:

a) The Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Relating to Identification and Registration of Animals” (No. 1648-VII), which provided for introduction of mandatory identification and registration of all farm animals in the Unified State Register of animals. Only in case of introducing mandatory identification and registration of all farm animals, according to the EU law, the State can guarantee that consumers use meat and dairy products of the known origin – from registered animals, the health of which are subject to examination, and, consequently, such products are safe.

Due to this Law Ukraine's legislation is brought in compliance with the legislation of the European Union, providing for establishment a system for regular control over the

health of cattle, pigs, horses, sheep, goats and the veterinary-sanitary state of all household farms in the country. Compensations of costs of works and services on identification and registration of animals, which are kept and bred by people, will be at the expense of the State budget. The possibility to compensate those costs by third parties is also provided.

6) The Law of Ukraine “**On Amendments to Certain Legislative Acts of Ukraine Relating to Food Products**” (No. 1602-VII). The law is aimed at harmonization of Ukrainian legislation with the EU law in the field of safety and quality of food products, ensuring high level protection of human health and interests of consumers, as well as creating transparent conditions for economic activity. The law provides for clarification of terminology, types of offenses and the adequacy of penalties, introduction in Ukraine of the European model of security and food quality, based on procedures of HACCP (Hazard Analysis and Critical Control Points¹⁷). The law also provides for establishment of a single control body in the field of food safety, cancellation of permits and procedures, which do not exist in the EU, implementation of European principles for regulation of GMOs, in particular in the part of registration of GMO sources, and not products produced from them.

On 7 April 2015 the Verkhovna Rada also adopted the Law of Ukraine “On the By-products of Animal Origin Not Intended for Human Consumption”, aimed at harmonization of Ukrainian legislation with the EU law on handling, use, and disposal of animal by-products (ABP), namely the requirements of EU Regulations No. 1069/2009 and No. 142/2011.

Currently, the Verkhovna Rada of Ukraine considers the draft law “On the State Control in Order to Check Compliance with the Legislation on Safety and Quality of Food and Feed, Health and Animal Welfare” (Reg. No. 4986-1), prepared with the aim of harmonizing Ukraine’s legislation with EU Regulations No. 854/2004, No. 882/2004, No. 669/2009, the EU Council Directive No. 97/78/EC, which takes into account the provisions of Articles 69, 70, 71 of Chapter 4 "Sanitary and phytosanitary measures" of Title IV of the Agreement. Implementation of the law will reduce the number of State control authorities and promote activity of business operators in the market of food, feed and animals. The draft law provides for establishing requirements to the organization of state control over food, feed and animals by representatives of a single controlling body – the competent authority. The draft law defines general requirements for carrying out the state control in order to check the implementation by food business operators the legislation requirements in the field of food and feed safety, health and welfare of animals.

Strengthening administrative capacity

The Institutional reform plan (IRP) in the field of sanitary and phytosanitary measures, approved by Government, is being implemented.

In order to strengthen administrative capacity in the field of SPS by reviewing the functions of competent authorities, responsible for SPS issues, and taking into account EU legislation, the Cabinet of Ministers approved Resolution No. 442 dated 10.09.2014 “On optimization of the system of central government executive bodies”, which provides for establishment of the State Service on Food Safety and Consumer Protection¹⁸.

¹⁷ At present, the HACCP system has been introduced on 276 food processing facilities (establishments) in Ukraine.

¹⁸ The State Service on food safety and consumer protection will be established through reorganization of the State Veterinary and Phytosanitary Service and the State inspection for consumer protection, and delegation of their functions on implementation of the relevant public policy to the newly established State Service.

The draft Statute of the State Service on Food Safety and Consumer Protection was prepared by the working group chaired by the Head of the State Regulatory Service of Ukraine with the participation of public experts and representatives of business.

Recognition of the status regarding animal diseases and regionalization/zoning

The State Veterinary and Phytosanitary Service of Ukraine (SVPSU), depending on the development of epizootic or phytosanitary situation, use the zoning principle during the recognition of animal health status in accordance with the requirements of the Terrestrial Animal Health Code, developed by the World Organisation for Animal Health (OIE).

In particular, the application of zoning to importing products of animal origin is currently regulated by the Veterinarian imports requirements, approved by the order of the State Department of veterinary medicine of the Ministry of Agrarian Policy and Food of Ukraine (No. 71 of 14.06.2004). At present, in order to harmonize national legislation with international requirements and standards, Ukraine with the support of the EU technical assistance project “Improvement of Food Safety Control System in Ukraine” completes preparation of amendments to this order, which will be presented to the public for discussion and proposals. After introducing changes to the requirements for importation into Ukraine the products that are subject to veterinary-sanitary control, the Ukrainian side will be able to recognize regionalization, according to the decision of EC.

Transparency and information exchange

The contact point on SPS issues at the State Veterinary and Phytosanitary Service of Ukraine was determined in order to ensure proper exchange of information between Ukraine and the EU on adoption of regulatory and other procedural changes in the sphere of sanitary and phytosanitary measures.

Customs and trade facilitation

Reforms in the customs sphere are based on the new edition of the Customs Code of Ukraine, which is developed taking into account provisions of the International Convention on the simplification and harmonization of customs procedures, Convention relating to temporary admission, and the European Union Customs Code.

The work continues on achieving European time standards of processing customs declarations. Thus, the average time of customs declarations clearance for import is now 2 hours 25 minutes, for export – 52 minutes.

Positive dynamics is achieved in transition from paper to electronic forms – percentage of electronically issued customs declarations to the total number of declarations amounts to 87%.

Cooperation in the customs area is based on the Framework strategy for customs cooperation between Ukraine and the EU.

Establishment, trade in services and electronic commerce

Public policy in the spheres of establishment business entities, trade in services and electronic commerce is aimed at further approximation of Ukrainian legislation in these areas to the laws, standards and practices of the EU, including simplification of the establishment and functioning of companies, their branches and representative offices, the protection of the rights of investors, the use of electronic means of payment, etc.¹⁹

On 15 January, 2015 the Law of Ukraine “On Financial Services and State Regulation of Financial Services Markets Relating to Information Disclosure” was amended, which provided for the disclosure of information by the providers of financial services in the open database of the National Commission for regulation of financial services markets and on licensees’ websites in the Internet.

The Association Agreement also stipulates the development of road maps²⁰ on approximation of Ukraine’s legislation to the EU law, which in the defined terms have to be submitted for consideration to the relevant Association bodies. Currently, Ukraine together with the EU experts is working on establishing agreed approaches to the format and content of roadmaps, with regard to the development of EU legislation. In this context, it is important to ensure a consistent approach to the development of road maps, taking into account peculiarities of each sphere and their development in Ukraine to achieve the objectives of liberalization of trade in services.

Current payments and movement of capital

In order to implement the provisions of the Agreement, Ukraine carries out preparations for the liberalization of its legislation in the sphere of movement of capital. This would be facilitated by the EU project “Technical assistance in the financial sector's priority areas”, and especially its component “Strengthening capacity in implementing measures to establish necessary preconditions for the future gradual introduction of free movement of capital”. One of the project beneficiaries is the National Bank of Ukraine”.

