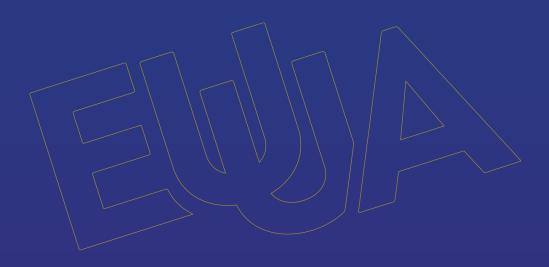
REPORT ON IMPLEMENTATION OF THE ASSOCIATION AGREEMENT BETWEEN UKRAINE AND THE EUROPEAN UNION 2015-2020



UKRAINE

EUROPE

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FOREWORD OF THE DEPUTY PRIME MINISTER FOR EUROPEAN AND EURO-ATLANTIC INTEGRATION OLHA STEFANISHYNA

In 2020, important results were summarized in the work of the Government of Ukraine on the implementation of the EU–Ukraine Association Agreement. During 6 years, we have created a framework for Agreement implementation and its monitoring, adapted a huge amount of the European legislation, and built an intensive and comprehensive dialogue with the EU at various levels, in particular on the issues not covered by the Agreement.

Today, Ukraine and the EU are united by strong political and economic partnership and mutual support. On 11 June, 2017, the EU introduced a visa-free regime for Ukrainian citizens. In 2020, Ukraine joined almost 90% of the European Union's statements on the international events and approaches to their settlement. At the same time, the European Union maintains the pressure of sanctions against Russia over its aggression in Donbas and occupation of the Crimean Peninsula.

Despite the pandemic, the Government has kept European integration among the priorities on its agenda. An offline EU-Ukraine Summit was held in October, and a meeting of the EU-Ukraine Association Council was held in February. The format of personal presence in the context of pan-European lockdown once again demonstrated the weight that the EU attaches to the dialogue with Ukraine. On its part, the Cabinet of Ministers of Ukraine takes decisions at almost every meeting that are directly or indirectly aimed at implementing the provisions of the Association Agreement between Ukraine and the EU - decisions that bring our country closer to the European Union.

Today, there are practically no areas that would not be covered by the European integration processes, which means that the list of issues on the EU–Ukraine agenda is expanding every year.

My main task since my appointment as Deputy Prime Minister for European and Euro-Atlantic integration of Ukraine on 4 June 2020 has been:

- giving a new impetus to the European integration through updating the Agreement and forming a common with the EU vision of our relations, at least in the next five-year perspective;
- prioritization of cross-border projects with the EU countries for "physical stitching" of Ukraine and the EU;
- expanding access to the new EU funding tools.

Therefore, before you start analyzing the report, I suggest that you review the answers to a number of questions on its content and structure.



WHY DOES THE REPORT COVER THE PERIOD OF 2015-2020?

Ukraine's European integration is a major civilizational process. It started in 2014 with signing of the Association Agreement and will end when the next key agreement is signed — on our country's accession to the European Union.

The process of Ukraine's integration into the EU is continuous. The changes that started 6 years ago are yielding dividends today. Likewise, the work of the Government today will become the basis of future transformations.

The European integration has never before united the authorities in their activities as it does today. Despite the challenges of the pandemic, we have launched a process that we called European integration 2.0. Our task is to move from the implementation of existing policies of the European Union to Ukraine's participation in their formation. Ensure the physical and ideological "stitching of Ukraine with the EU" even before our integration receives a political embodiment.

European integration 2.0 comprehensively combines various aspects of our rapprochement: updating the Annexes to the Agreement, revising the parameters of the free trade area and reviewing the achievement of goals. We strive for gradual integration of Ukraine into the EU internal market. Given the significant progress in the digital sphere, we, together with the EU, consider telecommunications services as the first area where the EU internal market regime can be applied.

WHY IS IT IMPORTANT TO EVALUATE THE ACHIEVEMENT OF GOALS SEPARATELY?

The Agreement has only 6 aims listed in the Article 1. They are fundamental, aimed at maximizing the opportunities of political and economic integration. The aims are detailed in the tasks defined in separate chapters and sometimes articles of the Agreement.

It is important that the assessment of achieving the aims of the Agreement takes into account the progress of both Parties of the Agreement, since not only Ukraine, but also the European Union made commitments, including to liberalizing mutual access to markets.

During these 6 years, we have received a lot of mutual benefits from trade. However, apart from progress, we have noticed a number of issues that require an objective assessment and solutions that will be acceptable and beneficial for both Parties.

The assessment of the achievement of the aims will demonstrate the areas where the EU and Ukraine can move to the next level of integration, and will help to expand the potential for political cooperation and further trade liberalization.



WHY DO WE NEED TO UPDATE THE AGREEMENT?

The world of 2021 is different from the world of 2007, when the first consultations on the Association Agreement started. Few people could have imagined the increasingly larger role of digitalization or climate challenges. Few people could then determine the strengths of Ukraine that would turn into export items. Therefore, today we shall update the Agreement in accordance with the realities of our time, recognized opportunities and interests of Ukrainian business.

In 2020, for the first time, the Government held a broad discussion with the business community on the functioning of the free trade area and gathered a number of proposals for updating the Agreement. The consultations were attended by more than 30 major business associations of Ukraine, representing more than 3,000 enterprises, as well as 150 representatives of SMEs who took part in the online survey.

We have seen how, despite the statements of skeptics, Ukrainian exports are increasingly being reoriented to the EU markets. It is the EU that is the key trading partner of Ukraine today.

At the same time, we have received a lot of valuable information about the technical barriers that prevent our state from reaching its full potential. A significant number of our entrepreneurs want to see Ukraine as an integral part of the EU markets and, above all, that the EU takes into account their capabilities when developing its strategic documents and value chains.

Therefore, our goal in the process of updating the Agreement is to ensure the greatest possible sectoral integration with the EU markets by updating individual Annexes to the Agreement and signing additional agreements such as the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA Agreement).

On 6 October, at the EU-Ukraine Summit, we received a positive reply regarding the possibility of starting negotiations, and during the 7th meeting of the Association Council in February 2021, we handed over a note to the EU Party about the start of negotiations on acceleration and expansion of the scope of the abolition of import duties in trade. Revision of the economic parameters of the free trade area will be the first stage of updating the Agreement.

UKRAINE AND THE EUROPEAN GREEN DEAL

Negotiations within the framework of the European Green Deal is probably the best evidence of Ukraine's readiness for a new level of relations and dialogue with the EU. In 2019, the European Union started a new stage of strategizing by announcing the launch of the European Green Deal initiative. Thanks to the proactive position of the Ukrainian Government, we have reached an agreement with the EU to start a regular dialogue aimed at coordinating policy in the areas covered by the European Green Deal, based on the Association Agreement between Ukraine and the EU.



The goal of the initiative is to achieve climate neutrality in Europe by 2050 through a series of economic reforms and a "green" transformation of production. This internal policy is actually global and will have significant geopolitical consequences for the continent, for all EU's partners, especially for its neighbouring countries. Ukraine shares the EU's climate ambitions and has expressed its desire to contribute to the achievement of Europe's climate neutrality goals, especially since such ambitious plans of the EU are impossible without Ukraine.

After the adoption of the relevant EU legal acts, we will be able to incorporate them into the Agreement by updating Annexes XXX and XXXI to the Chapter 6 Environment. Together with the EU, we have identified areas of common interest: energy efficiency, hydrogen, transformation of coal regions, industrial alliances and development of climate governance framework. We also expressed our ambition to develop a Ukrainian Green Deal that will define the goal of achieving climate neutrality of the country, taking into account its characteristics and capabilities. Approximation of our climate policy to the European one is necessary for a full-fledged "stitching" of Ukraine with the EU.

At the same time, the European Green Deal should take into account our objective capabilities, so that this policy does not create new barriers to goods and services, but becomes an additional tool for the value-based and economic unification of Europe.

KEY RESULTS

The European Union is a key trading partner of Ukraine. Since the introduction of the free trade area, the share of trade in goods and services with the EU amounts to more than 40% of the total trade volume of Ukraine. After visa-free regime, which opened up the free movement of individuals, the DCFTA with the EU also opened up access to the European market, and most of our exports to the EU today are goods and services produced by domestic small and medium-sized enterprises. This is the result of the Agreement, which, along with the "visa-free regime", can be felt by the majority of Ukrainian exporters who are not afraid to enter the markets of the EU member states. So, if in 2013 Ukrainian exports to the EU amounted to 13.4 billion euros, in 2019 it reached 19.1 billion euros. In 2020, unfortunately, due to the coronavirus, exports decreased to 16.5 billion euros. These are immediate results of the Association Agreement implementation.

At the same time, in my opinion, the main result of the implementation of the Agreement is yet the internal changes, improvement of the quality of life and security for Ukrainians. This was facilitated, in particular, by the introduction of the European standards in the field of food production, sanitary and phytosanitary standards, ensuring transport safety, setting environmental requirements and carrying out other reforms that transfer the fundamental goals of the Agreement to the sectoral and operational levels and bring the standards of living of Ukrainians closer to the European ones. We are moving towards a status where for Ukrainians, from the point of view of the safety of products in the supermarkets, it will no longer matter whether



to buy them in Odessa or in Wroclaw — the requirements for safety for human health should be the same.

It is worth noting that not all European integration reforms have an instant effect. Some of them require appropriate institutional changes, both in the structure of the executive branch and in the principles of doing business. Most of these structural reforms have been on the "bench" for several years and today have gained a second wind thanks to the cooperation of the Government and the Verkhovna Rada. However, the most important thing is that these reforms are highly sustainable and literally "stitch" Ukraine with the EU.

In 2020 we have completed the decentralization reform launched in 2014, which contributed to increasing the economic, social, and investment opportunities of the regions. Almost 900 Centers for Administrative Services Provision (CASPs) were created in Ukraine that provide convenient public services to our citizens.

We have reformed the public procurement sector by implementing European rules in this area. From now on, public procurement takes place only through the ProZorro electronic system, minimizing the human factor and the possibility of corruption. Few people now remember these terrible phrases: "tender committee", "publication in the Official Gazette". Today, public procurement is not only a transparent tool, but also a reform that is one of the most powerful safeguards for corruption and allows to save billions of hryvnias annually. The state has saved hundreds of billions of hryvnias thanks to the launch of this system.

Critical changes are taking place at customs: customs formalities for enterprises with a high level of trust are simplified, and grounds for mutual recognition of the status of authorized economic operators are created. In March 2021, the new computerized transit system (NCTS), which is the basis of the European common transit system, was launched in Ukraine.

We are actively working on integration of Ukraine into the EU energy market. On 1 October 2015, the Law of Ukraine "On the natural gas market" came into force, which is aimed at introducing the rules of the EU internal natural gas market. Vertically integrated companies have been reformed. Today, Ukraine is fully synchronized with Europe in terms of the mode of operation of the gas market by switching to daily balancing.

On 11 June 2017, the Law of Ukraine "On the electricity market" came into force. The main segments of the new market have been launched, including the bilateral contracts market, the day-ahead market, the intra-day market, the balancing market and the ancillary services market. And in April 2021, the Parliament voted for the adoption of the law on certification of the transmission system operator NPC Ukrenergo, which creates prerequisites for synchronizing the United Energy System of Ukraine with the network of the energy systems of the EU member states (ENTSO-E).



Adopting certain decisions on structural bills required political will and courage, since European integration reforms often envisaged replacement of the Soviet traditions of social and economic life with the European norms based on the market rules. Therefore, until 2019, the Verkhovna Rada kept these draft laws in an endless "waiting room". An example is the implementation of the Agreement in the field of transport, which was finally unblocked thanks to the adoption of the Law of Ukraine "On inland water transport".

In general, from the beginning of 2020 till now, the Verkhovna Rada has adopted a number of laws aimed at deepening Ukraine's integration into the European legal and economic space. Most of them are not minor technical changes, but fundamental systemic changes in the rules of the game covering entire sectors. This is the best tool for demonopolizing and launching highly competitive markets.

During 2020 Ukraine has also fulfilled a number of tasks from the previous years in the framework of the implementation of the Agreement. Thus, the progress of the Agreement implementation in 2019 was increased by 13% (up to 50%), progress in 2018 was increased by 6% (up to 65%), 9% in 2017 (up to 69%) and 2% in 2016 (up to 81%).

Behind each of these percentage points, behind each law and each piece of legislation, is the daily hard work of many people: in the Office of the President, the Government and the Parliament. These are the people who give the great process of European integration an executive dimension, embody it in specific practical steps.

Today, the process of the Agreement implementation is coordinated with the involvement of all branches of authorities: presidential, legislative and executive. For this purpose, the Commission for Coordination of the Implementation of the Association Agreement was established in 2020 under the under the chairmanship of the Prime Minister of Ukraine. The Commission has already demonstrated its effectiveness as an important platform for agreeing on many details at the political level. In particular, within the framework of the Commission's work, a map of priority European integration bills has been formed, which is a roadmap for the work of the Government and Parliament in the European integration direction.

If we summarize the results of European Integration for 2020 in one word, then this word will be «irreversibility». European integration has become the prism through which we look at every draft law and every adopted piece of legislation. In some issues we are moving faster than we expected, in some issues — slower than we would like, but we are constantly moving towards gaining full membership of Ukraine in the European Union.



SECTION 1. OVERALL PROGRESS AND ASSESSMENT OF IMPLEMENTATION OF THE EU-UKRAINE ASSOCIATION AGREEMENT

Implementation of the Association Agreement with the EU (hereinafter "the Association Agreement", "the Agreement", "AA") envisages implementation by the Ukrainian Party of almost 8 thousand measures in the framework more than 2 thousand tasks. All of them are described in the information and analytical system Pulse of the Agreement, which is used by the Government to monitor the progress in fulfillment of our obligations under the Agreement in general and in 24 spheres of cooperation, in particular.

The overall progress of the Association Agreement implementation according to the Pulse of the Agreement is 54%. Thus, overall, Ukraine progressed in implementation of its obligations by 10% in 2020.



The major progress during the entire implementation of the Association Agreement has been made in the following areas:

- Political Dialogue, National Security and Defense 89 %
- Justice, Freedom, Security and Human Rights 85 %
- · Technical Barriers to Trade 85 %
- · Humanitarian Policy 84%
- Public Procurement 83 %
- Entrepreneurship 81 %

At the same time, there are areas in which Ukraine is significantly behind the schedule in fulfilling its obligations. In particular, the least progress is observed in the following sectors:

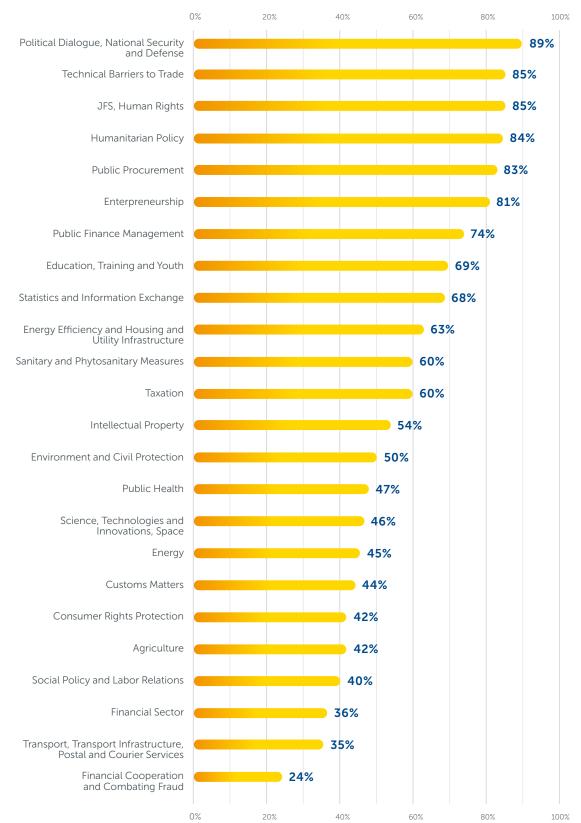
• Financial Cooperation and Combating Fraud - 24 %;



- · Transport, Transport Infrastructure, Postal and Courier Services 35%
- Financial Services 36%

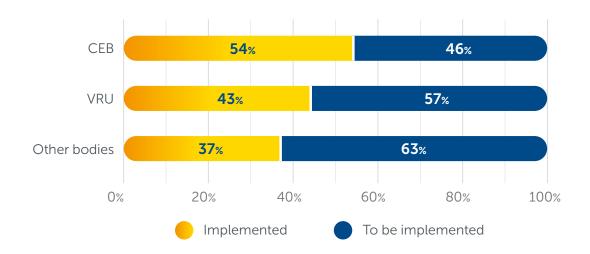
Data on the status of implementation of measures under 24 areas are shown in the diagram below.

% OF IMPLEMENTED MEASURES



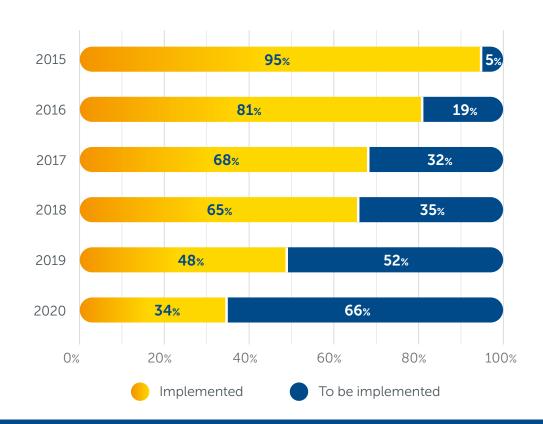
The results of the monitoring of the Agreement implementation by groups of implementers demonstrate that the central executive bodies (CEB) are best able to cope with their tasks, by the end of 2020 they completed 54% of all measures assigned to them. At the same time, the Verkhovna Rada of Ukraine has completed 43% of its measures, while other state bodies have completed 37% of their measures.

PROGRESS BY GROUPS OF IMPLEMENTERS:



Depending on the implementation period provided for in the action plan, all measures in the Pulse of the Agreement are distributed by year. The status of implementation of measures in the context of 6 years of implementation of the Agreement is shown in the diagram below.

PROGRESS BY YEARS:



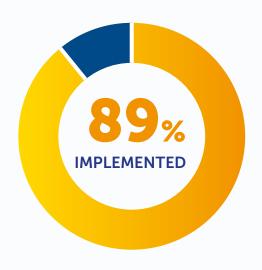


SECTION 2.

MAIN RESULTS OF IMPLEMENTATION OF THE ASSOCIATION AGREEMENT IN 2015-2020

2.1 POLITICAL DIALOGUE, NATIONAL SECURITY AND DEFENSE

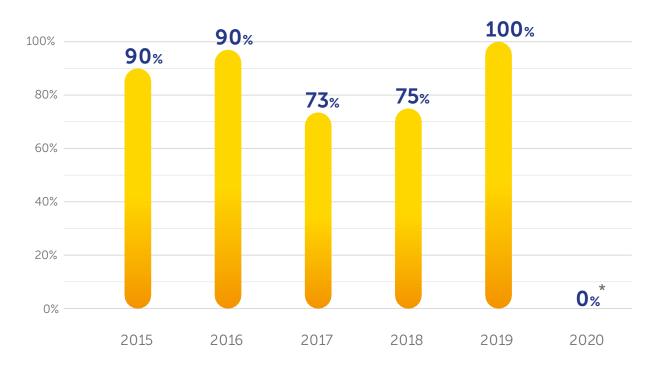
It covers **157** measures within **26** tasks Overall progress since the AA effective date - **89%**



157
MEASURES

26 TASKS

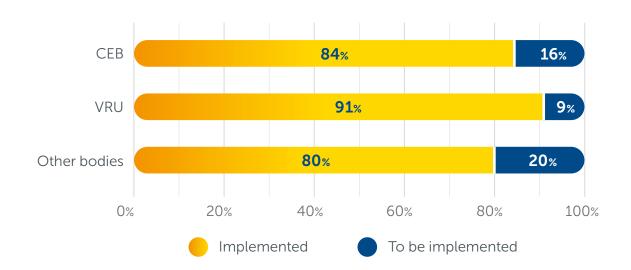
IN THE CONTEXT OF THE LAST 6 YEARS



^{*} The Action Plan on implementation of the Association Agreement for 2020 envisages one measure in this sphere – approval of the Concept of the SBU reform. The draft Law No. 3196-d of 26.10.2020 approved by the Verkhovna Rada in the first reading brings the status of the SBU in line with the Law of Ukraine "On national security of Ukraine". Based on the current system of monitoring there is no opportunity to reflect this positive result at the Pulse of the Agreement site without relevant amendments to the Action Plan on implementation of the Association Agreement.



PROGRESS BY GROUPS OF IMPLEMENTERS:



POLITICAL DIALOGUE AND COOPERATION ON INTERNAL REFORMS

The President of Ukraine initiated the amendments to the Constitution of Ukraine securing strategic course towards joining the EU and NATO (No. 9037 of 03.09.2018) to guarantee the irreversibility of Ukraine's course towards European and Euro-Atlantic integration.

The EU-Ukraine political dialogue remains at the high level and takes place within the framework of all existing mechanisms, including with the aim of coordinating the approaches of Ukraine and the EU to assessment and condemning Russia's actions against international peace and security and applying appropriate countermeasures.

FOREIGN AND SECURITY POLICY. INTERNATIONAL SECURITY, SECURING PEACE, SECURITY AND STABILITY

Development of the dialogue on foreign policy and security policy, aimed at gradual rapprochement and coordination of positions of Ukraine and the EU on international policy and international relations, including international security issues, for deeper involvement of Ukraine in the European security zone.

In 2016, the Strategic Defence Bulletin of Ukraine was approved, aimed at ensuring the practical implementation of the provisions of the Military Doctrine of Ukraine and the Concept of the Development of the Security and Defence Sector of Ukraine, which defines the strategic and operational goals and results of the defence reform.



The Law of Ukraine "On national security of Ukraine" (No. 2469-VIII of 21.06.2018) has been adopted, bringing national security and defence standards in line with the FU standards.

Ukraine continues the practice of joining the EU statements and addresses on the international issues, including within international organizations (the UN and its system of bodies and institutions, OSCE, IAEA, etc.), the high level of Ukraine's joining the EU statements and positions on topical international issues indicates common views and approaches in resolving and responding appropriately to regional and global challenges. During the period from 2014 to March 2021, Ukraine joined 2,323 statements of the European Union.

Imposing the restrictive measures is one of the tools to promote the achievement of the goals of the Common Foreign and Security Policy of the European Union, in particular the development of democracy, the rule of law, respect for human rights and international law provisions¹.

FIGHT AGAINST TERRORISM

The Resolution of the Cabinet of Ministers of Ukraine No. 92 of 18 February 2016 approved the Regulation on the unified state system for preventing, responding to and suppressing terrorist acts and minimizing their consequences.

<u>Decree of the President of Ukraine No. 53 of 5 March, 2019 approved the Concept of Combating Terrorism in Ukraine</u>, Order of the Cabinet of Ministers of Ukraine of 5 January 2021. No. 7-r - Action plan for the implementation of the Concept.

RATIFICATION OF THE STATUTE OF THE INTERNATIONAL CRIMINAL COURT

The Law of Ukraine" On the amendments to the Constitution of Ukraine (concerning justice)" (No. 1401-VIII) provides that Ukraine can recognize the jurisdiction of the International Criminal Court under the conditions defined by the Rome Statute of the International Criminal Court.

The relevant provision supplemented Article 124 of the framework Law.

Draft Laws of Ukraine "On ratification of the Rome Statute of the International Criminal Court and amendments thereto" and "On amendments to the Criminal Procedure Code of Ukraine and certain legislative acts concerning the ratification of the Rome Statute and amendments thereto" have been developed.

¹ The EU restrictive measures may include: diplomatic sanctions (expulsion of diplomats, cooling in diplomatic ties, suspension of official visits); suspension of cooperation with a third country; boycott of sports or cultural events; trade sanctions (general and individual trade restrictions, arms embargoes, etc.); financial sanctions (freezing of financial resources, prohibition of financial transactions, restriction of investment or lending operations); prohibition of air travel; restriction of entry. The EU restrictive measures may apply to third-country governments, legal entities and individuals.



CONSTITUTIONAL REFORM

In recent years, a number of amendments have been made to the Constitution, in particular by the laws:

- "On the restoration of certain provisions of the Constitution of Ukraine" (No. 742-VII of 21 February, 2014), which entered into force on 2 March 2014².
- "On amendments to the Constitution of Ukraine (concerning justice)" (No. 1401-VIII of 2 June 2016), which entered into force on 30 September 2016. The law provides for significant changes not only in the judicial system, but also in the system of the prosecutor's office, the bar, etc. In particular, Law No. 1401-VIII raises the requirements for holding the position of a judge, introduces the institution of a constitutional complaint, introduces lawyer's monopoly in courts, establishes mandatory pre-trial dispute resolution, and so on.
- "On amendments to the Constitution of Ukraine (concerning the strategic course of the state to acquire full membership of Ukraine in the European Union and the North Atlantic Treaty Organization)" (No. 2680-VIII of 7 February, 2019). This law, in addition to amendments to the Constitution of Ukraine, which establish the irreversibility of the strategic course of the state to acquire full membership in the European Union and in the North Atlantic Treaty Organization, excluded from the transitional provisions of the Constitution the clause that provided for the use of existing military bases on the territory of Ukraine for the temporary stay of foreign military formations on lease terms in accordance with international treaties.
- "On amendments to the Article 80 of the Constitution of Ukraine (concerning the immunity of People's Deputies of Ukraine)" (No. 27-IX of 3 September 2019), which entered into force on 1 January 2020. The law cancels the provisions under which People's Deputies of Ukraine are guaranteed parliamentary immunity.

In addition, as of today, the Verkhovna Rada of Ukraine has registered a number of other draft laws that propose amendments to the Constitution³.

SBU REFORM

According to the adopted Law of Ukraine "On National Security of Ukraine" (No. 2469 of 21.06.18), the legal status of the SBU was changed from a special-purpose law enforcement agency to a special-purpose state body with law enforcement functions that ensures state security. Accordingly, this framework law provides for conceptual changes in the approach to implementing the SBU reform.



² Thus, from 2 <u>March 2014</u>, the Constitution of Ukraine adopted at the fifth session of the Verkhovna Rada of Ukraine on 28 June 1996, with amendments and additions introduced by the Laws of Ukraine No. 2222-IV of 8 December 2004, No. 2952-VI of 1 February, 2011, No. 586-VII of 19 September 2013 and No. 742-VII of 21 February 2014 is in force. The law, in particular, provides that the Verkhovna Rada of Ukraine can form a coalition of parliamentary factions, comprising both factions and individual people's deputies.

³ Registration No. 1013 of 29.08.2019, registration No. 1015 of 29.08.2019, registration No. 1016 of 29.08.2019, registration No. 1017 of 29.08.2019, registration No. 1027 of 29.08.2019, registration No. 1028 of 29.08.2019.

Draft Law No. 3196-d of 26.10.2020, which was adopted by the Verkhovna Rada of Ukraine in the first reading, will bring in line with the Law of Ukraine "On National Security of Ukraine" the status of the SBU, will significantly strengthen the counterintelligence and anti-terrorist areas of its activities and expand the powers to use forces and means of the Service against terrorist organizations, illegal armed and paramilitary formations, transnational criminal groups outside Ukraine, and counteract special information operations against Ukraine.

ELECTION LEGISLATION

In order to unify and streamline the regulation of the election process and in accordance with the recommendations of the international organizations, in 2019 the Verkhovna Rada of Ukraine adopted the Electoral Code of Ukraine (No. 396-IX of 19.12.2019), which provides for the systematization of election legislation by its consolidation into a single piece of legislation.

Also in July 2020, a law came into force, which, in particular, amended the Electoral Code of Ukraine in terms of improving the procedure for holding local elections.

DECENTRALIZATION

One of the most important reforms aimed at the formation of empowered local self-government, decentralization of powers and development of regions was launched in Ukraine with the adoption of the Concept of Local Governance Reform and Territorial Organisation of Power in Ukraine, approved by the Order of the Cabinet of Ministers of Ukraine of 01.04.2014 No. 333-r. The reform was based on the provisions of the European Charter of Local Self-Government and best international practices.

As a result of the implementation of the first stage of the reform (2014-2019), 983 amalgamated territorial communities (hereinafter referred to as ATC) were created, amalgamating on a voluntary basis 4,492 communities. Of these, the first local elections were held in 936 ATCs, and 151 territorial communities joined 47 cities of regional significance. Local self-government bodies of ATCs received additional powers and resources.

For 2020-2023, it is planned to determine the administrative-territorial structure of the basic and sub-regional levels. Regarding the basic level, on 12.06.2020 the government approved 24 orders on defining administrative centers and approving the territories of communities in 24 regions, as a result of which 1,469 territorial communities were created in the country (including 31 communities in the non-government controlled areas within Donetsk and Luhansk regions). At the same time, in terms of reforming the sub-regional level, Resolution of the Verkhovna Rada

⁴ Law of Ukraine "On amendments to certain laws of Ukraine concerning the improvement of election legislation" dated 16.07.2020 No. 805



of Ukraine No. 807-IX of 17.07.2020 "On Formation and Liquidation of Districts" approved a new administrative-territorial structure of the sub-regional level, as a result of which 136 new districts were created in the Autonomous Republic of Crimea and 24 regions of Ukraine and 490 districts were liquidated.

GOOD GOVERNANCE (PUBLIC ADMINISTRATION REFORM)

Active implementation of public administration reform in accordance with the European principles of good governance started in 2016 with the adoption of the new Law of Ukraine "On Civil Service" and the comprehensive Strategy for Public Administration Reform, which complies with the OECD/SIGMA principles of public administration.

In 2016, the Government developed and approved a <u>Strategy for Public Administration Reform in Ukraine till 2021</u>, which meets the European standards of good governance.

As part of the reform, the following main measures were implemented⁵:

- the reform of the system of central executive bodies has started, in particular, the Concept of optimization of the system of central executive bodies has been approved, the provisions of the Concept have been revised (approved by the Order of the Cabinet of Ministers of Ukraine No. 1013 of 27.12.2017) based on the results of the assessment of state of play in the public administration system in accordance with the principles of public administration developed by SIGMA;
- civil service staff rotation has started (to implement the Concept of introducing positions of reform specialists);
- modern HR management technologies are being implemented;
- offices of human resource management were created in public authorities, methodological support was provided for their operation, and the Council for the Civil Service Human Resource Management was established under the NACS;



⁵ The following laws and regulations have been adopted and are being implemented: the Law "On Civil Service" of 10 December 2015, No. 889-VIII; the Concept of introducing a positions of reform specialist (Decree of the Cabinet of Ministers of Ukraine of 11 November 2016 No. 905-r); the Concept of optimizing the system of central executive bodies (determines the guiding principles of the organization of activities of the ministries and other central executive bodies), the Resolution of the Cabinet of Ministers of Ukraine of 27 December 2017 No. 1013-r; the Concept of implementation of human resources management information system in public bodies and the action plan for its implementation (the Decree of the Cabinet of Ministers of Ukraine of 1 December 2017 No. 844-r); the Concept of reforming the system of professional training of civil servants, heads of local state administrations, their first deputies and deputies, officials of local self-governments and local councils of deputies (the Decree of the Cabinet of Ministers of Ukraine of 1 December 2017, No. 974-r); Resolution of the Cabinet of Ministers of Ukraine of 18 May 2016, No. 335 "On Coordination Council for public administration reform"; Resolution of the Cabinet of Ministers of Ukraine of 25 March 2016 No. 246 "On approval of the Procedure of the competition for civil service positions", Resolution of the Cabinet of Ministers of Ukraine of 18 January 2017 No. 15 "On the issues of remuneration of employees of state agencies"; Resolution of the Cabinet of Ministers of Ukraine of 18 August 2017 No. 647 "Some aspects of the implementation of a comprehensive public administration reform" (Procedure and conditions for the allocation and use of budgetary funds to support the implementation of the comprehensive public administration reform); Law of Ukraine No. 117 "On amendments to some laws of Ukraine concerning the reboot of the government" of 19 September, 2019 No. 117-IX; Resolution of the Cabinet of Ministers of Ukraine of 11 December, 2019 No.1034 "On some issues of public administration reform".

- a full cycle of performance assessment of civil servants holding civil service positions of categories "A", "B", "C" was carried out on the basis of defined tasks and key performance indicators (KPIs);
- in accordance with defined missions, goals and areas of state policy, ten pilot ministries, two national agencies and the Secretariat of the Cabinet of Ministers have created new structural divisions directorates;
- guidelines were approved for setting key performance, efficiency and quality indicators of official activities of civil servants holding civil service positions of categories "B" and "C", as well as heads of newly formed directorates;
- in 2018, SIGMA program conducted the first comprehensive assessment of the state of play in the public administration in Ukraine. The results of the assessment confirmed progress in implementing the reform, and the conclusions and recommendations became the basis for updating the Strategy and Action Plan for its implementation. The updated Strategy contains 21 performance indicators and 69 measures;
- in November 2019, a government decree approved a new version of the Typical requirements for persons applying for civil service positions of Category "A";
- the Human Resource Management Information System (HRMIS) is currently in operation in the pilot mode in the NACS, the Ministry of Finance and the Ministry of Digital Development.
- conditions have been created for reforming the system of professional training and development of civil servants, local government officials;

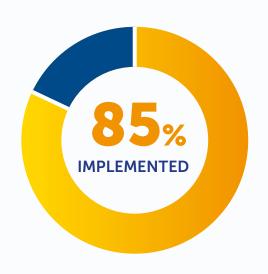
NEXT STEPS AND CHALLENGES

- Ratify the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention).
- Amend some legislative acts to harmonize the legislation in the field of preventing and combating discrimination with the European Union legislation.
- Amend administrative and criminal legislation to strengthen liability for discrimination and hate crimes and strengthen mechanisms to combat torture and ill-treatment of people.
- Complete the implementation of the next stage of the Concept of Local Governance Reform and Territorial Organisation of Power in Ukraine.
- Amend the Law of Ukraine "On personal data protection" in order to bring it in line with the EU Regulation No. 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.
- Carry on the public administration reform and resume competitions for positions of reform specialists, which were suspended in 2020 due to the COVID-19 pandemic.