Intellectual property

On 30 September, 2014 the Cooperation Program between the State Intellectual Property Service of Ukraine (SIPSU) and the World Intellectual Property Organization (WIPO) for 2014 – 2016 was signed. One of the main priorities of the Programme is to improve legislation in the field of intellectual property, taking into account best international practice.

With the purpose of increasing the level of legal, institutional and social base to international standards, as well as for creation, protection and the most extensive use of the intellectual potential, the State Intellectual Property Service has developed a draft National Strategy for the development of intellectual property in Ukraine for the period until 2018²¹.

¹⁹ See the Association Agenda priorities.

²⁰ Particularly, in such spheres as telecommunication services, postal and courier services, financial services, and international maritime transport.

²¹ http://sips.gov.ua/ua/plans_reports.html

State aid

Article 267 of the Association Agreement has fixed the requirement for Ukraine to adopt national legislation on state aid and establish an independent authority with the powers necessary to effectively enforce legislation on state aid and implement Ukraine's international obligations.

The law of Ukraine "On State Aid to Undertakings" (No. 1555-VII), adopted in 2014 on the basis of the EU requirements stipulated in the Association Agreement, set up legal grounds for the subsequent establishment of a system for monitoring and control over State aid in accordance with the Agreement.

One of the priority tasks for Ukraine under the Agreement is to ensure the proper implementation of the provisions of the Law of Ukraine "On State Aid to Undertakings" through adoption of adequate by-laws, as well as efficient institutional and organizational support.

The Anti-Monopoly Committee of Ukraine has planned a phased increase in the number of their employees for the efficient implementation of the law. The relevant draft resolution is currently being considered by the Cabinet of Ministers of Ukraine.

Based on European experts' recommendations, a new edition of the Institutional reform plan in the sphere of monitoring and control of the State aid to undertakings (approved by Resolution of the Cabinet of Ministers of Ukraine No. 102 dated 4 March 2013) was prepared. Adoption of those amendments will improve the mechanisms of institutional reforms in the sphere of State aid.

In addition, the draft law "On Amendments to Article 35 of the Budget Code of Ukraine" (Reg. No. 0909), aimed at preventing the allocation of funds from the State budget and local budgets for the State support to undertakings, which can lead to the negative impact of such support on the competition, is currently under consideration of the Verkhovna Rada of Ukraine. On 7 April, 2015 the draft law was discussed at the Parliamentary Committee on budget and recommended to be adopted in the second reading.

Trade and sustainable development

The Ukrainian side began working on establishment of an Advisory Group on sustainable development and formation of the Ukrainian part of the Group of experts in the sphere of trade and sustainable development.

The Ministry of Economic Development and Trade is now reviewing proposals from government authorities, public and non-governmental organizations regarding the personal composition of the Advisory Group.

Transparency

The Association Agreement contains provisions regarding the publication of information on laws, by-laws, court decisions, procedures and administrative rules which may affect any issues covered by the Agreement, except court decisions concerning individual persons.

Ukrainian legislation provides proper conditions to ensure prompt publication, providing access through official online resources to the texts of legal-normative acts, adopted by the government authorities, for all people and interested parties.

Ukraine **introduced mechanism for publishing orders of the Prosecutor General of Ukraine**. The Orders of the Prosecutor General of Ukraine, which are the normative legal acts, after they are included into the Unified State Register of legal acts, are published in the Ukrainian language in the government official periodicals and posted on the official website of the Prosecutor General’s Office of Ukraine.

Dispute Settlement

With the purpose to establish a list of representatives from Ukraine, to be submitted and agreed by the Trade Committee, to serve as arbitrators of arbitration panels in accordance with Article 307 of the Agreement, Ukraine is finalizing selection procedure and establishment of such a list, pursuant to dispute settlement proceedings under the Agreement.

Energy sector cooperation, including nuclear issues

Integration of energy markets and enhancing energy security

- Reverse supplies of natural gas from Europe, particularly from Poland, Slovakia, and Hungary were renewed.
- In order to implement Article 340 of the Agreement, the Ministry of Energy and Coal Industry endorsed the list of authorized representatives from the Ukrainian side in the framework of the Early Warning Mechanism, established between Ukraine and the EU.
- On February 10, 2015 Ukraine and the World Bank signed a Loan Agreement for provision to Ukraine of 378.4 mln. USD to finance the project on the development of national electric networks. The loan includes 330 million USD directly from the World Bank, and 48.4 million USD from the Clean Technology Fund. The loan would be directed at implementation of the "Second project on transmission of electricity", in order to increase the reliability of the transmission system and support the introduction of the wholesale electricity market in Ukraine.
- On 24 March 2015 Ukraine and the European Bank for Reconstruction and Development signed a Loan agreement, which provides for the allocation of 65 mln. EUR to the State enterprise NEC "Ukrenergo". The funds will be used for implementation of the project for the construction of a 330kV "Zahidna" substation, as well as construction of two 330kV lines, which will connect the new substation to the national power grid. The new project is also expected to provide more flexibility to "Ukrenergo" in managing four existing 330kV substations in the Kyiv oblast, which operate above their design load for significant periods of time every year. In general, the project implementation will help to improve the security of electricity supply, increase energy efficiency, meet growing demand for power in the capital of Ukraine, and tackle problems linked to power shortages and blackouts in the city of Kyiv and the oblast.
- In March 2015, the Secretariat of the Energy Community (EnC) began negotiations with the Ukrainian and Moldavian sides on launching a project, aimed at establishment of the trans-border market of electrical energy. Moving towards an integrated Ukrainian-Moldovan electrical energy market will create numerous benefits to consumers of electricity, especially in terms of prices and security. The implementation of this initiative on the basis of the existing European standards will help save costs for the establishment of organized markets in both countries. The proposed project will also strengthen the financial stability of the electric power industry in Ukraine and Moldova by setting prices based on costs. According to the EnC Secretariat assumptions, the project could be implemented within two years.
- On 1 April 2015, as a result of the consultations in the trilateral format EU-Ukraine-Russian Federation, Ukrainian "Naftogaz" and Russian "Gazprom" signed an additional agreement to the contract on gas supply, according to which the key elements of the Brussels agreements ("winter package") are extended to the end of June 2015, in particular regarding the provisions on the mechanism of price formation, the mode of payment and the gas collection regime. The expected estimated price for the "Naftogaz

of Ukraine" in the second quarter of 2015 will be 248 USD for one thousand cubic meters. Further trilateral talks are planned on concluding a long-term agreement for the period until the end of the heating season in 2015-2016.

- In order to attract loans for implementation of the investment project "Reconstruction, Capital Repair and Technical Re-equipment of the Pipeline Urengoy – Pomary – Uzhgorod" the agreements between Ukraine and the European Bank for Reconstruction and Development were signed for the amounts of 150 million EUR and 150 million EUR respectively. The Project will be implemented during four years (the term of loan repayment is 19 years), it provides for full replacement of pipes over 120 kilometres and modernization of two compressor stations.
- On 6 April, 2015 during the round table "Legislative initiatives to enhance the transparency in the mining sector" the Ministry of Energy and Coal Industry introduced a draft law "On Amendments to Certain Laws of Ukraine on Enhancing Transparency of the Extractive Industries in Ukraine". The draft law provides for amendments to the Code of Ukraine on Subsoil, and the Law of Ukraine "On Oil and Gas" within the commitments of Ukraine as a candidate country of *the Extractive Industries Transparency Initiative (EITI)* regarding the disclosure of tax information (including by tax authorities) and information on the economic activity of bowels users. Analysis of the obtained information will allow making informed decisions in future, in particular concerning the rent payments, which today is one of the problem issues for oil and gas extracting companies.

The draft law was positively appraised by the Verkhovna Rada of Ukraine, representatives of the relevant government authorities, companies, international experts, etc. The adoption of the law will help to improve the system in management of natural resources, will have a positive impact on the process of budgeting and allocation of budget funds, and will also contribute to improving investment climate in the country and combating corruption schemes in the extractive industries.

- Practical cooperation began on the feasibility study for integration of the united power system of Ukraine into the Union of Central European electricity networks, funded in the framework of the "Romania-Ukraine-Moldova 2007-2013" CBC programmes of the European Neighbourhood and Partnership Instrument. The study is implemented by the European Network of Transmission System Operators for Electricity (ENTSO-E). The feasibility study part of the project is planned to be completed by the end of 2015.

Implementation of Ukraine's commitments in the energy sector, energy saving policy

- To support Ukraine in the implementation of the Directive 2009/119/EC imposing an obligation to maintain minimum stocks of crude oil and/or petroleum, the EnC Secretariat in December 2014 provided a technical expert assistance in drafting the relevant legislation. The Energy Strategy of Ukraine until 2030 envisages creation of reserves of oil and petroleum products. The issues of funding those stocks and identifying a model for their storage have to be addressed in the first place.
- In collaboration with the EnC Secretariat the draft National emission reduction plan of major pollutants from large combustion plants is being finalized.

On 24 March 2015 the draft document was posted on the official website of the Ministry of Energy and Coal Industry for the purpose of conducting public consultations and discussions. In April-June this year it is planned to hold public hearings on the draft

document, a seminar and a round table with involvement of the public, European experts in the fields of energy and environmental protection, representatives of potential investors and manufacturers of the equipment to highlight key problem issues in implementing projects on ecological modernization, reduction of emissions from thermal power plants, etc.

- Ukraine implemented a differentiated rates system of payment for the subsoil use to create favourable conditions for extraction of hydrocarbons from exhausted deposits, unprofitable wells and fields with complicated development conditions (at the extraction depths from 3000 to 5000 meters), allowing for the development and exploitation, under existing situation, of commercially unattractive deposits (the Law of Ukraine No. 71-VIII dated December 28, 2014).
- In the framework of the National renewable energy action plan for the period until 2020 and the plan of measures for its implementation the draft law "On Amendments to Certain Legislative Acts of Ukraine Relating to Ensuring Competitive Conditions for Generating Power from Alternative Sources of Energy" and the draft resolution of Cabinet of Ministers of Ukraine were elaborated, providing for measures to develop the internal market of production and consumption of solid biofuels and biogas for generation of thermal and/or power energy and natural gas substitution.

Nuclear safety

- On 26 January 2015 the Ukrainian Nuclear Power Generating Company NNEGC "Energoatom" and the US Corporation "Holtec International" concluded an Amendment to the Contract for the Construction of the Central spent nuclear fuel storage facility (CSFSF) and supply of spent nuclear dry cask storage systems.
- On 4 February 2015 Ukraine officially handed on to the Secretariat of the European nuclear safety regulation group (ENSREG) the updated National Action Plan, based on results of the carried out nuclear safety stress tests, which specifies the current status of safety improvement measures and schedules for their implementation.
- On 17 March 2015, NNEGC "Energoatom", NEC "Ukrenergo" and the Polish company "Polenergia" signed a Memorandum of Understanding on the implementation of the project "Energy Bridge Ukraine – European Union". The main objective of the Memorandum is to implement a feasibility study for the project in the framework of establishing Trans-European energy networks (TEN-E). The project is also part of the Baltic Energy Market Interconnection Plan (BEMIP), initiated by the European Council in 2008. The project aims at commissioning of overhead 750 kV cables from the Khmelnytsky nuclear power plant to Rzeszow in Poland, which will make possible to use all its available nuclear capacity to export electricity via European grids, investing into the completion of the third and fourth reactors of the Khmelnytsky NPP, as well as preparing nuclear facilities for the full integration of the Ukrainian power system into European networks. Currently, Ukraine plans to modernize its NPPs to meet all the technical conditions of integration into the ENTSO-E network.
- On 26 March 2015 Ukraine became a full member of the Western European Nuclear Regulators Association (WENRA), which is one of the main contributors in the development of uniform standards for the regulation of nuclear and radiation safety, it also creates conditions for ensuring nuclear safety on a regional level and pays special

attention to the discussion of problem issues and preparation of joint follow-up actions. The WENRA includes 17 member countries and nine countries with the status of observers. Ukraine received the observer status of the Association in 2009, and actively participated in the initiatives for development of unified standards for regulation of nuclear and radiation safety.

Taxation

- The Law of Ukraine “On Amendments to the Tax Code of Ukraine and Certain Laws of Ukraine Relating to Taxation Reform” was adopted on 28 December, 2014 (No. 71), which establishes the norms that would enable balancing the interests of regulatory agencies and taxpayers, in particular:
 - the number of taxes and duties were reduced from 22 to 11 (3 – eliminated, 13 – transformed into 5);
 - two-year moratorium on inspections of small businesses (with total annual income of up to 20 million USD) was set up;
 - the system of corporate income tax (CIT) was reformed. CIT will be levied on the profit before tax, based on financial accounting results, defined by the standards of financial reporting and subject to a limited number of corrections for tax differences (not more than 3). Taxpayers with income below 20 million USD per year will not apply tax corrections and pay CIT based on their financial accounting results (95% of the total number of taxpayers);
 - a number of industry specific tax benefits were called off, in particular a list of sectorial benefits on corporate income tax was reduced (including light and shipbuilding industry, power industry, hotels, manufacturers of biofuels, agricultural machine building enterprises, aircraft building industry, software products industry, etc.);
 - a new mechanism for the administration of VAT, which is one of the first steps in reforming the tax system, was introduced (from 01.02.2015 to 01.07.2015 in a test mode).
- The number of groups of single tax payers were optimized and reduced to four with the increase of the maximum size of income, that allows them to remain within a simplified system of taxation (for the first and second groups), the rates of a single tax for small enterprises were decreased, and a two-year moratorium on inspections of small businesses was set up.