2.2 JUSTICE, FREEDOM, SECURITY AND HUMAN RIGHTS

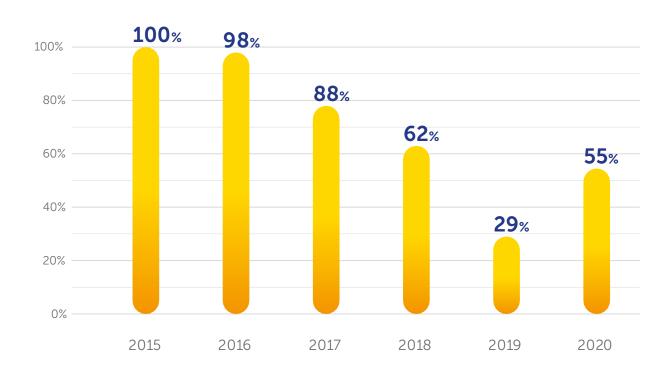
It covers **449** measures within **100** tasks Overall progress since the AA effective date - **85%**



449 MEASURES

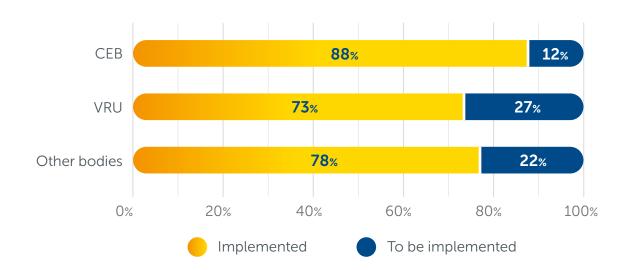
100 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



VISA-FREE REGIME

On 18 December 2015, the European Commission published Sixth Progress Report on the Implementation by Ukraine of the Action Plan for Visa Liberalization, in which Ukraine's compliance with all criteria of the Action Plan was noted.

The EU visa-free regime for Ukraine has been in effect since 11 June 2017. Ukrainian citizens can travel without visas to 34 European countries. These are 26 EU member states (except the United Kingdom and Ireland) and 4 associate members of the Schengen Agreement: Iceland, Liechtenstein, Norway and Switzerland, as well as 4 states where the EU visa legislation applies: Andorra, San Marino, Vatican, Monaco.

On 20 December 2017, the EC published the first Report on compliance with the criteria for visa-free regime with the EU, in particular based on the results of reviewing the information received from Ukraine.

For the three years since the start of the visa-free travel, Ukrainian citizens have made 48.5 million trips to the EU countries, 10.1 million citizens have crossed the border using biometric passports.

In 2020, Ukrainian citizens made more than 6 million trips to the EU countries.

National system of biometric verification and identification of citizens has been created, which allows to automatically check all types of biometric documents.



HUMAN RIGHTS

The National Human Rights Strategy was approved by <u>the Decree of the President of Ukraine of 25 August 2015</u> in order to improve the activities on strengthening and enforcement of human and civil rights and freedoms in Ukraine. The Strategy aims at uniting society in understanding the value of human rights and freedoms protected on the basis of equality and non-discrimination.

Pursuant to the National Human Rights Strategy, the relevant Action Plan for its implementation was approved by the Order of the Cabinet of Ministers of Ukraine No. $1393-\underline{r}$ of 25 November 2015.

Among the main achievements in the implementation of the Action Plan are:

- The Law of Ukraine "On preventing and combating domestic violence" and amendments to the Criminal and Criminal Procedure Codes of Ukraine, which together are aimed at creating new effective mechanisms for preventing and combating violence against women and domestic violence. Both pieces of legislation are aimed at implementing the provisions of the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention);
- adoption by the Government of the State social program to ensure equal rights and opportunities for women and men till 2021, which takes into account the directions of the Council of Europe Gender Equality Strategy;
- implementation of the National Strategy for Civil Society Development in Ukraine for 2016-2020, aimed at establishing cooperation between the authorities and civil society organizations, in the first instance on ensuring human rights and freedoms;
- creation of the Coordination Council for Civil Society Development with the status of an advisory body under the President of Ukraine;
- creation and maintenance of a register (Unified Information Database) on internally displaced persons;
- formation of the Institute of the Government Commissioner for Gender Policy.

In order to implement the Association Agreement between Ukraine and the EU, recommendations on the results of the Universal Periodic Review, and the EU-Ukraine Human Rights Dialogue, the Ministry of Justice of Ukraine has developed a draft Action Plan for the implementation of the National Human Rights Strategy for 2021-2023.



JUSTICE REFORM AND THE RULE OF LAW

On 02.06.2016, the Verkhovna Rada of Ukraine adopted the Law of Ukraine No. 1401-VIII "On amendments to the Constitution of Ukraine (concerning justice)" and the Law of Ukraine No. 1402-VIII "On the judicial system and the status of judges" (new version), which entered into force on 30.09.2016.

On 21.12.2016, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On the High Council of Justice", which entered into force on 05.01.2017.

On 07.06.2018, the Verkhovna Rada of Ukraine adopted the Law of Ukraine No. 2447-VIII "On the High Anti-Corruption Court", which stipulates, in particular, the status and tasks, jurisdiction of cases of the High Anti-Corruption Court, requirements for candidates for the positions of judges of the High Anti-Corruption Court, the procedure for filling the positions, as well as additional guarantees for the safety of judges of this court.

On 21.06.2018, the Verkhovna Rada of Ukraine adopted the Law of Ukraine No. 2470-VIII "On formation of the High Anti-Corruption Court".

With the adoption of the law "On the High Anti-Corruption Court" in June 2018, the creation of a specialized court started. The High Anti-Corruption Court (HACC) started its work on 05.09.2019.

Further, in order to bring the provisions of Ukrainian legislation in compliance with the decision of the Constitutional Court of Ukraine dated 11.03.2020 No. 4-r/2020, as well as to improve organization and operation of judicial self-governance bodies, taking into account the reservations expressed by the European Commission for Democracy through Law (Venice Commission) regarding certain provisions of the Law No. 193-IX, the President of Ukraine submitted⁶ for the consideration of the Verkhovna Rada of Ukraine an urgent draft Law of Ukraine "On amendments to the Law of Ukraine "On the judicial system and the status of judges" and certain laws of Ukraine concerning activities of the Supreme Court and judicial self-governance bodies" (No. 3711).

After the draft Law of Ukraine "On amendments to the Law of Ukraine "On the judicial system and the status of judges" and certain laws of Ukraine concerning the resumption of work of the High Qualifications Commission of Judges of Ukraine" (No. 3711-d, on 03.03.2021 adopted in the first reading) was refined by the Verkhovna Rada Committee on Legal Policy, on 29.01.2021 People's Deputies submitted it to the Verkhovna Rada of Ukraine for consideration.

Further, pursuant to the Decision of the Constitutional Court of Ukraine No. 4-r/2020 of 11.03.2020 and a number of international obligations, the President of Ukraine submitted to the Verkhovna Rada of Ukraine for consideration an urgent draft Law of Ukraine "On amendments to certain laws of Ukraine concerning the procedure for election (appointment) of members of the High Council of Justice





and activities of disciplinary inspectors of the High Council of Justice" (No. 5068), in which it is proposed to define:

- the procedure of formation, activities and powers of the Ethics Council, in particular, regarding defining compliance of a candidate to the position of member of the High Council of Justice with criteria of professional ethics and integrity;
- competitive principles for selection of candidates by the relevant body of election (appointment) of a member of the High Council of Justice;
- evaluation by the Ethics Council of the compliance of members of the High Council of Justice (except for the Chairman of the Supreme Court) with the criteria of professional ethics and integrity;
- rules of procedure of the Service of Disciplinary Inspectors of the High Council of Justice.

In accordance with the Law of Ukraine "On amendments to the Law of Ukraine "On the judicial system and the status of judges" concerning the secondment of judges and settlement of other issues of judicial system functioning in the period of absence of the duly authorized composition of the High Qualification Commission of Judges of Ukraine" of 04.06.2020 No. 679-IX (hereinafter – Law No. 679-IX), the High Council of Justice for the period of absence of the duly authorized composition of the HQCJ is granted the right to take decisions, in particular, on secondment of a judge to another court, making suggestions to the President of Ukraine on the appointment of a judge whose powers were terminated due to the expiration of the period for which he/she was appointed.

Pursuant to the Law No. 679-IX, the HCJ has launched the necessary procedures, in particular regarding secondment of the judges to another court of the same level and specialization for the administration of justice.

THE PROSECUTOR'S OFFICE REFORM

As of today, the reform of the Prosecutor's Office, initiated in accordance with the provisions of the Law of Ukraine on 19.09.2019 No. 113 "On amendments to certain legislative acts of Ukraine concerning the priority measures for the reform of Prosecutor's Offices", continues.

Thus, in accordance with the provisions of this Law:

- performance evaluation of prosecutors of the Prosecutor General's Office and regional prosecutor's offices was carried out, performance evaluation of prosecutors of local prosecutor's offices has started;
- the formation of a reformed structure of the prosecutor's office system continues. In particular, in 2020 the Prosecutor General's Office and regional prosecutor's offices were launched:



• on the basis of the National Academy of the Public Prosecutor's Office of Ukraine, a Prosecutor's Training Center of Ukraine has been created, which is a state institution that provides advanced training for prosecutors.

PREVENTING AND COMBATING CORRUPTION

The creation of a specialized court started after the adoption of the Law of Ukraine "On the High Anti-Corruption Court" in June 2018.

In order to restore criminal liability for illegal enrichment and introduce the institute of recognizing as unjustified the assets of persons authorized to perform state or local self-government functions, and their recovery to the state income, the Verkhovna Rada of Ukraine on 31.10.2019 adopted the Law of Ukraine No. 263 – IX "On amendments to certain legislative acts of Ukraine concerning the confiscation of illegal assets of persons authorized to perform state or local self-government functions, and punishment for the acquisition of such assets" (hereinafter-Law No. 263-IX).

This law is aimed, in particular, at restoring criminal liability for illegal enrichment and introducing an institute on recognizing the assets of persons authorized to perform state or local self-government functions as unjustified, and collecting them in the state income.

Thus, according to the provisions of the Law of Ukraine No. 263-IX, the State Bureau of Investigation and the National Anti-Corruption Bureau of Ukraine are authorized to take measures to identify unjustified assets and gather evidence for that and then send relevant materials to the Specialized Anti-Corruption Prosecutor's Office in order to file a claim for recognition of assets as unjustified and recover them to the state income.

In such cases the interests of the state in the court are represented by the prosecutors of the Specialized Anti-Corruption Prosecutor's Office, and in cases stipulated by the law - by prosecutors of the Prosecutor General's Office.

LAW ENFORCEMENT REFORM

In recent years, the Ministry of Internal Affairs (MIA) has become one of the key law enforcement agencies that has undergone a significant transformation. The reform of the Ministry of Internal Affairs was carried out in accordance with the approved strategic documents, in particular the Strategy for the Development of the Internal Affairs Bodies and the Concept for the priority measures for reforming the system of the Ministry of Internal Affairs (approved by the Order of the Cabinet of Ministers of Ukraine of 22 October, 2014 No. 1118) and the Strategy for the Development of the Ministry of Internal Affairs of Ukraine until 2020, developed jointly with the EU experts and approved on 15 November 2017.



As part of the reform, the Main Service Center of the Ministry of Internal Affairs of Ukraine was created, which provides paid and free services that fall within the competence of the Ministry of Internal Affairs. 144 service centers now operate on the principle of a "single window" in the form of an open office, 25 mobile service centers provide services in the most remote areas.

Proper implementation of the Law of Ukraine "On the National Police" has been ensured. In particular, rules of procedure of the Police Commissions and the standard selection procedure for police service and/or filling a vacant position were approved.

The re-assessment of performance of the National Police officers was carries out. An independent recruitment center has been established, and a system of transparent, open competitive selection of investigators, district inspectors and line officers has been developed and implemented.

In 2016, a unified special rapid response unit was created — the Rapid Operational Response Unit (KORD).

The concept for further reform of the National Police of Ukraine in the areas of the police interaction with the population, crowd management, criminal investigations, staff recruitment and training is being formulated.

A central executive authority with a special status, the State Bureau of Investigation, has been established (Resolution of the Cabinet of Ministers of Ukraine No.127 of 29 February 2016).

The Development Strategy for the State Border Guards Service of Ukraine, the Concept of Integrated Border Management and the Action Plan for its implementation were approved. The Strategy of State Migration Policy till 2025 and the corresponding Action Plan were approved. The Cabinet of Ministers approved the Concept of the State Program for the Development of the National Guard of Ukraine till 2020. The Strategy for Reforming the System of the State Emergency Service of Ukraine has been approved.

In accordance with the Law of Ukraine "On National Security", as well as the new National Security Strategy, the Ministry of Internal Affairs conducted the first part of the Public Safety and Civil Protection Review, namely the civil protection part. The new National Security Strategy is the basis for further development of more than 15 sector specific strategic documents in the field of security and defense.

Also, strengthening of the regional cooperation is currently an important aspect, including with the involvement of the EUAM regional office, in particular in Mariupol.

Ukraine carries on with the establishment of United System of Aviation Security and Civil Protection of the Ministry of Internal Affairs — the third largest helicopter fleet in Europe (55 Airbus Helicopters). Ukraine also participated in the Sea Breeze-2019. Manned aircrafts patrolled 40 thousand km of the state border.



PERSONAL DATA PROTECTION

Currently, legislative proposals in the field of personal data protection are being developed. In particular, the draft new version of the Law of Ukraine "On personal data protection", taking into account the requirements for the personal data protection, reflected in the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

At the same time, Ukraine has the task accede to the Protocol on amendments to the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data (Convention No. 108), which, among other things, expands and details the powers of the oversight authorities. One of the main challenges for Ukraine on this path is the creation of an independent oversight authority in accordance with the requirements of the Convention 108.

The State Migration Service ensured proper protection of personal data in the process of issuing passport of the citizen of Ukraine for travelling abroad with contactless electronic media by means of the interagency information system of the State Migration Service "Unified Information and Analytical System for Migration Management", and when issuing diplomatic and service passports of Ukraine with a contactless electronic media by means of the Unified State Demographic Register.

Resolution of the Cabinet of Ministers of Ukraine No. 1073 of 27.12.2017 launched the National system of biometric verification and identification of Ukrainian citizens, foreigners and stateless persons from 1 January 2018.

In the field of document security, including biometrics, a high level of reliability of biometric documents has been ensured and their functionality has been expanded.

Since the beginning of 2015, more than 16 million passports have been issued in Ukraine for traveling abroad with a contactless electronic biometric information media.

COOPERATION IN MIGRATION AND ASYLUM

Since January 2016, registration and issuance of a passport of a citizen of Ukraine in the form of a card with a contactless electronic media has been introduced.

The Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning documents confirming the citizenship of Ukraine, certifying a person or his/her special status aimed at liberalization of the visa regime for Ukraine by the European Union" of 14.07.2016 No. 1474-VIII amended the Law of Ukraine "On the Unified State Demographic Register and documents confirming the citizenship of Ukraine, certifying a person or his/her special status".



Issuance of biometric travel documents that meet the standards of the International Civil Aviation Organization (ICAO) has been launched using the Unified State Demographic Register, including at Ukrainian consular offices abroad.

In order to strengthen the liability for forgery or misuse of identification documents, a draft Law of Ukraine "On amendments to the Criminal Code of Ukraine concerning liability for theft, misappropriation, sale, forgery of documents certifying a person, confirming citizenship of Ukraine or special status of a person, as well as certificates of state registration of acts of civil status and/ or the use of such knowingly forged documents" has been developed, which on 3 December 2020 was adopted by the Verkhovna Rada of Ukraine as a basis.

Simplification of access to administrative services - 13 electronic services have been introduced to simplify citizens' access to administrative services.

Ukraine ensures appropriate conditions for keeping the illegal migrants and protection seekers, refugees and persons in need of additional protection. The Resolution of the Cabinet of Ministers of Ukraine No. 144 of 30 March, 2015 approved the Food Standards for foreigners and stateless persons placed in temporary stay points for foreigners and stateless persons illegally staying in Ukraine, temporary accommodation points for refugees of the State Migration Service.

Orders of the Ministry of Internal Affairs of Ukraine approved instructions on the procedure for keeping foreigners and stateless persons in temporary accommodation centers for foreigners and stateless persons who are illegally staying in Ukraine and approved requirements for material and technical support for refugees and persons in need of additional protection living in temporary accommodation centers for refugees.

INTERNATIONAL AGREEMENTS ON READMISSION OF PERSONS

The work is underway on preparing for signing of Implementation protocols on readmission of persons with the EU member states, as well as Agreements on readmission with the European countries and Protocols on their implementation.

Implementation protocols to the Agreement between Ukraine and the EU on readmission of persons between the Cabinet of Ministers of Ukraine and the governments of five EU countries: Austria, the Czech Republic, Estonia, Poland and Lithuania have entered into force.