Banking sector

- The Verkhovna Rada of Ukraine on 29 December 2014 adopted the Law of Ukraine “On Measures Aimed at Promoting the Capitalization and Restructuring of Banks”, aimed at counteracting negative trends in the banking system, caused by the outflow of deposits from the banking system, decreasing the level of banks capitalization, devaluation of the national currency, and loss of depositors’ confidence in the banking system in the midst of the ongoing conflict in Eastern Ukraine and occupation of Crimea. The Law, in particular, establishes:

- obligation of the banks, which according to the results of the diagnostic examination require additional capitalization, to ensure capitalization or restructuring in the amount, specified by the National Bank;
- conditions and ways of the State's participation in the capitalization of banks;
- simplified process for carrying out procedures related to capitalization and restructuring of banks;
- obligation of the National Bank to assign the category of insolvent to the bank, which has not provided an acceptable program of capitalization or restructuring plan, or whose members are not capable to ensure the required level of capitalization;
- authority of the Ministry of Finance concerning the management of the State corporate rights in the Charter capital of the Bank, acquired in accordance with Law;
- legal framework for the protection of employees in the Ministry of Finance, involved in issues concerning the State's participation in the capitalization of banks;
- moratorium, for the time when the Law is in effect, on distribution of the net income of the bank and on purchase by the bank of its issued and allocated shares.

Positive impacts of the adoption of this Law will be:

- implementation of Ukraine's commitments under the Memorandum of Economic and Financial Policies, concluded in the framework of the joint with the IMF Stand-by Arrangement, aimed to support economic growth through strengthening the financial stability of the country;
- stabilization of the banking sector and protection of interests of depositors;
- settlement of the problem issues in the banking sector, including those associated with the low quality of bank assets and the decrease in the volume of lending;
- minimizing the risks for further increase of problem bank debts;
- removal weak banks from the market.

Company law, corporate governance
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Article 387 and Annex XXXIV to the Association Agreement establish obligations of Ukraine concerning development of the corporate governance policy and approximation of national legislation to the provisions of Second Council Directive 77/91/EEC, which stated the principles for guaranteeing protection of the interests of shareholders of joint-stock companies and third parties.

On 7 April 2015, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Relating to Protection of the Rights of Investors".

The Law takes into account the provisions of Directive 77/91/EEC, including in the part on banning a joint-stock company to acquire its own shares, and it aims to increase the requirements to public joint-stock companies and strengthen protection of the rights of

minority shareholders, which would allow Ukraine improving its position in the rating “Doing Business 2016”.

Further implementation of a number of measures in order to more comprehensively incorporate into national legislation the principles of Directive 77/91/EEC, as well as other provisions, stipulated by the Agreement and acts of the EU legislation regarding corporate governance, formation and activity of public limited liability companies remains a priority commitment of Ukraine for the period up to 2017.

Statistics

The State Statistics Service of Ukraine (SSSU) approved by its orders the Methodology of forming the aggregate reporting units for selective examination of economic entities (legal persons) in the sphere of retail trade (*No 21 dated 29.01.2014; selective examination was put into effect from January 2015*), as well as Recommendations for preparation and approval of the standard quality report of the State statistical observation (*No 27 dated 05.02.2014*). In 2014 on the basis of these Recommendations the following documents were prepared and published on the official website of the State Statistics Service:

- Standard quality report on the status of animal livestock;
- Standard quality report on survey of enterprises for labour statistics;
- Standard quality report on survey of innovation activity of enterprises.

The State Statistics Service also approved the following documents, developed *inter alia* on the basis of recommendations of the EU experts within the framework of the Twinning Project “Support to Development Process in the State Statistics Service of Ukraine with the Objective to enhance its Capacity and Production”:

1. Nomenclature of agriculture products (order No. 300 dated 15.10.2014). The document was prepared taking into account the list of products, provided by the Programme of the World Census of Agriculture 2010 of the UN Food and Agriculture Organization (FAO).
2. Nomenclature of fishery and aquaculture products (order No. 337 dated 13.11.2014), taking into account a nomenclature developed by the International standard statistical classification of aquatic animals and plants (ISSCAAP).

Those documents ensure consistency with Statistical Classification of Products by Activity in the European Economic Community – CPA 2008).

3. Methodology for calculating basic statistical indicators of animal products (order No. 362 of 24.11.2014).
4. Methodology for calculating basic statistical indicators of crop production (order No. 363 of 25.11.2014).

Those methodologies define the system of indicators and regulate the procedure for annual and operational calculations of indicators of crop production and animal products in households of all categories at the State and regional levels.

5. Methodology for calculating indicators of households' income and resources (order No. 372 of 28.11.2014). It contains the definition of methods, algorithms for calculations and description of the components of the income and resources of households, calculated according to the State statistical observation "Survey of living conditions of households", including the concept (methodological principles) of income and living conditions

indicators, harmonized with methods and definitions of the EC Regulation No. 1980/2003 of 21 October 2003.

6. Methodology for calculating indicators of business expectations according to the requirements of the Special Data Dissemination Standard of the International Monetary Fund (order No. 411 of 30.12.2014). The Methodology introduced into Ukrainian statistical practice calculation of indicators of business confidence in the sectors of industry, construction, retail trade, services, financial services. The document, based on the new instruments, describes procedures and algorithms for calculating indicators of business confidence by types of economic activity, business climate and economic sentiment indicators in accordance with the EU requirements and tailored to the national needs.

Based on the data collected in January 2015, according to new questionnaires for surveys of business activity of enterprises calculations of indicators of business confidence in the abovementioned spheres, the corresponding statistical information is available on the website of the State Statistics Service of Ukraine (under the headings "Statistical information"/ "Economic statistics"/ "Macroeconomic statistics" / "Trends of business activity").

7. Methodological guidelines for structured surveys of credit institutions (order No. 412 of 30.12.2014), which describe the main provisions and methods for structured surveys of banking and non-bank credit institutions to compile indicators of structural statistics, provided by Regulation of the European Parliament and of the Council (EC) No. 295/2008 of 11.03.2008 concerning structural business statistics in part of credit institutions. Development of draft Methodological guidelines for structured surveys of insurance companies has begun.
8. In 2014 the State Statistics Service of Ukraine introduced into statistical practice the updated Methodological Guidelines on statistics of international trade in goods (order of the State Statistics Service No. 413 of 25.12.2013), prepared on the basis of methodological recommendations "Statistics of International Trade in Goods: Concepts and Definitions, 2010" of the UN Statistics department.

Starting from the reporting period for the first quarter of 2015, SSSU approved by its order No. 319 of 29 October 2014 the introduction into statistical practice of new questionnaires for surveys of business activity of enterprises that are aligned with the Joint Harmonised EU Programme of Business and Consumer Surveys.

Cooperation in transport sector

- The approved plans for implementation of EU legislation acts are being realized. In order to implement Directive 2008/68/EC of the European Parliament and of the Council of 24 September 2008 on the inland transport of dangerous goods (approved by Cabinet's Resolution No. 1159-p dated November 26, 2014) the Ministry of Transport and Infrastructure by its order No. 565 of 05.11.2014 (registered in the Ministry of Justice on 25.11.2014 No. 1496/26273) endorsed Amendments to Safety regulations and procedures for elimination emergency situations with dangerous goods during their transportation by rail, to the Rules for transportation of liquid goods, and Rules for transportation of dangerous goods.