The draft Implementation protocols to the Agreement with the EU proposed by Ukrainian Party are being reviewed by the competent authorities of Malta, Greece, Slovenia, Hungary, Croatia, Sweden, Slovakia, Italy, Cyprus, Spain and Portugal. The Ukrainian Party is working on Implementation protocols between the Cabinet of Ministers of Ukraine and the governments of France, Germany and Bulgaria.



Preparations for signing Implementation protocols with Romania and Latvia are at the final stage. Readmission dialogue continues at various stages with Serbia, Kazakhstan, Armenia, Lebanon, Tajikistan, Azerbaijan, Afghanistan, China, Iran, India, Sri Lanka, Bangladesh, Iraq, Libya, Nigeria, Vietnam and Pakistan.

BORDER MANAGEMENT

The exchange of information between the central executive bodies on migration issues is carried out on the basis of the Joint Order of the Ministry of Internal Affairs, the Ministry of Foreign Affairs, the Ministry of Infrastructure, the Ministry of Finance, the SBU of 01.09.2015 No. 1050/254/341/749/562, registered with the Ministry of Justice of Ukraine on 10 September 2015 at No. 1094/27539. This order approved a new procedure for the exchange of information and analytical materials between subjects of Integrated Border Management.

In September 2019, the new Strategy for Integrated Border Management (IBM) until 2025, as well as the Action Plan for its implementation for 2020-2022, came into force.

An interdepartmental working group chaired by the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine was established to coordinate the implementation of the IBM strategy.

A completely new "intelligent" technical system for protecting the state border is being created. The system of monitoring of Azov and Black Sea water areas, the basins of the Dnieper and Danube rivers has been strengthened. In particular, five observation posts on the Azov Coast have been upgraded.

As part of the sustainability component, an Automated system for identifying, monitoring and reporting of unmanned aerial vehicles (drones) was put in operation at 4 nuclear power plants.

COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

Based on the results of the 5th round of mutual evaluations of Ukraine, the MONEYVAL Committee adopted the Mutual evaluation report of Ukraine on 7 December 2017.

In June 2020, the MONEYVAL Committee adopted the second Progress Report of Ukraine, which noted the positive dynamics of our state in bringing national legislation in line with international standards in the field of anti-money laundering and countering the financing of terrorism (AML/CFT).



State Financial Monitoring Service of Ukraine (with the involvement of other participants in the AML/CFT system) has developed an action plan aimed at preventing the occurrence and/or reducing negative consequences of identified risks related to laundering of crime proceeds and financing of terrorism.

COOPERATION IN LAW ENFORCEMENT, COMBATING ORGANIZED CRIME, AND COMBATING HUMAN TRAFFICKING

During 2016-2020, the State Social Program for Combating Human Trafficking was implemented. The Ministry of Social Policy has developed a draft Decree of the Cabinet of Ministers of Ukraine "On approval of the Concept of the State Social Program for Combating Human Trafficking until 2025", which is currently being finalized.

By the Presidential Decree "On the National Coordinator in the field of Combating Human Trafficking" No. 306/2020 dated 05.08.2020, the Ministry of Social Policy of Ukraine was designated as the National Coordinator in this area. The work of the hotline 15-47 has been continued to receive calls and information about/or from persons who have suffered from human trafficking, domestic violence, gender-based violence, violence against children, or about the threat of committing such violence (Resolution of the Cabinet of Ministers of Ukraine No. 1369 of 16.12.2020).



2.3 DEEP AND COMPREHENSIVE FREE TRADE AREA

The provisional application of the Title IV of the Association Agreement between Ukraine and the EU in the part of DCFTA started since 1 January 2016. At the same time, the EU autonomous trade preferences regime for Ukraine, launched on 3 April 2014, which unilaterally granted Ukrainian exporters access to the EU market under DCFTA conditions, ended. Since 1 September 2017, the Association Agreement between Ukraine and the EU entered into full force and effect.

KEY RESULTS OF DCFTA IMPLEMENTATION

DCFTA yielded the effect for Ukraine already in 2014, since the moment of granting of autonomous trade preferences to Ukraine. This is confirmed by the increase in the volume of export of Ukrainian goods for which import duties were eliminated or reduced and duty-free tariff quotas were introduced.

In general, after the entry into force of the Agreement for 2015-2020, export of Ukrainian goods to the EU increased by 60%. Currently, the European Union is the largest trading partner of Ukraine with a share of trade in goods of 40.7% of the total volume of foreign trade of Ukraine.

The main positive impacts of the DCFTA for Ukraine:

- · diversification of sales markets, expansion of the range of exporters and product range;
- · adaptation to the European food quality standards and requirements;
- reputational gains.

During 2016-2020, Ukraine demonstrated positive dynamics in filling the EU tariff quotas, namely, in terms of the number of used quotas and export volumes within these quotas. The main increase was provided by agricultural raw materials, foodstuff and mineral products. There was also a positive trend towards increasing the level of filling quotas for goods with the higher degree of processing.

But Ukrainian exports of goods to the EU still remain non-diversified, and during 2014-2020 dependence on certain commodity items (grain, oil, iron ore, rolled metal and electric cables for cars) increased. In addition, actual exports for part of quotas is far in excess of duty-free supplies within quotas.

For specific commodity items, quotas are taken up very quickly, right at the beginning of the year. Commodity items related to meat products (other than poultry) are not taken up at all. The main reason for that is the absence of the approved procedures of veterinary and sanitary control, which hinders the access to the European market. Besides, some quotas cover a very wide product range, including product items related to different markets with different rules and conditions of operation. This limits the realization of export potential.



In 2020, Ukrainian exporters used the opportunities of 31 out of 40 tariff quotas. 12 tariff quotas were fully used⁷.

Ukrainian producers were using tariff quotas for: garlic (93.8%); bran, waste and residues (87.7%); eggs and albumins, additional (84.2%); wheat (77.9%); malt and wheat gluten (72.2%); oats (69.1%); poultry meat additional (65.4%) and others.

In 2021, Ukrainian exporters use the opportunities of 28 out of 40 tariff quotas. As of 15.03.2021, tariff quotas for honey, grape and apple juices, and processed tomatoes have been fully used already. Tariff quotas are being used for: barley cereal and flour (85.0%) corn (73.8%); sugar (44.6%); starch (35.1%); processed grain products (32.0%); poultry meat (25.0%); eggs and albumins (25.0%); oats (20.8%); garlic (15.7%); wheat (12.9%); bran, waste and residues (10.7%) and others.

Ukrainian companies are actively using the opportunities of DCFTA with the EU.

In 2016, 13,402 companies exported goods to the EU member states, in 2017-14,136 companies, in 2018 – 14,715 companies, in 2019 – 14,545 companies, in 2020 – 13,849 companies. In January – February 2021, 6,771 companies exported to the EU member states.

The number of enterprises the production conditions of which meet the EU requirements is constantly growing. In 2014, 185 Ukrainian enterprises had the right to export their products to the EU, and according to the results of 2019 – 319 enterprises. In 2020, 362 Ukrainian enterprises (155 enterprises – producers of consumer products, 207 enterprises – producers of non-food products) had the right to export their own products to the EU market.

In 2020, the customs authorities issued 106,845 EUR.1 certificates. In January-February 2021, 16,989 EUR.1 certificates were issued for export to the EU member states. A total of 441,047 EUR.1certificates have been issued since the start of the DCFTA application. The number of European-oriented exporters who have received the status of an authorized exporter and can export to the EU without issuing a EUR.1 certificate is also increasing. Today, there are already 271 such enterprises.

PROBLEMATIC ISSUES IN TRADE

At the same time, problematic issues also arise, in particular, a dispute in connection with the temporary ban on the export of unprocessed timber from Ukraine.

On 11 December 2020, the Arbitration Panel considering this issue forwarded its final decision to the Parties, noting that the export restriction does not comply with the Article 35 of the Association Agreement. Ukraine shall take any measures necessary for the fulfillment in good faith of the Arbitration Panel's decision, as provided for in Article 311 of the Association Agreement.

⁷ For honey, barley cereal and flour, processed tomatoes, processed starch, grape and apple juices, corn, products of processing of malt and starch, sugar, poultry meat, eggs and albumins, processed grain products, starch.



CONCLUSIONS, NEXT STEPS AND CHALLENGES

Trade between Ukraine and the EU has become more transparent, in-depth and predictable. At the same time, despite this, the level of tariff liberalization between Ukraine and the EU does not correspond to the real volume of trade between Ukraine and the EU.

Analysis of the DCFTA impact indicates the need to increase the volume and improve the commodity structure of Ukrainian exports to the EU. Today, Ukrainian producers have formed a clear request for accelerating and expanding the liberalization parameters review.

Taking into account the level of tariff liberalization, on 11 February 2021, during the Seventh Meeting of the Association Council, the Ukrainian Party handed over a note to the EU Party regarding the start of consultations, the possibility of which is provided for in paragraph 4 of Article 29 of the Association Agreement between Ukraine and the EU.

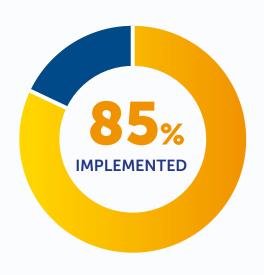
Apart from the revision of the trade related part of the Association Agreement, domestic producers pay considerable attention to problematic issues related to the introduction of non-tariff barriers to trade. In particular, the following problem areas of bilateral cooperation within the framework of the DCFTA were identified:

- lack of regionalization and/or zoning of the territory of Ukraine for the purposes of applying bans on the export of products that are subject to state veterinary control;
- absence of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA);
- limit of the number of universal and transit permits for the cargo transportation by road through the EU countries;
- absence of any advantages for Ukrainian producers when participating in public procurement. There is an urgent need that the EU Party recognizes as soon as possible Ukraine's implementation of the first stage of the public procurement system reform, which will ensure the mutual opening of the EU and Ukraine public procurement markets in terms of goods supplies to central authorities.



2.4 TECHNICAL BARRIERS TO TRADE

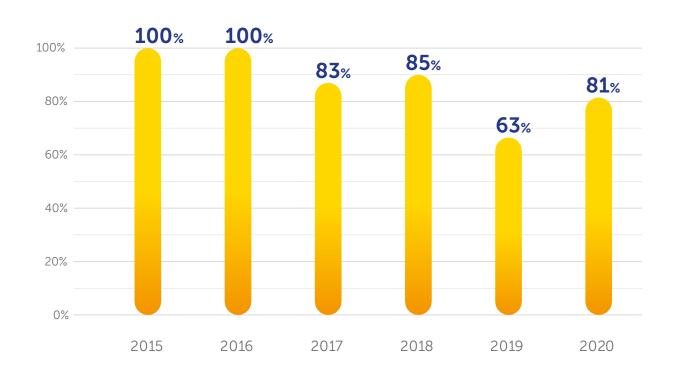
It covers **170** measures within **46** tasks Overall progress since the AA effective date - **85%**



170
MEASURES

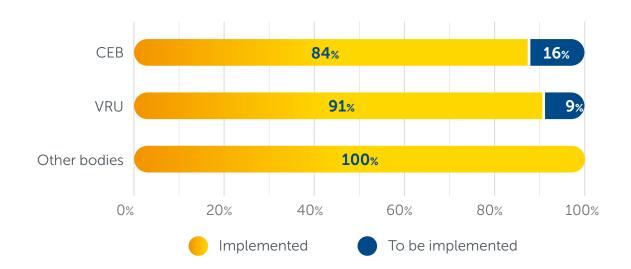
46 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



CONFORMITY ASSESSMENT, ACCREDITATION AND MARKET SURVEILLANCE

As of today, Ukraine has adopted 91 technical regulations, of which 83 were developed on the basis of acts of the EU legislation, 82 technical regulations are already binding.

With respect to the conformity assessment and accreditation, there are 2 horizontal framework laws "On technical regulations and conformity assessment" and "On accreditation of conformity assessment bodies".

Amendments were also made to some legislative acts of Ukraine concerning the implementation of the European Union legislation in the field of technical regulation, in particular to the laws of Ukraine on technical regulations, on accreditation, on metrology and metrological activities, on state market surveillance and control of non-food products and others.

Currently, 109 accredited bodies form the infrastructure of assessment of product conformity with the requirements of technical regulations, of which 58 are stateowned and 51 are privately owned. Besides, 15 conformity assessment bodies were appointed to assess conformity with the requirements of 3 technical regulations on measuring equipment and 61 testing laboratories were authorized.

Since 2019, a procedure of monitoring of designated conformity assessment bodies has been introduced to verify their compliance with the requirements for such bodies and their performance of the duties, which are identical to the requirements and responsibilities in force in the EU for European conformity assessment bodies. The testing and measuring equipment of Ukrainian laboratories involved in assessment of conformity with the requirements of technical regulations has been upgraded,



and capacity building of the staff of government bodies, laboratories conformity assessment bodies was carried out, in particular, thanks to the European technical and financial assistance.

The transition from the outdated system of mandatory product certification in the state certification system "UkrSEPRO" to the system of conformity assessment in accordance with technical regulations identical to the European technical regulations has been completed.

According to the law of Ukraine "On accreditation of conformity assessment bodies", an independent accreditation body operates in Ukraine, namely the National Accreditation Agency of Ukraine, which provides accreditation services to certification bodies, inspection bodies, testing, calibration and medical laboratories, etc.

The National Accreditation Agency of Ukraine has accredited 850 testing and 35 calibration laboratories, 16 medical laboratories, 204 certification bodies, 105 inspection bodies and 4 providers of qualification verification programs.

The Ukrainian accreditation system is recognized at the international and European levels. The National Accreditation Agency of Ukraine has signed agreements on recognition of accreditation results with the European cooperation for Accreditation (EA), the International Accreditation Forum (IAF), and the International Laboratory Accreditation Cooperation (ILAC).

With regards to the state market surveillance, amendments were approved to three horizontal framework laws on the implementation of Regulation (EC) 765/2008, Directive 2001/95/EC, Decision 768/2008/EC, and Council Directive 85/374/ EEC in national legislation.

The government adopted Resolution No. 1069 of 28.12.2016 "On approval of types of products subject to market surveillance by state market surveillance bodies". According to this resolution, market surveillance of conformity of non-food products with the requirements of technical regulations is currently carried out by 7 bodies designated by the government.

METROLOGY AND STANDARDIZATION

Ukraine is gradually updating its regulatory framework, replacing outdated standards with modern international and European ones.

The national standards fund consists of 27,083 documents, of which 9,629 are harmonized with European standards and 8,743 with international ones.

⁹ Law of Ukraine "On general safety of non-food products"; Law of Ukraine "On state market surveillance and control of non-food products"; Law of Ukraine "On liability for damage caused as a result of a product defects"



⁸ Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning reducing pressure on business from market surveillance bodies" dated 12 December 2019 No. 367-IX

4,161 harmonized European standards have been adopted as national standards for all technical regulations in Annex III (except the part of the standards for construction products and radio equipment). The application of these standards indicates that the products meet the requirements of these technical regulations.

In compliance with the government's program approved by the Resolution of the Verkhovna Rada of Ukraine in 2015, 14,475 GOST standards developed before 1992, which were in force in Ukraine, were canceled (with certain cancellation dates, in particular from 2016, 2017, 2018 and 2019). Currently, about 930 state standards (GOST) developed before 1992 remain in force, in particular, the ones referred to in laws and regulations and the ones that are still necessary for manufacturers before the transfer to new national standards.

In 2017, SE Ukrainian Research and Training Center for Standardization, Certification and Quality received the status of a partner organization in the European standardization committees CEN and CENELEC, and also signed a Memorandum of Understanding with the European of Telecommunications Standards Institute (ETSI).

Ukraine has acquired full membership in the Metre Convention, which has significantly reduced the cost of comparing national standards of units of measurement required for the operation of metrological laboratories in Ukraine.

The Law of Ukraine "On Ukraine's accession to the Convention establishing an I nternational Organisation of Legal Metrology" No. 998 of 05.11.2020 was adopted, which will allow Ukraine to become a full member of this organization.

NEXT STEPS AND CHALLENGES

- 1. Ongoing updating of the national regulatory framework, namely the adoption of new versions of harmonized European standards as national standards, in particular for the purposes of implementing the EU legislation defined in Annex III to the Association Agreement.
- 2. Adoption of the draft Law of Ukraine "On amendments to the Customs Code of Ukraine concerning the adoption of the Law of Ukraine "On standardization" (No, 2477 od 21.11.2019), which provides for a voluntary application of national and industry standards, as well as standards and technical conditions adopted by enterprises, institutions and organizations.



ACAA AGREEMENT

The adoption of horizontal and vertical legislation of Ukraine harmonized with the EU legislation, its practical application in the fields of technical regulation, conformity assessment, standardization, metrology and market surveillance, made it possible to bring the issue of signing the ACAA agreement at practical level.

On 4 March 2021, the EU Party submitted an interim report of the EU preliminary assessment mission, which, in addition to stating the significant constructive progress made by joint efforts in the negotiation process and progress in preparing for the conclusion of the ACAA agreement, outlined the recommendations that are proposed for consideration by the Ukrainian Party.

NEXT STEPS AND CHALLENGES

- Taking into account by the Ukrainian Party of the recommendations provided by the European experts based on the results of the EU preliminary assessment mission.
- Reaching an agreement to launch an official EU assessment mission and start negotiations to conclude an ACAA agreement.
- Addressing the issue of expanding the ACAA agreement to cover also other products in the priority industry sectors in accordance with Annex III to the Association Agreement, which will allow increasing the competitiveness of domestic products and expanding the export potential of Ukraine.



2.5 SANITARY AND PHYTOSANITARY MEASURES

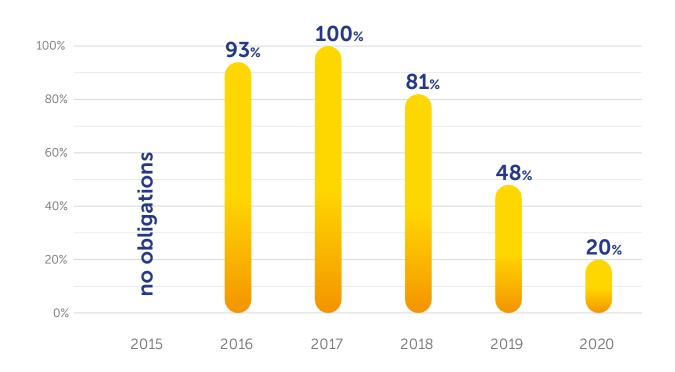
It covers **768** measures within **250** tasks Overall progress since the AA effective date - **60%**



768
MEASURES

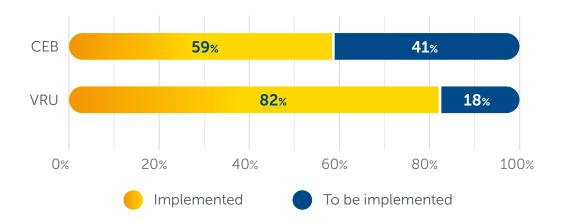
250 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



FOOD AND FEED SAFETY

Sanitary and phytosanitary measures relate to food safety standards and are necessary to facilitate trade in agricultural and food products, as well as plants.

As part of the implementation of the Comprehensive strategy for the implementation of Chapter IV (Sanitary and Phytosanitary Measures) of Title IV "Trade and Trade Related Matters" of the Association Agreement, approved by the Order of the Cabinet of Ministers of Ukraine No. 228-R of 24.02.2016, Ukraine has already adopted a number of legislative acts that lay the foundations for reforming the food and feed safety system based on the implementation of basic European principles and practices.

The regulatory approximation in this subsector was carried out in the context of the following sections (issues):

I. Introducing the mechanism for ensuring compliance with food safety and quality, as well as feed safety and hygiene:

Amendments were adopted to the Law of Ukraine "On basic principles and requirements for food safety and quality" No. 771/97-VR of 23 December 1997, which introduced in Ukraine the European model of food safety and quality system, which is based on the farm to table principle and traceability requirements (in accordance with the requirements of Regulation (EC) 178/2002), as well as the gradual transition of market operators to the mandatory use of procedures based on the HACCP principles (system of Hazard Analysis and Critical Control Points) to promote trade liberalization with the EU countries.



In addition, the following laws of Ukraine have been adopted:

- "On feed safety and hygiene" (No. 2264 of 21.12.2017), which is developed on the basis of the Regulations (EC) No. 183/2005, 1831/2003, 767/2009, and which defines the legal and organizational framework for ensuring the safety of feed in the process of its production, circulation and use, in particular, establishes requirements for hygiene, labeling, packaging and presentation of feed, regulates the relevant legal relations between market operators and public authorities.
- "On state control of compliance with the legislation on foodstuffs and feed, animal health and welfare" (No. 2042 of 18.05.2017), which, in accordance with the provisions of the Regulations (EC) No. 882/2004, 854/2004, 669/2009, 136/2004, Directive 97/78/EC and Commission Decision No. 2007/275 introduces a European approach to the legal and organizational framework of state control of compliance by the market operators with the legislation on foodstuffs, feed, animal health and welfare, as well as legislation on animal by-products when importing (sending) such by-products into the customs territory of Ukraine.
- "On food information to consumers" No. 2639-VIII of 06.12.2018, which sets the legal and organizational framework for providing consumers with food information in order to ensure a high level of protection of citizens' health and satisfaction of their social and economic interests.
- "On amendments to certain legislative acts of Ukraine concerning the regulation of certain phytosanitary procedures" (No. 2501 of 10.07.2018), which enhances the possibilities of private sector involvement in the provision of services of phytosanitary inspection and examination of products at the border, also certain phytosanitary procedures are improved and brought in compliance with EU legislation.
- II. Controlling the maximum level of residue and pollutants in food products. The following documents were developed and approved:
- Order of the Ministry of Agrarian Policy "On approval of methods of sampling for determining the maximum permissible levels of mycotoxins in food products for state control purposes" of 22.05.2019 No. 264 (implementation of Regulation (EC) No. 401/2006);
- Order of the Ministry of Agrarian Policy "On approval of methods of sampling for determining the maximum permissible levels of certain pollutants in food products for state control purposes" of 25.06.2018 No. 288 (implementation of the Regulation (EC) No. 333/2007);
- Order of the Ministry of Agrarian Policy "On approval of methods of sampling for determining the maximum permissible levels of nitrates in some food products for state control purposes" of 05.02.2019 No. 264 (implementation of Regulation (EC) No. 1882/2006);
- Order of the Ministry of Agrarian Policy "On approval of methods of sampling for determining the maximum permissible levels of pesticide residues in products of plant and animal origin for state control purposes" of 25.06.2018 No. 289 (implementation of the Directive 2002/63/EC);



- order of the Ministry of Health "On approval of food safety indicators "Maximum limits (levels) of residues of active substances of veterinary drugs in food products of animal origin" No. 2646 of 23.12.2019 (implementation of the Regulation (EU) No. 37/2010 and Regulation (EC) No. 470/2009);
- Order of the Ministry of Health "On approval of State hygiene rules and regulations "Regulation of maximum levels of certain contaminants in food products" (as amended by the Order of the Ministry of Health No. 1283 of 22.05.2020) No. 368 of 13.05.2013 (implementation of the Regulation (EU) No. 1881/2006).

III. Hygiene requirements for food products of animal origin, the following documents were adopted:

- Order of the Ministry of Agrarian Policy "On adoption of the Procedure for approval of export facilities, entering to and excluding them from the Register of approved export facilities" of 10.02.2016 No. 38;
- Order of the Ministry of Agrarian Policy "On approval of the procedure for state registration of facilities, maintaining the State Register of facilities of market operators and providing information from it to interested entities" of 10.02.2016 No. 39;
- Order of the Ministry of Agrarian Policy "On approval of the procedure for maintaining the Register of market operators and facilities for which an operational permit has been issued" of 10.02.2016 No. 40;
- Order of the Ministry of Agrarian Policy "On approval of requirements for the safety and quality of milk and dairy products" of 12.03.2019 No 118;
- Order of the Ministry of Agrarian Policy "Requirements for the development, implementation and application of permanent procedures based on the principles of the food safety management system (HACCP)" of 01.10.2012 No. 590 (entered into force in 2017).

In addition, for the implementation of the Association Agreement during 2016-2020, the following documents were approved:

- Order of the Ministry of Agrarian Policy "On approval of certain regulatory legal acts on feed safety and hygiene" of 06.05.2019 No. 241;
- Order of the Ministry of Agrarian Policy "On approval of requirements to honey" of 19.06.2019 No. 330 in fulfilment of the Council Directive No. 2001/110/EC relating to honey requirements;
- Order of the Ministry of Agrarian Policy "On approval of instructions for the prevention and control of swine vesicular disease" of 21.03.2019No. 148;
- Order of the Ministry of Agrarian Policy "On approval of methodological requirements in seed production for the preservation of varietal and sowing qualities of seed potatoes" No. 384 of 12.07.2019;
- Order of the Ministry of Health "On approval of requirements for nutrition and health claims made on foods" of 15.05.2020 No. 1145 (implementation of Regulation (EC) no 1924/2006);



The competent authority dealing with sanitary and phytosanitary measures - the State Service of Ukraine for Food Safety and Consumer Protection (hereinafter - State Consumer Protection Service) – was established. It is responsible for the state control at all stages of the agri-food chain (in line with farm-to-table principle) and applies the approaches set by the EU legislation. The Service started its activities on 6 April 2016. Currently its institutional capacities are being enhanced.

The implementation of the adopted legislation allowed to:

- increase the production of high-quality feed, reduce the financial and administrative burden on market operators, and increase the level of animal health protection;
- introduce European requirements for the production and circulation of safe animal feed;
- oblige food producers to provide complete information about their products;
- strengthen the ability to involve the private sector in the provision of services for phytosanitary inspection and examination of products at the border, as well as improve individual phytosanitary procedures and bring them in line with EU legislation;
- update the system of state control based on the requirements of the EU legislation. In particular, the following was introduced: integrated state control, covering the entire chain of food products "farm-to-table", including feed and productive animals; risk-based approach to scheduled inspections; surprise inspections; an exhaustive list of issues for inspections; increased responsibility of producers for violations of legislation in this area; a new procedure for state control at the border, etc.
- introduction of HACCP procedures and traceability requirements by feed producers;
- · introduce clear labeling requirements at all stages of feed production and circulation;
- establish the procedure for approving and registering feed production and circulation facilities:
- set requirements for feed import and export;
- · set hygienic requirements for feed production;
- introduce a simplified equivalent to the European system for registering feed additives.



PROMOTING THE DEVELOPMENT OF THE FEED AND FEED ADDITIVES MARKET

1. The feed and feed additives market has been unblocked. Feed producers will be able to use the EU-registered feed additives.

The Law of Ukraine "On amending Section X "Final and transitional provisions" of the Law of Ukraine "On feed safety and hygiene" to stabilize the feed market" of 02.12.2020 No. 1033 allows free use in Ukraine of feed additives registered in the European Union. This temporary measure will be in force for four years starting from 19 January 2020. This shall be a sufficient period to create a full-fledged system for registering feed additives in Ukraine, which will fully comply with the requirements of the EU legislation.

2. The Regulation on state registration of feed additives has been approved.

Resolution of the Cabinet of Ministers of Ukraine No. 210 of 03.03.2020 defines the legal and organizational framework for ensuring the safety of feed in the process of its production, circulation and use, in particular, approves of the Regulation on state registration of feed additives.

- 3. The Order of the Ministry of Agrarian Policy "On approval of certain regulations on feed safety and hygiene" No. 241 of 06.05.2019 was approved.
- 4. <u>The procedure for destroying, disposing of feed, bringing it back to circulation for feeding animals or for purposes other than animal feeding has been approved.</u>

Approved by the Order of the Ministry of Economy of 13.04.2020 No. 689, registered with the Ministry of Justice on 12.06.2020 under No. 519/34802, the Procedure allows the owner of the products to withdraw low-quality and dangerous feed by his decision or by the decision of the territorial body of the State Service of Ukraine on Food Safety and Consumer Protection.

5. Rules for applying a simplified approach to the development, implementation and use of permanent procedures are approved on the basis of the principles of the hazard analysis and critical control points system (HACCP).

The relevant rules were approved by the Order of the Ministry of Economy No. 784 of 24.04.2020, registered with the Ministry of Justice on 08.05.2020 under No. 427/34710.

6. <u>Methods for calculating the cost of services of scientific assessment (expertise) of feed additives and reference laboratory services</u> were adopted.

The relevant methods were approved by the Order of the Ministry of Economy No. 1301 of 08.07.2020, registered with the Ministry of Justice on 10.09.2020 under No. 867/35150.



With the adoption of the framework legislation on food safety and animal identification¹⁰ in Ukraine, the introduction of the basic principle of the EU legislation in this area — control of product safety "farm-to-table" has started.

In the result of implementation of the EU law in Ukrainian legislation the volumes of trade between Ukraine and the EU in agricultural and food products are constantly growing. The export structure is dominated by such traditional goods as cereals, oilseeds and oils, and exports of a number of other agricultural and food products are growing. In addition, the number of enterprises that receive permits for export to the EU is constantly growing.

OPPORTUNITIES/NEXT STEPS

- Recognize the equivalence of the system of sanitary and phytosanitary measures of Ukraine with the European system.
- · Increase food exports to the EU and third countries.
- Increase the level of protection of the life and health of people, animals and plants in Ukraine and strengthen the protection of the rights of Ukrainian food consumers.

At the same time, the draft law of Ukraine "On amendments to certain legislative acts of Ukraine concerning bringing Ukrainian legislation on baby food in compliance with the requirements of the EU legislation" is expected to be adopted (No. 4554 dated 29.12.2020). The draft law was developed in order to bring Ukrainian legislation on production and circulation of baby food in compliance with the requirements of the EU legislation, namely, in compliance with the Regulation (EU) No. 609/2013 and the Regulation (EU) No. 2016/127. On 16.03.2021 the draft law was approved by the Committee on Agrarian and Land Policy.

Also on 04.01.2021, the draft Law "On materials and objects in contact with food products" No. 4568 was registered. The draft was supported by the Verkhovna Rada Committee on Agrarian and Land Policy and is expected to be adopted in the first reading in the near future.

ANIMAL HEALTH AND WELFARE, PLANT HEALTH

In 2016, access to the EU markets for animal products from Ukraine was expanded. In particular, in January 2016 Ukraine has received permission to export dairy products to the EU. From the beginning of the second half of 2016, Ukrainian enterprises started exporting dairy products to the EU.

As of the end of 2020, 362 Ukrainian producers of animal products have passed inspection procedures and received the right to export animal products to the EU, of which 155 are producers of food products of animal origin (including, poultry

¹⁰ Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning food products" No. 1602-VII of 22.07.2014



meat and products -7, eggs and egg products -5, milk and dairy products -24, fish products -23, honey -72, intestinal raw materials -1, collagen -1, snails -22). For many enterprises, the right to export to the EU market is also a serious advantage in other sales markets.

REGULATORY APPROXIMATION IN THE SUBSECTOR REGARDING THE MEASURES APPLIED TO THE MAIN CATEGORIES OF LIVE ANIMALS WAS CARRIED OUT IN THE CONTEXT OF THE FOLLOWING SECTIONS (AREAS):

I. Improving the system of animals identification and registration

During 2017-2019, the following orders of the Ministry of Agrarian Policy were adopted: of 04.12.2017 No. 642 "On approval of the procedure for identification and registration of cattle and the procedure for registration and issuance of a cattle passports" (implementation of Regulations (EC) No. 1760/2000, 911/2004, 494/98, Commission Decision 2006/28/EC), of 01.12.2017 No. 639 "On approval of the procedure for identification and registration of pigs" (implementation of the Council Directive 2008/71/EC and Commission Decision 2000/678/EC), of 16.01.2018 No. 20 "On approval of the procedure for identification and registration of sheep and goats" (implementation of the Regulations (EC) No. 21/2004 and 1505/2006), and of 22.05.2019 No. 263 "On approval of amendments to the procedure for identification and registration of sheep and goats" (implementation of Commission Decision 2006/968/EC).

II. Control and eradication of animal diseases. The following documents were adopted:

- Order of the Ministry of Agrarian Policy "On approval of instruction for the prevention and control of swine vesicular disease" of 21.03.2019 No. 148 (implementation of the Directive 92/119/EEC and Commission Decision No. 2000/428 / EC);
- Order of the Ministry of Economy "On approval of instructions for the prevention and control of bluetongue (sheep catarrhal fever)" of 03.12.2020 No. 2533 (implementation of Directives 2000/75/EC and 92/119/EEC, and the Regulation (EU) No. 1266/2007).

III. Introduction of the procedure for maintaining the Register of facilities (objects) for handling, processing and places disposal of animal by-products (Commission Regulation (EC) 142/2011), the following laws and regulations were adopted:

The Law of Ukraine "On by-products of animal origin not intended for human consumption" of 19.10.2016 No. 287-VIII - defines the organizational and legal framework for the activities of individuals and legal entities related to the generation, collection, transportation, storage, handling, processing, disposal, removal of by-products of animal origin not intended or recognized as unsuitable for human consumption, products of processing, processing of by-products of animal origin not intended for human consumption;



Law of Ukraine "On veterinary medicine" of 04.02.2021 No. 1206 - the law amends the Law of Ukraine "On animal by-products not intended for human consumption» of 19.10.2016 No. 287 in order to bring its provisions in compliance with the requirements of the EU legislation, in particular, in terms of terminology, categorization of animal by-products, the procedure for handling various categories of animal by-products, the procedure for registering facilities (objects), etc.

In order to ensure the continuity of fulfillment of Ukraine's obligations under the Association Agreement, on 18 November 2019 in Brussels during the fourth meeting of the EU-Ukraine Sanitary and Phytosanitary Management Subcommittee of the Association Committee in Trade Configuration, the Parties signed the decision of the Subcommittee regarding approval of the Comprehensive Strategy for the SPM, which updated Annex V of the Association Agreement with the EU "Comprehensive Strategy for the implementation of Title IV (Sanitary and Phytosanitary Measures)".

At the end of 2020, a draft Law of Ukraine "On amendments to certain laws of Ukraine concerning the improvement of state regulation of pesticides and agrochemicals handling" was developed and submitted to the Parliament for consideration (No. 4558 dated 30.12.2020);

New forms of international certificates for the import of animal products to Ukraine have been approved.