- Taking into account provisions of the Convention on Road Traffic and the Council Regulation (EC) No. 2411/98, the following documents were approved:
 - o amendments to the national standard of Ukraine ДСТУ 4278:2012 “Road transport. Vehicle registration plates. General requirements. Rules of application.” and ДСТУ 3650:2012 “Road transport. Vehicle registration plates. General technical conditions.” (order of the Ministry of Economic Development and Trade No. 1505 of 31.12.2014);
 - o new edition of the national standard ДСТУ 4100:201X “Traffic safety. Road signs. General technical conditions. Rules of application.” (order of the Ministry of Economic Development and Trade No. 1484 of 29.12.2014).

Amendments to the aforementioned documents would allow harmonising the safety of freight transport and the use of registration plates with regard to legislation and best practice of European countries.

- The work continues **on raising the EU funds** for the development of transport infrastructure:
 - o in order to implement the Transport Strategy of Ukraine for the period up to 2020 within the framework of the Transport Panel of the Eastern Partnership the project "Electrification of the Railway Dolyns'ka – Mykolayiv – Kolosivka" has been approved as a priority infrastructure project;
 - o the Guarantee Agreement between Ukraine and the European Investment Bank (EIB) and the Financial Agreement between the State Administration of Railway Transport of Ukraine (Ukrzaliznytsya) and the EIB was signed for the amount of 55 million EUR to finance the construction of the Beskyd Railway Tunnel (entered into force 05.10.2014).
- To ensure the signature of the initialled draft of a **Common Aviation Area Agreement** between the European Union and Ukraine and its Member States, a series of meetings were held with high-ranking EU officials, government officials and diplomats of the United Kingdom and Spain, during which the Ukrainian side declared readiness to sign an Agreement under any options of compromise between Britain and Spain concerning the territorial application of the Agreement in the part of Gibraltar.

Environment

- The National strategy of approximation Ukraine’s legislation with EU acquis in the environment sector²² was developed together with the experts of the EU project “Complementary Support to the Ministry of Ecology and Natural Resources of Ukraine for the Sector Budget Support (SBS) Implementation”. In order to implement the National strategy, the following draft laws have been widely disseminated for public discussion:
 - o the draft law "On Strategic Environmental Assessment”, which provides for implementation of the Directive of the European Parliament and of the Council No. 2001/42/EC of 27 June 2001 on the assessment of certain plans

²² See: http://www.menr.gov.ua/docs/activity-adaptation/draft_NAS_FEB2015.pdf

- and programmes on the environment and Directive of the European Parliament and of the Council No. 2003/35/EC of 26 May 2003 providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment;
- the draft law “On Environmental Impact Assessment”, which is a prerequisite for the full implementation of the Aarhus Convention and the Espoo Convention, and is aimed at bringing legislation in line with the requirements of the EC Council Directive No. 2011/92/EEC of 13 December 2011 on the assessment of the impact of certain public and private projects on the environment and Directive of the European Parliament and of the Council No. 2003/4/EC of 28 January 2003 on public access to environmental information;
 - the draft law “On Protection of the Ozone Layer”, developed to fulfil the international obligations of Ukraine, taken after ratification of the Montreal Protocol on substances that deplete the ozone layer, as well as to adapt national legislation to the EU acquis in this field.
- The second phase of the Eastern Partnership Flagship Programme for the Prevention, Preparedness and Response to Natural and Man-Made Disasters (PPRD East 2) was launched. On 8 April 2015 the first meeting of the National advisory group for the EU Programme was held in Kyiv with the participation of representatives of the European Commission departments, the State Service for Emergency Preparedness, other civil protection authorities and scientific institutions, where participants agreed a work plan within the framework of the second implementation phase.
 - The work continues on approximation of Ukrainian legislation to EU acquis in the areas of disaster prevention and risk management. Thus, the Cabinet of Ministers of Ukraine approved the Concept of risk management of manmade and natural disasters (Resolution No. 37 dated January 22, 2014). Realisation of the Concept will allow introducing modern mechanisms of risk management, minimising the socio-economic consequences of emergency situations and achieving the guaranteed level of security of citizens and society. On 25 March 2015 the draft Action plan for implementation of the Concept was approved.

Education

In the framework of European Neighbourhood Instrument, implementation of the projects “National Erasmus+ Office in Ukraine” and “National Team of Higher Education Reform Experts” was extended. The objective of those two projects is to provide a pool of expertise in order to promote reforms and enhance progress in higher education in Ukraine. The projects are highly important instruments for the Ministry of Education and Science of attracting the EU expert assistance for the development of public policy in the sphere of higher education.

Cooperation in science and technology

- On 4-5 December, 2014 the International scientific conference “Integration of the National Technology Transfer Network (NTTN) into the Enterprise Europe Network” was held. In the course of the conference the Memorandum of Cooperation on Integration of

NTTN into the Enterprise Europe Network (EEN) and the Agreement on Cooperation in Science and Technology between the NTTN Coordinator and the Foundation “Central European Academy for Studies and Certification (Republic of Poland)” were signed.

- On 3 March, 2015 the Agreement between Ukraine and the EU on Scientific and Technological Cooperation was renewed. The Agreement establishes a legal framework and defines the major principles, areas and forms of Ukraine-EU cooperation in the field of scientific and technological research. To ensure the coordination and promotion of cooperation in the framework of the Agreement a joint committee was set up. The process of preparing for Agreement ratification began.
- On 20 March 2015 the Agreement between the European Union and Ukraine on Ukraine’s participation in the EU Framework Program for Research and Innovation "Horizon 2020" was signed.

During implementation of the previous programme – the Seventh EU Framework Programme for research and innovation, Ukraine took a leading position among the Eastern Partnership countries and joined the top ten most active partners after the United States, Canada and the BRICS countries. Ukrainian scientific institutions and higher educational establishments took part in 126 projects within the Seventh EU Framework Programme, funded by the European Commission in the amount of approximately 26.5 million EUR.

The main priorities of the Programme "Horizon 2020" is to promote fundamental scientific research, increase the competitiveness of the industry sector, development of ICT, nanotechnology, new materials science, biotechnology and space industry, as well as to resolve the most pressing social challenges in health, ecology and demography. The total amount of funding in support for research and innovation in the framework of the Programme is about 80 billion EUR.

Within the framework of the Program, Ukrainian scientists, representatives of universities and business would be able to form consortiums, send applications to the announced calls for proposal, become managers of projects and shape agenda of project implementation in the case of their approval by the European Commission.

Ukraine joined 11 leading scientific countries, identified as key strategic partners of the European Union in the EU programme "Horizon 2020", and was also recognized as the EU sole strategic partner in Eastern Europe.

In order to expand cooperation with the EU in research and technology and to raise awareness about “Horizon 2020” Programme, the Ministry of Education and Science by its order (No. 285 dated 13 March 2015) approved the list of national and regional contact points of the Programme, which are determined at higher educational establishments, scientific institutions, enterprises and public organizations.