The relevant Order of the Ministry of Economy No. 1329 of 14 July 2020 approved 72 forms of international certificates.

New forms of international certificates approximate domestic legislation to European and international requirements, as well as simplify the procedure for importing food products to Ukraine. This decision will facilitate the access of Ukrainians to safer food products.

NEXT STEPS AND CHALLENGES

To ensure further implementation of the Agreement in this area, it is necessary to adopt:

- draft law "On amendments to certain legislative acts of Ukraine (concerning the implementation of the provisions of certain international agreements and the EU directives in the field of animal and plant protection)" (No. 2351 of 30.10.2019);
- draft Law of Ukraine "On amendments to Article 4 of the Law of Ukraine "On pesticides and agrochemicals" concerning the import of pesticides to the customs territory of Ukraine" (No. 2289 of 18.10.2019);
- · draft Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning bringing Ukrainian legislation on baby food in compliance with the requirements of the EU legislation" (No. 4554 of 29.12.2020);



- draft Law of Ukraine "On materials and objects in contact with food products" (No.4568 of 04.01.2021);
- · draft Law of Ukraine "On amendments to certain laws of Ukraine concerning the improvement of state regulation of pesticides and agrochemicals handling" (No. 4558 of 30.12.2020)
- draft Law of Ukraine "On plant protection" (No. 4600 of 16.01.2021), which aims to approximate Ukrainian legislation to the EU phytosanitary legislation, namely: Regulation (EU) 2016/2031 of the European Parliament and of the Council of 26 October 2016 on protective measures against pests of plants, amending Regulations (EU) No 228/2013, (EU) No 652/2014 and (EU) No 1143/2014 of the European Parliament and of the Council and repealing Council Directives 69/464/EEC, 74/647/ EEC, 93/85/EEC, 98/57/EC, 2000/29/EC, 2006/91/EC and 2007/33/EC; Regulation (EU) 2017/625 of the European Parliament and of the Council dated 15 March 2017 on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products; Regulation (EC) No 1107/2009 of the European Parliament and of the Council of 21 October 2009 concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/ EEC; Commission Delegated Regulation (EU) 2019/2125 of 10 October 2019 supplementing Regulation (EU) 2017/625 of the European Parliament and of the Council as regards rules concerning the performance of specific official controls of wood packaging material, notification of certain consignments and measures to be taken in cases of non-compliance; Directive 2009/128/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for Community action to achieve the sustainable use of pesticides.

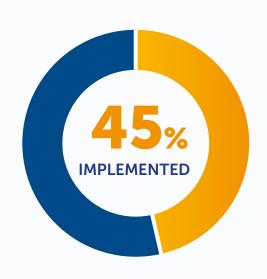
In order to ensure the continuity of fulfillment of Ukraine's obligations under the Association Agreement, the Parties signed a decision of the Subcommittee on approval of the Comprehensive strategy for SPM, which updated Annex V of the Association Agreement with the EU "Comprehensive Strategy for the Implementation of Chapter IV (sanitary and phytosanitary measures)".

According to the Comprehensive strategy for the implementation of legislation in the field of SPM, by the end of 2021 Ukraine shall implement to the national legislation more than 250 pieces of the EU legislation in such areas as state control of SPM, food and feed safety, animal health and welfare, plant health, etc. In order to fulfill its obligations under the Association Agreement, Ukraine approximated 60% of the legislation in the field of SPM to the EU legislation as of the beginning of 2021.



2.6 CUSTOMS MATTERS AND TRADE FACILITATION

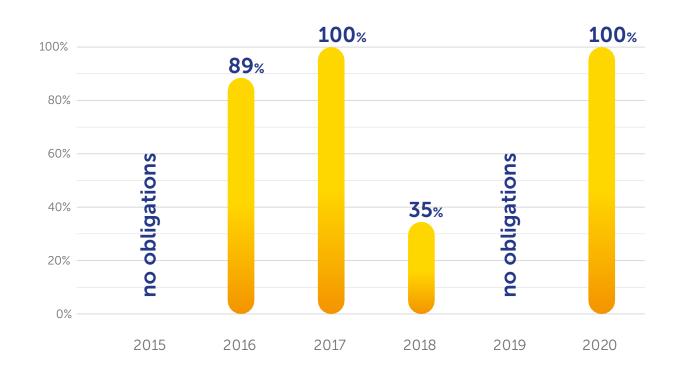
It covers **493** measures within **167** tasks Overall progress since the AA effective date - **45%**



493 MEASURES

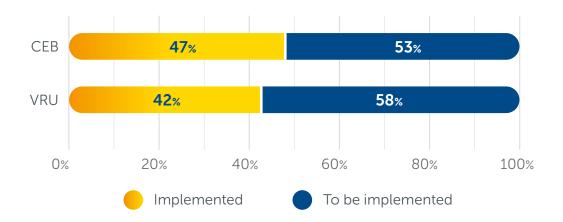
167 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



The Association Agreement envisages approximation to the provisions of the Union Customs Code, accession to the Convention on the Simplification of Formalities in Trade in Goods and the Convention on Common Transit Procedure, mutual recognition of authorized economic operators, implementation of European standards on exemption from duties and customs control over compliance with intellectual property rights.

CUSTOMS MATTERS

1. Accession to the Conventions on the Simplification of Formalities in Trade in Goods and on a Common Transit Procedure.

In autumn 2018, with the adoption by the Verkhovna Rada of Ukraine of the Law of Ukraine No. 2530-VIII "On amendments to the Customs Code of Ukraine and some other laws of Ukraine concerning the introduction of a "single window" mechanism and optimization of controls for the movement of goods across the customs border of Ukraine", the first important step was made to bring transit procedures of Ukraine in compliance with the terms of the Convention on a Common Transit Procedure. Pursuant to this Law, the Government adopted Resolution of the Cabinet of Ministers of Ukraine "On amendments to the Regulation on customs declarations" No. 619 of 17 July 2019.

Further on, in order to integrate Ukraine into the EU common transit system, on 12.09.2019 the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On the common transit procedure and the introduction of the national computerized transit system" No. 78-IX. The adoption of the law will further allow the application of European transit rules in Ukraine, which, accordingly, will allow enterprises to use a single customs declaration and a single guarantee for the movement of goods from the country of departure to the country of destination across all borders of



the contracting parties to the Convention on a Common Transit Procedure without delays.

This will enable the state to exchange information in real-time with 35 countries in Europe and increase the efficiency of using the risk analysis system.

In pursuance of the Law No. 78-IX, a number of government regulations were adopted, which define the operating procedures for independent financial intermediaries in guaranteeing common transit¹¹ transactions, adopt the form of a transit accompanying document and regulations on customs declarations of certain types¹², and set the procedure for granting special transit simplifications¹³.

Besides, the Ministry of Finance of Ukraine provided for the adoption of procedures of filling out customs declarations of certain types¹⁴, completion of customs formalities when applying the common transit procedure using the computerized transit system, and allowing vehicles and containers to transport goods under customs seals in the common transit procedure¹⁵.

These regulations stipulate the basic principles of the organization and implementation of the common transit procedure when transporting goods through the customs territory of Ukraine, the procedure and conditions for the movement of such goods through the customs territory of Ukraine in a common transit procedure, the completion of customs formalities, the application of special transit simplifications and other features of common transit procedure implementation.

On 16 November 2020, the State Customs Service has launched a pilot project on the application of NCTS in the part of interaction between customs authorities and subjects of the procedure when placing goods under common transit procedure. The pilot project lasted 4 months. On 17 March 2021, the State Customs Service started application of NCTS at the national level.

It is expected that Ukraine can start the process of acceding the Convention on a Common Transit Procedure and the Convention on Simplification of Formalities in the Trade in Goods in the first half of 2022, and then make the transition to NCTS Phase 5 together with all countries participating in the convention (until the end of 2023).



¹¹ Resolution of the Cabinet of Ministers of Ukraine "Certain issues of independent financial intermediaries' activities" No. 619 of 08.07.2020.

¹² Resolution of the Cabinet of Ministers of Ukraine "Certain issues related to the application of certain types of customs declarations" No. 681 of 05.08.2020

¹³ Resolution of the Cabinet of Ministers of Ukraine "Certain issues of granting permission for the application of special transit simplification" No. 705 of 12.08.2020.

¹⁴ Order of the Ministry of Finance "On approval of the procedure for filling out customs declarations of certain types" of 22 December 2020 No. 795

¹⁵ Order of the Ministry of Finance "On approval of the procedure for completion of customs formalities when applying the common transit procedure using the computerized transit system and the Procedure for allowing vehicles and containers to transport goods under customs seals within the common transit procedure" of 22 February 2021 No. 86

NEXT STEPS:

- accession to the EU/EFTA common transit procedure (Convention on a Common Transit Procedure of 13.08.1987, Convention on Simplification of Formalities in the Trade in Goods of 22.05.1987);
- introduction of a computerized system and minimization of customs inspections for business entities that will obtain the right to apply special transit simplifications;
- introduction of European protocols of customs procedures.

In order to ensure that the NCTS used in Ukraine pass compliance test (phase 4) and ensure its international application after joining the Convention on a Common Transit Procedure, on 1 February 2021, a request was sent to the EU Party to join the CCN/CSI environment.

2. Authorized Economic Operator (AEO)

In order to introduce the Authorized Economic Operator (AEO) program in Ukraine, the Law of Ukraine «On amendments to the Customs Code of Ukraine concerning certain issues of functioning of authorized economic operators" No. 141 of 02.10.2019 was adopted, which provides for a significant simplification of customs formalities for enterprises with a high degree of trust, creates grounds for implementing in the future of mutual recognition of the status of AEO by authorized bodies of other states. Ukrainian enterprises will have the opportunity to participate in the formation of safe supply chains of goods, which will help to raise their competitiveness in foreign markets.

In order to implement the provisions of this law, the Ministry of Finance, together with the State Customs Service and in cooperation with the EU4PFM program, has prepared relevant bylaws. A number of government decisions were adopted in the result of this work¹⁶.

On 18-19.11.2019 during the meeting of the EU-Ukraine Association Committee in Trade Configuration, a roadmap for the deployment of the AEO program in Ukraine, prepared in cooperation with the EU4PFM EU program and in coordination with experts of the European Commission, was presented and sent to the European Commission (DG TAXUD). On 8 September 2020 the State Customs Service received the first application for obtaining AEO status (authorization category: AEO-C), which has passed the first stage of preliminary consideration and is being evaluated for compliance with AEO criteria. According to the results of this assessment, on 26 March 2021, the Ministry of Finance of Ukraine awarded the first AEO certificate in Ukraine.



Resolution of the Cabinet of Ministers of Ukraine "On certain issues of functioning of authorized economic operators" No. 665 of 29 July 2020

Further on it is necessary to complete the development of:

- an IT component that will help to automate the processes when accepting an application for AEO status and a self-assessment questionnaire, and summarize the results of such assessment;
- bylaws necessary for the implementation of the provisions of the Law of Ukraine "On amendments to the Customs Code of Ukraine concerning certain issues of functioning of authorized economic operators" of 02.10.2019 No. 141.

3. Legislation approximation

For the purposes of implementation of the provisions of Regulation (EU) No 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and the Commission Implementing Regulation (EU) No 1352/2013 of 4 December 2013 establishing the forms provided for in Regulation (EU) No 608/2013 of the European Parliament and of the Council concerning customs enforcement of intellectual property rights:

- The Law of Ukraine "On amendments to the Customs Code of Ukraine concerning the protection of intellectual property rights when moving goods across the customs border of Ukraine" No. 202 of 17.10.2019 was adopted;
- two orders of the Ministry of Finance¹⁷ were approved, which defined the procedure for applying measures by customs authorities to goods suspected of violating intellectual property rights and improved the procedure for registering intellectual property rights in the customs register;
- The State Customs Service has created and is testing a new software and information complex that will allow copyright holders to fill the customs register of intellectual property rights with up-to-date information, which in turn will allow customs authorities to more effectively identify goods that are suspected of violating intellectual property rights during customs clearance.

The practical implementation of these documents will strengthen the fight against counterfeit and pirated goods and speed up the movement of original goods across the customs border of Ukraine and their unhindered customs clearance. This will also facilitate the approximation of the customs legislation of Ukraine to the European one in terms of exemption from duties, classification of goods and determining the country of origin.

Order of the Ministry of Finance "On approval of the procedure for applying measures to promote the protection of intellectual property rights and interaction of customs authorities with copyright holders, declarants and other interested parties and amendments to certain regulations of the Ministry of Finance of Ukraine" of 09.06.2020 No. 281; Order of the Ministry of Finance "On amendments to the procedure for registration in the customs register of objects of intellectual property rights protected in accordance with the law" of 09.06.2020 No. 282.



NEXT STEPS:

To ensure further implementation of the Agreement in this area, it is necessary to adopt the draft law <u>"On amendments to the Customs Code of Ukraine concerning the regulation of the procedure for drawing up customs declarations for goods that fall under various commodity subheadings according to the UKTZED, in accordance with the Union Customs Code" (No. 4517 of 18.12.2020, being finalized in the committees of the Verkhovna Rada).</u>

4. Ukraine's accession to the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin.

Ukraine's participation in the Convention potentially expands opportunities for preferential export of goods to promising foreign markets (at a zero or reduced customs rate), and the application of uniform rules of origin and the principle of diagonal cumulation provides advantages for the development of trade relations in the PEM region and involvement in regional and international value chains.

At the time of Ukraine's acquisition of the status of a party to the Convention, free trade agreements were concluded with Georgia, EFTA, North Macedonia, the Republic of Moldova, and Montenegro. These agreements contained protocols on the origin of goods with their own differences, characteristic of each of them.

Work is under way to replace the mentioned protocols with the rules of origin of the Pan-Euro-Med Convention. In particular:

- . On 01.01.2019 the provisions of the Convention between Ukraine and the EU in bilateral trade started to apply 18 ;
- The Protocol between the Government of Ukraine and the Government of Georgia on amendments to the Agreement between the Government of Ukraine and the Government of the Republic of Georgia on Free Trade of 9 January 1995, concluded on 21.05.2019, entered into force on 26.03.2020¹⁹.

Amendments to the Free Trade Agreement and bilateral agreements on agriculture between Ukraine and the Swiss Confederation, Norway and Iceland concluded on 24.06.2010 are being finalized with EFTA. At the same time, the principle of diagonal cumulation has already been extended to certain types of goods.

Preparations for negotiations on amendments to the Free Trade Agreement between the Cabinet of Ministers of Ukraine and the Government of the Republic of Moldova have been completed.

The rules of origin of the Pan-Euro-Med Convention will automatically apply in new agreements with its parties from the moment they enter into force.

¹⁹ ratified by the Law of Ukraine No. 450-IX of 14 January 2020 and Resolution of the Parliament of Georgia No. 5780-III of 17 March 2020



¹⁸ Decision of the EU-Ukraine Customs Subcommittee to replace the Protocol I concerning the definition of the concept of «originating products» and methods of administrative co-operation to the Association Agreement between Ukraine and the EU with the rules of origin of the Convention

Thus, the Law of Ukraine No. 2753-VIII of 11 July 2019 ratified the Free Trade Agreement between the Cabinet of Ministers of Ukraine and the Government of the State of Israel. Israel, in turn, confirmed the completion of the internal procedures necessary for the entry into force of the agreement.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

The revision of the PEM Convention is at the final stage, which aims to modernize the rules of origin. The parties are working on the alternative application of such rules of origin at the bilateral level during the transition phase until a decision is made on the updated Convention.

Due to the emergency epidemiological situation in the world associated with the outbreak of the COVID-19 virus, and restrictions imposed by states to counteract its spread, the parties to the Convention apply a flexible mechanism for confirming origin on a mutual basis. Such measures are aimed at avoiding the risks of termination of the issuance of certificates of transport (origin) and ensure further compliance with agreements on the terms of preferential trade between the contracting parties to the Convention.



2.7 COMPETITION AND STATE AID²⁰

COMPETITION

In order to improve the control of market concentrations, enhanced approaches to determining the amount of fines for violation of the legislation on the protection of economic competition, including violations of the legislation on protection against unfair competition, were published. Recommendation guidance of 9 August 2016 No. 39-rr on the application of the provisions of Parts Two and Five of Article 52 of the Law of Ukraine "On the protection of economic competition" and Parts One and Two of Article 21 of the Law of Ukraine "On protection against unfair competition" were updated.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

The mechanism for calculating indicators of concentration participants requires further improvement in accordance with international standards.

It is necessary to eradicate discriminatory approaches to state-owned enterprises operation, in particular by assessing the state of competition in the natural monopolies markets and developing and providing recommendations on their compliance with the rules of fair competition.

STATE AID

Institutional reform in the field of state aid to business entities has been carried out. In order to introduce impartial and transparent monitoring and control by the Antimonopoly committee, measures are constantly being taken to create a system for regulating state aid to business entities that would correspond to a similar system in the EU.

Taking into account the significant delay in the entry into full force and effect of the Law of Ukraine "On state aid to business entities", the Antimonopoly Committee has carried out work aimed at preparing for its proper implementation. In particular, the Government has approved a number of organizational and administrative acts²¹.