Social policy and Public health

- On 11 February 2015 Ukraine signed an Agreement with the International Bank for Reconstruction and Development on implementation of the project “Serving People, Improving Health” to develop medical infrastructure and improve the quality of health services in eight oblasts of Ukraine. For the implementation of this five-year project Ukraine will get a loan of around 215 million USD from the World Bank to support the reforms and improve service delivery in the health sector.

- On 24 February 2015 the Government of Ukraine initialled the Framework Agreement with the Global Fund to Fight AIDS, Tuberculosis and Malaria, which provides for non-repayable financial assistance to Ukraine totalling 133.9 million USD for the period from 1 January 2015 to 31 December 2017. The funds will be allocated for prevention, treatment, care and social support of patients with HIV infection and tuberculosis, as well as the infection risk groups. Pilot projects will be implemented to improve the quality of the ambulatory care for patients with tuberculosis and to review indications for the hospital treatment of TB patients. Given that the bulk of funding (68%) will be allocated for combating AIDS, more than 200 thousand Ukrainians, who have the highest risk of HIV infection, will be provided with special services.

Industrial and enterprise policy

Consultations continue on concluding the Agreement on Ukraine's accession to the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)

Participation of Ukraine in the COSME Program (*overall budget of the Program – 2.3 billion EUR*) will enhance the economic presence of domestic exporters on EU markets, reduce their critical dependence on exports to the Russian Federation, creation of favourable conditions for establishing a free trade area between Ukraine and the EU, general improvement of the regulatory environment and business climate in Ukraine. Ukraine's participation assumes payment of annual financial contributions in the amount of around 645 thousand EUR. The final decision of the EC regarding Ukraine's participation in the COSME Program is expected at the end of April 2015.

Culture

- **Consultations continue regarding possibility of Ukraine's participation in the EU Programme "Creative Europe".**

The program "Creative Europe" aims to promote creative development, implementation of various cultural projects, as well as cooperation in the field of media, cinema industry, etc. (*indicative program funding – 1.46 billion EUR*). In December 2014 the draft agreement on Ukraine's participation in the Program "Creative Europe" and its Sub-program "Media" was handed over to the Ukrainian side. It has been agreed that the membership fee of Ukraine for 2015, in case of its participation, will be 1 EUR; in future the amount of annual contributions would require additional negotiations and agreement. Currently, amendments to the draft document are being agreed to be further passed on to the European Commission.

- **In January 2015 a joint project of the EU and the Council of Europe "Community-led Urban Strategies in Historic Towns" (COMUS project) was launched.**

The purpose of the project is to assist national and local authorities in the implementation of strategic renewal and sustainable socio-economic development of small and medium-sized historic towns and their surroundings by revitalizing and adapting cultural heritage objects to contemporary needs, rehabilitation of the traditional urban environment, expanding the range of opportunities for its constructive use.

As a result of discussions on the national needs and priorities, which should be supported the COMUS project, three pilot cities were selected: Lutsk (Volynska oblast), Zhovkva (Lvivska oblast), Melitopol (Zaporizhska oblast).

- The Government took a decision to pay the membership fee for Ukraine's participation in the International Centre for the Study of the Preservation and Restoration of Cultural Property – ICCROM (*Resolution No. 686 dated 30 October 2014*). This would promote the exchange of experience and training of Ukrainian specialists in the field of protection and preservation of cultural heritage to acquire skills in innovative restoration technology.
- In order to regulate the legal, organizational and social relations, as well as to define legal forms of international cooperation in the field of intangible cultural heritage, the Ministry of Culture elaborated and on 7 April 2015 presented for the public discussion the draft law 'On Intangible Cultural heritage'. Pursuant to the Ministry's order No. 1521 dated 14.12.2014, the Ukrainian Centre for Cultural Studies will be responsible for compiling the National lists of elements of the intangible cultural heritage. The Centre prepared a Procedure on establishing and updating the National register of intangible cultural heritage of Ukraine, including its electronic version.

Information society and Audio-Visual policy

- The **work continues on introducing electronic signature** in Ukraine. The Ministry of Justice and Administration of the State Service for Special Communications issued a joint order No. 2170/5/703 dated 25 December 2014, which approved the new version of the list of standards in the field of electronic digital signature, as well as the list of international and European standards and other regulatory acts for harmonization with the purpose of reform, development, and ensure interoperability of electronic digital signature systems.
- With the purpose of maximum approximation of the Law of Ukraine "On Electronic Digital Signature" to the provisions of Regulation (EC) No 910/2014 of the European Parliament and the Council of July 23, 2014 on electronic identification and trust services for e-transactions within the internal market and repealing Directive 1999/93/EC, a **draft law "On Electronic Trust Services" was elaborated**. This draft law was prepared with the involvement of experts from the European Commission's Directorate General for Communications, Networks, Content and Technology (DG CONNECT)²³.
- On 3 February 2015 the National Commission for the State Regulation of Communications and Informatization (NCCIR) published the **draft law "On Electronic Communications"**²⁴.

The draft law, in particular, provides for elimination of the licensing of activities in the field of telecommunications and the introduction of notifying principle for registration of

²³ The corresponding DG CONNECT experts' comments were given to the main developer of a draft law (Ministry of Justice) in March 2015, and currently are being worked on. EU experts appraised the draft law as a document has a high degree of compliance with EU acquis in this field.

The draft law was posted at official websites of the Ministry of Justice of Ukraine (<http://www.minjust.gov.ua/discuss>), and its Central certification body (<http://czo.gov.ua/news-details?id=241>).

²⁴See: <http://www.nkrzi.gov.ua>

entities that will perform activity in the field of electronic communications. It also proposes to exclude the possibility of the planned audits of electronic communication services providers and, instead, to introduce monitoring of activity in the field of electronic communications, as well as outreach and on site *ad hoc* audits. In line with European experience, violations in the field of electronic communications will be classified into minor, serious and very serious ones; and administrative-economic sanctions in the form of a fine will be put on entities only for serious and very serious violations. In case of non-payment of a fine by the entity, it is supposed to be collected only on the basis of a court decision by a claim of the national regulator. Thus, it is the responsibility of the national regulator to prove the appropriateness of applying a certain penalty.

- Cooperation continues to develop within the framework of the Eastern Partnership Electronic Communications Regulators Network (EaPeReg). In 2014, NCCIR was elected Coordinator (Chairing organization) of the EaPeReg Network. On the joint initiative of Ukraine and the Lithuanian Republic with the support of the European Commission negotiations were held on establishing cooperation with the Body of European Regulators for Electronic Communications (BEREC), which resulted in signing on 4 December 2014 the Memorandum of Understanding between the EaPeReg Network and the BEREC. The memorandum was signed for the period of two years, with a possibility to be extended.

Cross-Border and regional cooperation

Ukraine, in cooperation with the EC and the Eastern Partnership countries, continue preparation of Cross-border cooperation Programmes (CBC) within the European Neighbourhood Instrument for 2014-2020. Ukraine will take part in 4 CBC programmes: “Ukraine-Poland-Belarus”, “Ukraine-Hungary-Slovakia-Romania”, “Ukraine-Romania” and “The Black Sea Basin”.