²¹ Orders of the Cabinet of Ministers of Ukraine of 28 December 2015 No. 43-rp "Some issues of implementation of the Law of Ukraine "On state aid to business entities", of 4 March 2016 No. 2-rp "On approval of the procedure for submitting and processing notifications about new state aid and on amending the conditions of current state aid"; of 12 April 2016 No. 8-rp "On approval of the procedure for considering cases on state aid to business entities, of 19 July 2018 No. 15-rp "On approval of amendments to the procedure, forms and requirements for submitting information on current state aid to business entities to the Antimonopoly Committee of Ukraine".



Assessment of progress in fulfilling Ukraine's obligations on approximation to the EU norms and practices in this area is carried out within the framework of assessment in such areas as entrepreneurship, corporate relations, and competition and state aid (See also Section 2-10 of the Report), and includes monitoring the implementation of 278 measures within 82 tasks. As of today, according to the results of the Pulse of Agreement the progress is 81%. Including in the context of the last 6 years: 2016 - 88%, 2017 - 88%, 2018 - 95%, 2019 - 79%, 2020 - 42%. Progress by the main groups of implementers: central executive bodies - 79%, the Verkhovna Rada of Ukraine - 86%, other government bodies - 83%.

A number of regulations have been adopted that set the criteria for assessment of acceptance of state aid to business entities ²².

The work is underway on introduction of the criteria for assessment of acceptance of state aid to business entities²³:

- in the coal industry;
- for overcoming the consequences caused by the coronavirus disease COVID-19.

At the meeting of the Antimonopoly Committee on 01.10.2020, a new version of the draft Law of Ukraine "On state aid to business entities" was approved.

As one of the tools for monitoring and control of state aid to business entities, the first report on the provision of state aid to business entities in Ukraine was prepared, approved and published in 2018. According to the law, the Antimonopoly Committee annually approves the relevant report²⁴ and sends it to the EU in compliance with the obligations to exchange information on state aid issues provided for in Paragraph 1 of Article 263 of the Association Agreement.

The Antimonopoly Committee created the State Aid section on its official website at the link https://amcu.gov.ua/napryami/derzhavna-dopomoga. This page became the primary source of information about the purposes and forms of the state aid.

Also the website State Aid Portal was created (http://pdd.amc.gov.ua/http://pdd.amc.gov.ua/http://pdd.amc.gov.ua/http://pdd.amc.gov.ua/). The portal has the function of electronic document workflow between state aid providers and the Committee, in particular, the submission of notifications and reports on the provision of state aid.



Resolution of the Cabinet of Ministers of Ukraine of 07.02.2018 No. 57 "On approval of criteria for assessing the acceptance of state aid to business entities to ensure the development of regions and support for medium and small-sized businesses", of 31.01.2018 No. 33 "On approval of criteria for assessing the acceptance of state assistance to business entities for the employment of certain categories of employees and creation of the new jobs", of 11.01.2018 No. 11 "On approval of criteria for assessing the acceptance of state aid to business entities for professional training of employees", of 31.01.2018 No. 36 "On approval of criteria for assessing the acceptance of state aid for the restoration of solvency and restructuring of business entities", of 07.02.2018 No. 118 "On approval of criteria for assessing the acceptance of state aid to business entities for scientific research, technical development and innovation", of 23.05.2018 No. 420 "On approval of the list of services of general economic interest".

²³ in the first quarter of 2021, the Cabinet of Ministers of Ukraine adopted Resolutions No. 38 of 13.01.2021 "On approval of criteria for assessing the acceptance of state aid to business entities in the coal industry", No. 200 of 03.03.2021 "On approval of Criteria for assessing the acceptance of state aid to business entities to overcome the consequences caused by the coronavirus disease COVID-19".

Annual reports on the provision of the state aid were approved by Orders of the Antimonopoly Committee of Ukraine No. 17-rp dated 31.08.2018, No. 15-rp dated 29.08.2019, and No. 14-rp dated 28.08.2020.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

It is necessary to improve the regulatory framework in the field of state aid, in particular, in relation to:

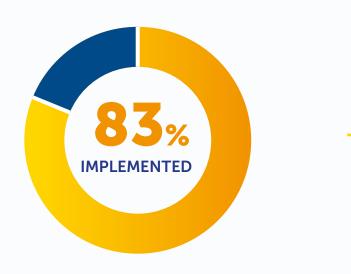
- adoption of a new version of the Law of Ukraine "On state aid to business entities";
- setting the criteria for assessing the acceptance of state aid for environmental protection, as well as criteria for assessing the acceptance of state aid to business entities in support of certain sectors of the economy.

It is also necessary to carry out an analysis of existing programs and form recommendations for improving the state aid policy in Ukraine.



2.7 COMPETITION AND STATE AID

It covers **97** measures within **41** tasks Overall progress since the AA effective date - **83%**



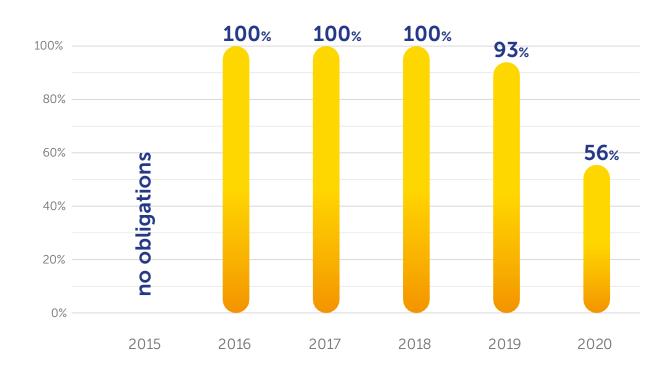
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41

TASKS

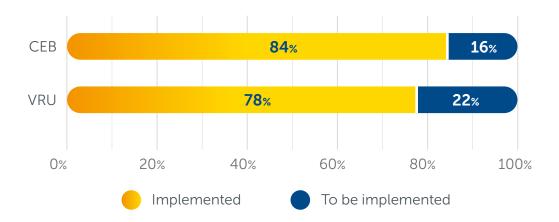
MEASURES

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



On 12 February 2015 a presentation of the pilot electronic public procurement system called ProZorro was held (www.prozorro.org). At the initial stage, "pre – threshold" public procurement of goods - in the amount of up to 100 thousand UAH and services in the amount of up to 1 million UAH was carried out through the system.

On 19 March 2015, the Law of Ukraine "On amendments to certain legislative acts of Ukraine (concerning ensuring timely access of patients to necessary medicines and medical devices through public procurement with the involvement of specialized organizations engaged in procurement)" was adopted.

The Decree of the Cabinet of Ministers of Ukraine No. 175-r of 24 February 2016 approved the Strategy for reforming the public procurement system (roadmap), which provides for the implementation of current EU acts.

The decision of the Public Procurement Committee of 11 November 2015 on Ukraine's accession to the World Trade Organization Agreement on Government Procurement was adopted, and on 18 May 2016, the official procedure for Ukraine's accession to the Government Procurement Agreement was completed.

According to the Law of Ukraine "On public procurement", from 1 April 2016, the ProZorro system became mandatory for central authorities and monopolists, and from 1 August 2016 — for other public customers.

Resolution of the Cabinet of Ministers of Ukraine No. 1216 of 27 December 2018 "On the specifics of the creation and operation of centralized procurement organizations" was adopted.

By Decision No. 1/2018 of the EU-Ukraine Association Committee in Trade Configuration of 14 May 2018 Annex XXI to Chapter 8 "Public Procurement" of Title IV "Trade and Trade Related Matters" of the Association Agreement was amended



and a positive opinion on the Strategy for Reforming the Public Procurement System ("Road Map") was provided.

Also in 2018, the technical implementation of the mechanism of procurement of goods and services under framework agreements in ProZorro system was completed. This mechanism allows customers to purchase goods and services by entering into a framework agreement for up to 4 years.

On 19 September 2019, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On amendments to the Law of Ukraine "On Public Procurement" and some other legislative acts of Ukraine on improving public procurement" No. 114-IX, which entered into force on 19 April 2020. This law was developed with the aim of implementing the key concepts and basic elements of Directive 2014/24/ EU and Directive 2014/25/EU in the legislation of Ukraine.

On 25 September 2019, by Order of the Cabinet of Ministers of Ukraine No. 846 "On designating the Professional Procurement State Institution as a centralized purchasing organization (CPO)", the first centralized purchasing organization was created, which procure goods and services under framework agreements (except for current repairs) in the interests of customers.

During the 6th meeting of the EU-Ukraine Association Committee in Trade Configuration (18-19.11.2019, Brussels) the completion of the first phase of implementation of public procurement legislation by the Ukrainian Party was noted, next steps regarding official recognition of the completion of this phase were agreed with the EU Party, and readiness for further cooperation in order to complete Phase II and III was confirmed.

OPPORTUNITIES/NEXT STEPS

- obtain an official assessment of Ukraine's implementation of the first, second and third stages of public procurement reforms defined in Annex XXI-A to Chapter 8 of Title IV of the Association Agreement (Indicative time schedule for institutional reform, legislative approximation and market access) in order to open the EU public procurement market for Ukrainian companies in the relevant sectors;
- develop a draft Law of Ukraine on the introduction of procedures for concluding concession agreements in accordance with the principles and provisions of Directive 2014/24/EU, introduction of an innovation partnership procedure (Article 31 of Directive 2014/24/EU), setting the procedure for holding creative design contests (Article 80 of Directive 2014/24 / EC)";
- approve bylaws necessary for the functioning of the public procurement sector in accordance with the new version of the Law of Ukraine "On public procurement", which entered into force on 19.04.2020;



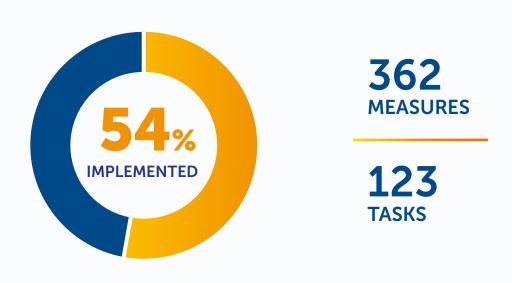
- introduce European Standards on Electronic Invoicing (e-invoicing) in order to simplify the entry of business entities into international public procurement markets and promote digitalization of cross-border trade in goods and services;
- find a technical solution to ensure compatibility of Ukrainian procurement system "ProZorro" and the EU procurement information system named TED.



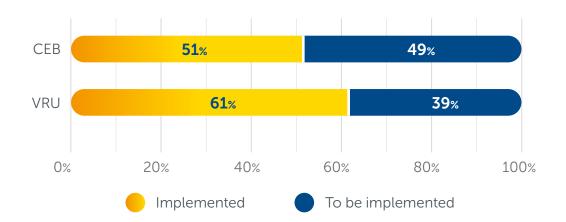
2.9 INTELLECTUAL PROPERTY

It covers **362** measures within **123** tasks **Progress according to the Pulse of Agreement is - 54%**

At the same time, the deadline for fulfilling obligations in the field of intellectual property falls on 2023.



PROGRESS BY GROUPS OF IMPLEMENTERS:





With the adoption in 2018 of the Law of Ukraine "On effective managemen of property rights of copyright holders in the field of copyright and (or) related rights" a system of collective management of property rights in the field of copyright and related rights was introduced and the right of copyright and related rights holders to fair remuneration was confirmed, which is provided through collective management organizations involvement.

Further on, during 2019-2020, the European standards of intellectual property rights to trademarks, geographical indications, industrial designs, patents, topographies of semiconductor products were introduced at the legislative level by adopting the Law of Ukraine "On amendments to certain legislative acts of Ukraine on strengthening the preservation and protection of rights to trademarks and industrial designs and combating patent abuse" the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the reform of patent legislation" the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the improvement of protection of rights to the topographies of semiconductor products" the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the improvement of legal protection of geographical indications".

In 2020, a two-level system of state management of intellectual property was introduced³⁰.

NEXT STEPS:

- Adoption and implementation of the new version of the law "On copyright and related rights".
- Continuation of the implementation of procedures for registration and accreditation of collective management organizations to ensure the implementation of the Law of Ukraine "On effective management of property rights of copyright holders in the field of copyright and (or) related rights".
- Development of a draft law on strengthening the protection of intellectual property rights.

³⁰ The Law of Ukraine "On amendments to certain laws of Ukraine concerning the establishment of a national intellectual property body" (No. 703-IX) was adopted. According to the Order of the Cabinet of Ministers of Ukraine No.1267 dated 13 October 2020 "On the National Intellectual Property Body", the functions of the national body are assigned to the state enterprise "Ukrainian Institute of Intellectual Property".



²⁵ Implements the provisions of Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market

²⁶ The law is aimed at combating "patent abuse" and implements obligations under Articles 193-200, 206, 212-218 of the Association Agreement.

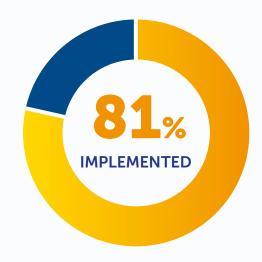
²⁷ Takes into account the provisions of Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions, Regulation (EC) No 469/2009 of the European Parliament and of the Council of 6 May 2009 concerning the supplementary protection certificate for medicinal products, Regulation (EC) No 1901/2006 of the European Parliament and of the Council of 12 December 2006 on medicinal products for pediatric use; European norms and standards for the legal protection of inventions and utility models were introduced.

²⁸ The law is aimed at fulfilling Ukraine's obligations under Articles 224-227 of the Association Agreement.

The law harmonizes the requirements of the current Ukrainian legislation on the protection of the rights to geographical indications with articles 202-207 of the Association Agreement and the provisions of the Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs. The law provides new definitions of the terms "Geographical Indications", "name of the place of origin of goods", conditions for granting legal protection to a geographical indication and grounds for refusing to grant such protection, clarifies the circle of persons entitled to state registration of a geographical indication, update of the requirements for the application for registration, set the requirements for technical conditions that shall be met by the product for which the indication is claimed and clarifies the list of rights and obligations arising from state registration of geographical indications, etc.

2.10 ENTREPRENEURSHIP³¹

The overall progress in fulfilling Ukraine's obligations regarding approximation to the EU norms and practices in the field of entrepreneurship is 81%.



ESTABLISHMENT AND OPERATION OF COMPANIES AND CORPORATE GOVERNANCE

The squeeze-out procedure has been introduced, which regulates the issue of granting the right to minority shareholders to demand from the shareholder-owner of 95% of the company's shares mandatory purchase at a fair price of shares owned by such minority shareholders (sell-out), and grants the right to the shareholder-owner of 95% of the company's shares to demand from minority shareholders mandatory sale of their shares³².

In order to improve the level of corporate governance in joint-stock companies and with the aim of approximation to international standards in this area, in particular the OECD principles:

the norms regulating the competence of the general meeting and the supervisory board of joint-stock companies have been improved, including in terms of increasing transparency in the activities of the supervisory board, introducing norms regulating the formation, operation and competence of committees of the supervisory board of joint-stock companies.³³

³³ Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning simplification of doing business and attracting investment by issuers of securities " dated 16.11.2017 No. 2210-VIII.



Assessment of progress in fulfilling Ukraine's obligations on approximation to the EU norms and practices in entrepreneurship includes the assessment in such areas as entrepreneurship, corporate relations, as well as competition and state aid (see also Section 2-7 of the Report), and includes monitoring the implementation of 278 measures within 82 tasks. As of today, according to the results of the Pulse of Agreement the progress is 81%. Including in the context of the last 6 years: 2016 - 88%, 2017 - 88%, 2018 - 95%, 2019 - 79%, 2020 - 42%. Progress by the main groups of implementers: central executive bodies - 79%, the Verkhovna Rada of Ukraine - 86%, other government bodies - 83%.

³² Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning improving the level of corporate governance in joint-stock companies" dated 23.03.2017 No. 1983-VIII.

• the Corporate Governance Code: key requirements and recommendations was approved³⁴.

The rules of business behavior of credit institutions have been improved, the Methodology for calculating the total cost of a loan for a consumer, the real annual interest rate under a consumer loan agreement, and the requirements for credit intermediaries and their activities in the field of consumer lending in the market of non-banking financial institutions have been approved.

The efficiency of bankruptcy procedures, the level of protection of creditors' rights, enforcement of bankruptcy court decisions have been increased, and the procedure for restoring the solvency of individuals who find themselves in a difficult financial situation has been regulated³⁵.

Development of common approaches to the separation, spin off, merges and acquisitions is underway. The Verkhovna Rada of Ukraine has adopted in the first reading the draft Law of Ukraine "On joint-stock companies", which should improve the level of corporate governance and help to protect the rights of investors and expand opportunities for raising capital.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

The development and implementation of mechanisms to regulate the disclosure of information by branches of foreign companies remain an important challenge. In view of this, the ways to regulate the status of the subdivisions of the legal entities established in line with the foreign state legislation are being elaborated.