The Government developed the draft law “On Amendments to Certain Legislative Acts of Ukraine Relating to Euroregional Cooperation Groupings”, aimed at legislative regulation of introducing a new form of cross-border cooperation bodies – Euroregional Cooperation Groupings (ECGs), as stipulated in Protocol No.3 to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (Madrid Convention) concerning Euroregional Co-operation Groupings (ECGs).

Financial cooperation

- As a result of implementation of the relevant set of measures within the framework of the EU macro financial assistance, Ukraine received:
 - o on November 12, 2014 – the second and third instalments of the first EU macro financial assistance in the amount of 260 million EUR (*the total amount under Agreements is 610 million EUR, the first instalment in the amount of 100 million EUR was received in May 2014, the last instalment in the amount of 250 million EUR is expected in March 2015*);
 - o on December 3, 2014 – the second instalment of the second EU macro financial assistance in the amount of 500 million EUR (*the total amount under Agreements is 1 billion EUR, the first instalment in the amount of 500 million EUR was received in June 2014*);

- In accordance with the terms of the Memorandums of understanding, the EU macro financial assistance funds would be used to reduce the external financial pressure on Ukraine, to improve its balance of payments and budgetary needs, and to strengthen its position regarding bank foreign exchange reserves.
- Consultations continue regarding attraction of the third EU macro financial assistance (indicative amount is up to 1.8 billion EUR).
- In October 2014 Ukraine and the EU completed Agreement on financing the Program to Support Civil Society in Ukraine. The Programme budget is 10.8 million EUR. The Assistance will be provided to strengthen involvement of civil society into decision-making processes and to improve interaction between government authorities and civil society in Ukraine. *It has been planned to disburse funds in 2015.*
- In November 2014 Ukraine and the EU signed an Agreement on financing the Programme of sector budget support in the sphere of regional development. The Program budget is 55 million EUR. The funds will go towards supporting the objectives defined by the State Strategy on Regional Development for the period up to 2020.
- As a result of meetings in December 2014 with the EC mission on programming of the EU assistance to Ukraine for the period of 2015 – 2017, it was determined that the EU assistance to support political and economic integration of Ukraine to the EU would concentrate on the following three priority areas:
 - Reform of the system of justice and public administration;
 - Development of trade and the private sector;
 - Energy (energy efficiency).
- It has been agreed to initiate the EU assistance programme to support small and medium-sized business in Ukraine in 2015 (indicative programme budget is 85 million EUR).
- According to the information of the EU Side presented during the annual meeting of the national contact persons on implementation of the instruments of the institutional development Twinning, TAIEX and SIGMA “Institutional building days” (24 – 27 September 2014, Brussels), Ukraine is one of the leaders among the countries of the European Neighbourhood Instrument by the total number of completed projects and projects that are at the implementation and preparation stages. As of March 31, 2015 the Work plan of Twinning projects comprises 57 projects, out of which 34 projects are completed, 6 are at the stage of implementation and another 17 projects are at various stages of preparation. Most actively Ukraine uses the Twinning instrument in the spheres of transport, justice and internal security, finance and energy.
- Ukraine is very active in implementing the technical assistance and information exchange instrument of the European Commission – TAIEX. In the period from September 2014 to March 2015, 1137 the representatives of government authorities participated in 49 events, organised within the framework of TAIEX instrument (17 seminars in Ukraine, 14 study visits to EU Member States, and 18 expert missions to Ukraine). TAIEX activities were held in five key areas: justice and internal affairs, internal market, environment, telecommunications and transport, agriculture and food safety.
- The issue of establishing a joint Ukraine-EU body to oversee and control the use of the EU funds is under consideration.

MAJOR FURTHER ACTIVITIES PLANNED

Based on the review of progress in implementation of the Association Agenda and the Agreement, further major activities are planned in order to accomplish objectives and tasks, determined by strategic documents, primarily the Association Agreement Implementation Action Plan for the period of 2014-2017 and plans for implementation of the EU legislation acts.

The Association Agenda priorities

- Ensure consideration and adoption by the Verkhovna Rada of the following draft laws:
 - “On Amendments to Certain Legislative Acts of Ukraine Relating to Financing of Political Parties” (*Reg. No. 2563*);
 - “On Amendments to Article 87 of the Budget Code of Ukraine” (*Reg. No. 2564*);
 - “On Amendments to Certain Legislative Acts of Ukraine Relating to the Adoption of the Law of Ukraine “On the National Anti-corruption Bureau of Ukraine” (*Reg. No. 2492*);
 - “On Amendments to the Laws of Ukraine “On the National Anti-corruption Bureau of Ukraine” and “On the Prevention of Corruption” (*Reg. No. 2494*);
 - “On Civil Service” (*Reg. No. 2490*);
 - “On Service in Local Self-government Bodies” (*Reg. No. 2489*);
 - “On the Accounting Chamber” (*Reg. No. 2072*).
- Ensure participation in the activities of working groups, set up within the Constitutional Commission.
- Form a Competition Selection Commission and hold an open competition for selection of candidates to the positions at the National Agency for the Prevention of Corruption.

Political Dialogue

- Ensure consideration and adoption by the Verkhovna Rada of the following draft laws:
 - “On the Internal Affairs Bodies” (*Reg. No. 2561*);
 - “On Provision of Services and Service Centres of the Ministry of Internal Affairs of Ukraine” (*Reg. No. 2567*);
 - “On the State Bureau of Investigation” (*Reg. No. 2114*);
 - “On the National Police” (*Reg. No. 1692*);
 - “On Amendments to Article 124 of the Constitution of Ukraine (relating to acceptance of the ICC jurisdiction under the Rome Statute)” (*Reg. No. 1788*).
- Submit to the Verkhovna Rada the draft law “On Endorsement of the National Human Rights Strategy”.

Justice, Freedom and Security

Complete implementation of the second phase of the Action Plan on EU Visa Regime Liberalization for Ukraine.

Prepare a draft act on granting authority to sign an Agreement on cooperation between the European Union and Ukraine's Judicial Cooperation Unit (Eurojust).

Trade and Trade-related Matters

- Ensure consideration and adoption by the Verkhovna Rada of the following draft laws:
 - o "On the State Control in Order to Check Compliance with the Legislation on Safety and Quality of Food and Feed, Health and Animal Welfare" (*Reg. No. 4986-1 dated 17.06.2014*);
 - o "On Amendment to Article 35 of the Budget Code of Ukraine (*Reg. No. 0906 dated 27.11.2014*);
- Ensure adoption of the following documents (*III-IV quarters of 2015*):
 - o Amendments to the Action plan on implementation of commitments in the framework of the Energy Community Treaty on introducing a common approach to establishment a system for monitoring and control of the State aid in Ukraine through adoption of adequate by-laws;
 - o Amendments to the Institutional reform plan in the sphere of monitoring and control of the State aid to undertakings.
- Develop the Regulation procedure for applying specific safeguard measures on imports into Ukraine of passenger cars, originating from the EU Member States, in accordance with Article 44 of the Agreement (*III-IV quarters of 2015*).
- Ensure preparation and agreement with the EU side of a draft Comprehensive strategy for implementation of the legislation in the field of sanitary and phytosanitary measures (*IV quarter of 2015*).
- Ensure organization of the TAIEX expert mission on assessment of legislation in the field of sanitary and phytosanitary measures and animal welfare (*II quarter of 2015*).
- Complete the process of establishment of the State Service on Food Safety and Consumer Protection through state registration and approval of its Statute, structure and staff schedule (*II-III quarters of 2015*).
- Complete internal procedures for the approval of Agreement between the Ministry of Agrarian Policy and Food of Ukraine and the Ministry of Agriculture and Rural Development of the Republic of Poland on implementation of the programme to combat rabies on the territory of Ukraine in 2015 (*III quarter of 2015*).
- Work out the issue of institutional capacity building of the Anti-Monopoly Committee of Ukraine, including amendments to Annex 1 of Resolution of the Cabinet of Ministers of Ukraine No. 85 dated 5 April 2015, adopted in order to implement the Law of Ukraine "On State Aid to Undertakings" (*III quarter of 2015*).

- Develop the draft law “On Electronic Communications” (*III-IV quarters of 2015*).
- Complete the development of road maps on approximation of Ukraine’s legislation to the EU law in the following spheres (*III-IV quarters of 2015*):
 - o public procurement;
 - o telecommunication services;
 - o postal and courier services;
 - o financial services;
 - o international maritime transport.
- Determine the procedure for the formation of the Ukrainian part of the Group of experts in the sphere of trade and sustainable development.

Energy sector

- Continue reverse supplies of natural gas from Europe, take measures to increase their volumes.
- Enforce implementation of the Law of Ukraine “On the Natural Gas Market” as the key document; elaborate the necessary by-laws.
- Continue development in cooperation with the EnC Secretariat the amendments to legislation, necessary for the creation of a full-fledged and a competitive natural gas market in line with the requirements of the EU Third Energy Package, and submit them for consideration of the Government of Ukraine (*II quarter of 2015*).
- Submit and ensure consideration by the Verkhovna Rada of the draft law “On the National Commission for State Regulation of Energy and Public Utilities”.
- Prepare regulatory acts, aimed at: identifying a model to maintain minimum stocks of crude oil and/or petroleum, developing a plan for gradual increase of reserves of oil and petroleum products, determining a competent authority, and drafting the relevant approximation legislation (*III-IV quarters of 2015*).

Other spheres

- Continue cooperation with the EU side on concluding and signing a Common Aviation Area Agreement between the European Union and Ukraine and its Member States.
- Conclude a new Administrative arrangement on cooperation in the sphere of civil protection between the State Service for Emergency Preparedness and the EC Directorate General for the Environment regarding cooperation with the Monitoring and Information Centre of the EU Civil Protection Mechanism, instead of the previous arrangement dated 08.12.2008 (*III-IV quarters of 2015*).
- Finalise development of the draft law “On Electronic Trust Services” (*III-IV quarters of 2015*).

- Ratify the Agreement between Ukraine and the EU (in the form of Exchange of Notes) on renewal of Scientific and Technological Cooperation.
- Ratify the Agreement between the European Union and Ukraine on Ukraine's participation in the EU Framework Program for Research and Innovation "Horizon 2020".
- Prepare for concluding Agreements on Ukraine's accession to the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) and on Ukraine's participation in the EU Programme "Creative Europe" (*III quarter of 2015*).
- Submit and ensure consideration by the Verkhovna Rada of the draft law "On Amendments to Certain Legislative Acts of Ukraine Relating to Euroregional Cooperation Groupings (ECGs)".

Appendix I. Provisional application of the Association Agreement

Starting from 1 November 2014 the following parts of the Agreement are provisionally applied:

- *Article 1 and TITLE I “GENERAL PRINCIPLES”;*
- *TITLE II “POLITICAL DIALOGUE AND REFORM, POLITICAL ASSOCIATION, COOPERATION AND CONVERGENCE IN THE FIELD OF FOREIGN AND SECURITY POLICY”:* Article 4 “Aims of political dialogue”, Article 5 “Fora for the conduct of political dialogue”, and Article 6 “Dialogue and cooperation on domestic reform”;
- *TITLE III “JUSTICE, FREEDOM AND SECURITY”:* Article 14 “The rule of law and respect for human rights and fundamental freedoms”, and Article 19 “Movement of persons”;
- *TITLE V “ECONOMIC AND SECTOR COOPERATION”:*
 - Chapter 1 “Energy cooperation, including nuclear issues” with the exemption of Article 338 (k) (promotion of the Joint Implementation Mechanism under the Kyoto Protocol to the UN Framework Convention on Climate Change of 1997), Article 339 (exchange of information and experience), and Article 342 (cooperation in the civil nuclear sector);
 - Chapter 6 “Environment” with the exemption of Article 361 (areas of cooperation), 362 (1) (c) (planning the handling of disasters and other emergency situations), Article 364 (cooperation in the civil protection sector), Article 365 (a) (development of an overall strategy on environment), and Article 365 (c) (development and implementation of a policy on climate change);
 - Chapter 7 “Transport” with the exemption of Article 368 (3) (information exchange and joint activities at regional and international levels), Article 369 (a) (development of a sustainable national transport policy) and (d) (accession to relevant international transport organisations and agreements). Meanwhile, reference in Article 369 (c) to “development of funding strategies focusing on maintenance, capacity constraints and missing link infrastructure” does not establish any financial obligations for the EU Member States;
 - Chapter 12 “Financial services”;
 - Chapter 17 “Agriculture and rural development” with the exemption of Article 404 (h) (enhancing harmonisation of issues addressed within the framework of international organizations);
 - Chapter 18 “Fisheries and maritime policies” with the exemption of Article 410 (b) (initiatives to ensure inspection and control of fishing activities, using the necessary surveillance equipment), and Article 411 (cooperation on an integrated maritime policy);
 - Chapter 20 “Consumer protection”;
 - Chapter 26 “Civil society cooperation”;
 - Chapter 28 “Participation in the European Union agencies and programmes”;

- Article 353 (gradual approximation to the taxation structure as laid down in the EU acquis);

- Article 428 (gradual approximation Ukrainian legislation and practice to the principles of the EU acquis, in particular regarding communicable diseases, blood, tissues and cells, as well as tobacco);

- *TITLE VI “FINANCIAL COOPERATION, WITH ANTI-FRAUD PROVISIONS”;*

- *TITLE VII “INSTITUTIONAL, GENERAL AND FINAL PROVISIONS”* with the exception of Article 479 (1), to the extent that the provisions of that Title are limited to the purpose of ensuring the provisional application of the Agreement in accordance with the Note Verbale;

- Annex XXVI, Annex XXVII (excluding nuclear issues), Annexes XXVIII-XXXVI (with the exemption of paragraph 3 in Annex XXXII), XXXVIII-XLI, XLIII and XLIV, as well as Protocol III.

Appendix 2. Coordination Mechanism for European Integration Policy

Coordination Mechanism for European Integration Policy