ACCOUNTING AND AUDIT

The legal framework for accounting and financial reporting has been improved in accordance with the provisions of the legislation of the European Union, in particular³⁶, in compliance with the requirements of the Law and taking into account the provisions of EU legislation:

- the procedure for submitting financial statements and the forms and procedure for preparing simplified financial statements for small enterprises and micro-enterprises have been improved;
- amendments were made to the national accounting regulations (standards) and to the Regulation on document support of accounting records;
- Methodological recommendations for drawing up a management report were approved;

³⁶ the Law of Ukraine "On amendments to the law of Ukraine "On accounting and financial reporting in Ukraine" concerning the improvement of certain provisions" No. 2164-VIII was adopted.



³⁴ Decision of the National Commission on Securities and Stock Market No. 118 of 12.03.2020 "On summarizing the practice of applying corporate governance legislation"

³⁵ In 2018, the Code of Ukraine on bankruptcy procedures was adopted.

- the form and Procedure of reporting on wood harvesting companies' payments to the state were approved;
- the procedure of accounting for certain assets and liabilities in the bookkeeping has been brought in compliance with the requirements of International Financial Reporting Standards.

Provisions of the national legislation on auditing were brought in compliance with the legislation of the European Union. It is envisaged to set the requirements for auditing of financial statements for enterprises of public interest and enterprises with the state share in them. Requirements for the publication of financial statements by enterprises are established, and sanctions for violating the requirements when preparing and publishing financial statements are envisaged³⁷. In order to implement these provisions, a number of regulatory legal acts have been approved.³⁸

EXTRACTIVE AND METALLURGICAL INDUSTRIES

In order to implement a number of the EU³⁹ regulations concerning enhanced transparency of economic activities in the extractive industry, the Law of Ukraine "On transparency in the extractive industry" of 18 September 2018 No. 2545-VIII was adopted.

In compliance with the provisions of this law, the Government has approved reporting forms (which meet the requirements of the mentioned EU legislation) for reporting by the mining enterprises on payments made in favor of the state and reporting by the recipients of payments on payments in favor of the state⁴⁰.

The development of strategic partnership in the raw materials sector was discussed at a number of high-level meetings, and at the meeting of the Extractive Sector Working Group within the framework of the EU-Ukraine Industrial Dialogue.

One of the priorities in this area is Ukraine's involvement in the European alliances, namely the European Battery Alliance (a response to the request of State Service of Geology and Subsoil of Ukraine is expected) and the Raw Materials Alliance (State Service of Geology and Subsoil of Ukraine, the Ministry of Energy and Coal Industry of Ukraine, and private enterprises have already joined).

⁴⁰ the Resolution of the Cabinet of Ministers of Ukraine "Some issues of transparency in the extractive industries" No. 858 of 23 September 2020



³⁷ the Law of Ukraine "On audit of financial statements and auditing activities" was adopted, aimed at implementing the provisions of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.

³⁸ in particular, the Procedure for quality control of audit services, the Procedure for maintaining the Register of auditors and audit entities, the Regulations on the commission for auditors certification, and setting the procedure for authorizing the auditors to carry out audit activities and the procedure for continuous professional training of auditors by approving the Procedure of passing exams in the process of certification, the Procedure of getting credit for theoretical knowledge, the Procedure for completing internships, the Procedure for continuous professional training of auditors was approved

³⁹ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013, Directive 2013/50/EU of the European Parliament and of the Council of the EU of 22 October 2013 and Commission Directive 2007/14/EC of 8 March 2007.

CONCLUSIONS AND NEXT STEPS

Further development of the strategic partnerships in the raw materials sector will be aimed at signing the Memorandum of Understanding on strategic partnership between Ukraine and the EU in the raw materials sector and the adoption of a joint roadmap and holding a political dialogue within the framework of the High-Level Conference on Cooperation between Ukraine and the EU in the extractive industry.

SME DEVELOPMENT

The Law of Ukraine "On amendments to the Law of Ukraine "On accounting and financial reporting in Ukraine" concerning improving certain provisions" No. 2164-VIII establishes clear criteria for classifying enterprises as micro, small, medium and large enterprises. In compliance with the requirements of the law, the procedure for submitting financial statements, as well as the forms and procedure for preparing simplified financial statements for small and micro-enterprises were improved; amendments were introduced to the National Accounting Regulations (standards) 1 "General requirements to financial statements", 25 "Simplified financial statements" and Instructions on the use of the chart of accounts for bookkeeping for assets, capital, liabilities and business transactions of enterprises and organizations.

In order to implement a balanced and comprehensive policy in the field of entrepreneurship development, the Strategy for the development of small and medium-sized enterprises till 2020 was approved, and a step-by-step Action Plan for its implementation, within which the regulatory framework was updated: more than 6.5 thousand regulatory acts were revised for their legality and relevance. Based on the results of the systemic review 11 deregulation meetings of the Government were conducted. About 1,200 irrelevant regulatory acts that negatively affected the business climate were repealed.

COSME PROGRAM

In 2016, Ukraine and the EU signed an international agreement on Ukraine's participation in the COSME⁴¹ program, which became one of the key programs of the European Union for the period from 2014 to 2020 with a total budget of 2.3 billion Euro and is aimed at creating favorable conditions for the development of small and medium-sized businesses. Joining COSME provides for Ukraine's access to the program budget of about 900 million Euros.



⁴¹ The Agreement between Ukraine and the European Union on Ukraine's participation in the EU program Competitiveness of Small and Medium-sized Enterprises (COSME) (2014-2020) was signed on 4 May 2016 in Brussels, ratified on 22 February 2017. Ukraine's participation in the COSME program was defined in the roadmap for the EU support of Ukraine's short-term priorities (European reform agenda for Ukraine), included in the Ukraine Rehabilitation Plan for 2015-2017, supported at the first and second meetings of the EU-Ukraine Association Council in Brussels (December 2014 and December 2015), at the 17th EU-Ukraine Summit, held in Kiev on 27 April 2015, as well as at the Riga Eastern Partnership Summit (21-22 May 2015).

The current status of Ukraine as a member of the COSME program provides Ukrainian SMEs with access to non-financial instruments, such as the Enterprise Europe Network (EEN), Erasmus for Young Entrepreneurs (EYE), the European Cluster Collaboration Platform (ECCP) and other tools. Funding of the COSME program in Ukraine is carried out through the executive agency of the European Commission (hereinafter referred to as the EC) – The Executive Agency for Small and Mediumsized Enterprises. The funding covers up to 60% of the costs for the main activities and work of local service providers of the COSME program. The cumulative economic effect of participation in the EEN for Ukrainian SMEs and the Ukrainian economy as a whole in 2017-2020 reached 14,668,402 Euro (compared to 3.3 million Euro paid by Ukraine to the COSME program in the form of membership fees).

There are 23 programs available to Ukraine that are classified into 3 areas:

- facilitating SME's access to the market (21.5% of the COSME program budget, \sim 500 million Euro);
- improving conditions for competitiveness (11.5% of the budget, \sim 300 million Euro);
- formation of business culture (2.5% of the budget, ~ 60 million Euro).

TOURISM

In order to create favorable conditions for active development of the tourism and resorts sector, the Government, in March 2017, approved the Strategy for the Development of Tourism and Resorts till 2026, in the framework of which a permanent networking platform was created for uniting regional, city and sectoral tourism organizations⁴².

In 2019, the State Agency for Tourism Development was established as the central executive authority that implements state policy in the field of tourism and resorts.

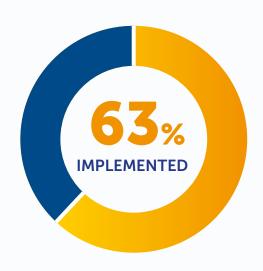
NEXT STEPS:

Adopt draft Law "On amendments to the Law of Ukraine on tourism" No. 4162.

⁴² Decree of the Cabinet of Ministers of Ukraine No.168 of 16 March 2017

2.11 ENERGY EFFICIENCY AND HOUSING AND UTILITY INFRASTRUCTURE

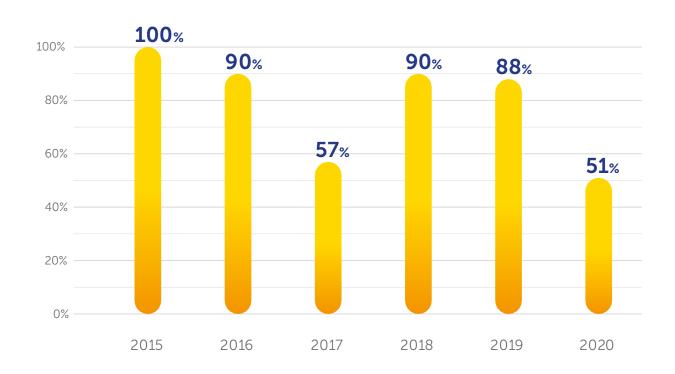
It covers **345** measures within **94** tasks Overall progress since the AA effective date - **63%**



345 MEASURES

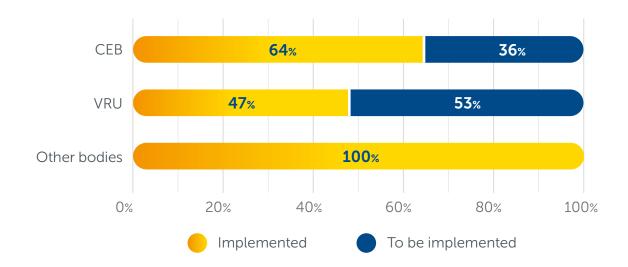
94 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



The Association Agreement provides Ukraine with an opportunity to cooperate with the EU in the field of energy efficiency improvement.

The National Energy Efficiency Action Plan till 2020 (Decree of the Cabinet of Ministers of Ukraine No.1228-r of 25 November 2015) was approved.

In 2017, a number of fundamental laws in the field of energy efficiency were adopted:

- The Law of Ukraine "On the Energy Efficiency Fund" No.2095-VIII, which provides for the creation of an innovative financial instrument that will allow developing the energy efficiency industry at a faster pace. The creation of such Fund allowed to attract significant investments in energy efficiency, including about 100 million Euros of grant funds from the German government, as well as resources from the state budget of Ukraine.
- The Law of Ukraine "On commercial metering of heat energy and water supply" No. 2119-VIII, which allows citizens to pay only for the amount of energy resources and utilities that they actually consumed.
- The Law of Ukraine "On energy efficiency of buildings" No. 1707-VIII, aimed at reducing energy consumption in buildings and improving the energy efficiency of the housing stock. The energy saving potential of the residential sector of Ukraine is 34%. The law introduced the practice of labeling the energy efficiency of housing, the required certification of the energy efficiency of construction projects and existing buildings to determine actual indicators.



By the Decree No. 605-r of 18 August 2017, the Cabinet of Ministers of Ukraine approved the Energy Strategy of Ukraine till 2035 "Safety, Energy Efficiency, Competitiveness". The new energy policy of Ukraine is based on the goals of reducing the energy intensity of the economy by half by 2030.

In 2018, a number of regulations were adopted that implement the provisions of the Law of Ukraine "On commercial metering of heat energy and water supply" (for the implementation of certain provisions of Directive 2012/27/EU) and the Law of Ukraine "On energy efficiency of buildings".

Pursuant to Article 9 of the Law of Ukraine "On energy efficiency of buildings" and in accordance with Article 17 of Directive No. 2010/31/EU, the Cabinet of Ministers of Ukraine adopted the Resolution "On approval of the procedure for professional certification of individuals planning to carry out energy efficiency certification activities and inspection of engineering systems" No. 605 of 26 July 2018.

In order to implement the provisions of Directive No. 2010/31/EU, the Cabinet of Ministers of Ukraine also adopted Resolution "On approval of the list of industrial and agricultural buildings, energy, transport, communications and defence facilities, warehouses that are not subject to the minimum requirements for the energy performance of buildings and are not subject to certification of the energy performance of buildings" No. 265 of 11 April 2018.

The capacity of the Energy Efficiency Fund has been significantly strengthened. In 2018, UAH 400 million were allocated in the state budget of Ukraine to finance the "warm loans" program.

Pursuant to the Law of Ukraine "On the Energy Efficiency Fund", the Ministry of Regional Development established the state institution Energy Efficiency Fund. Thus, currently the functions of formation and implementation of the state energy efficiency policy are clearly divided, and the powers of the Ministry of Regional Development, Ministry of Energy and State Agency for Energy Efficiency are separated.

On 29 January 2020, the Cabinet of Ministers of Ukraine adopted Decree No. 88-r "On approval of the Concept of implementing the state policy on energy efficiency of buildings in terms of increasing the number of buildings with nearly zero-energy consumption and approval of the National plan for increasing the number of buildings with nearly zero-energy consumption". Work is underway to develop requirements for buildings with nearly zero-energy consumption.

The national plan also provides for measures to encourage developers and building owners to switch to the construction of new and reconstruction of existing buildings in compliance with high energy efficiency standards during 2020-2030.



On 6 October 2020, during the 22nd EU-Ukraine Summit, funding agreement for the project "Energy Efficiency of Public Buildings in Ukraine" was signed between Ukraine and the European Investment Bank. The agreement provides for improving the energy efficiency of about 1,000 public buildings and reducing their energy consumption at the expense of loan funds in the amount of 300 million Euros. This loan will allow to prevent emissions of 1,250,000 tons of CO2 and benefit more than 2.5 million citizens.

The state budget of Ukraine for 2021 provides for expenditures in the amount of 100 million UAH for the functioning of the Energy Efficiency Fund in 2021.

The government has submitted to the Verkhovna Rada of Ukraine a draft Law of Ukraine "On amendments to the Law of Ukraine "On combined production of heat and electricity (cogeneration) and use of waste energy potential" (No. 4527 of 21.12.2020). The main purpose of the adoption of the draft law is to put in compliance the provisions of the current Ukrainian legislation with the EU legislation in the field of development of highly efficient cogeneration, in particular, Directive 2004/8/EC and Directive 2012/27/EU.

NEXT STEPS AND CHALLENGES:

- adoption of the laws on energy efficiency, on combined production of heat and electricity (cogeneration) and use of waste energy potential;
- adoption of the National Energy Efficiency Action Plan for the period up to 2030;
- · implementation of measures provided for in the National plan to increase the number of buildings with nearly zero-energy consumption.

ENERGY LABELING AND ECO-DESIGN

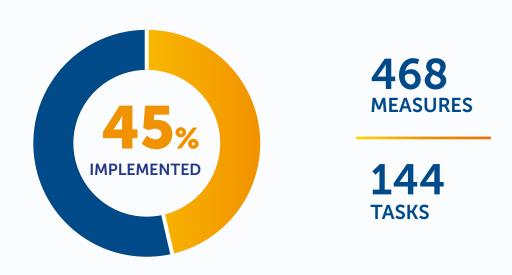
Ukraine is implementing an important European tool - Ecodesign. Significant progress has been made in meeting the EU requirements for the introduction of energy labeling of energy-consuming products and the adoption of technical regulations on eco-design, which sets requirements for the energy characteristics of such products.

In order to fulfill these obligations, 36 regulations were adopted to approve technical regulations in the field of energy efficiency.

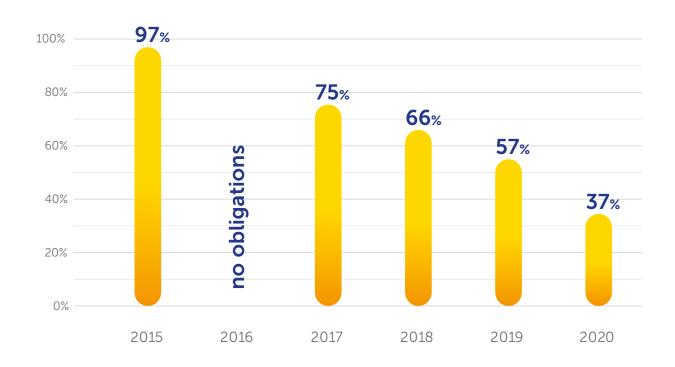


2.12 ENERGY

It covers **468** measures within **144** tasks Overall progress since the AA effective date - **45%**

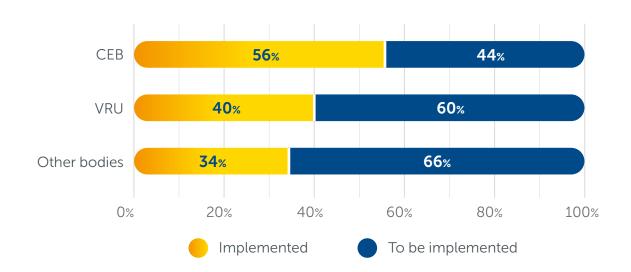


IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



APPLICATION OF THE UPDATED ANNEX XXVII

During 2016, the text of a new Memorandum of Understanding on a Strategic Energy Partnership between Ukraine and the European Union together with the European Atomic Energy Community, which has been in force since 2005, was agreed upon. This document entered into force on 25.11.2016 after approval by the Verkhovna Rada.

By Decision No. 1/2019 of the EU-Ukraine Association Council dated 08.07.2019, Annex XXVII to the Association Agreement was updated, which contains a list of the EU acts mandatory for implementation by Ukraine in the energy sector in order to integrate Ukraine into the EU energy market in the gas and electricity sectors. In order to implement it properly, guidelines have been developed that define the mechanism of interaction between the parties during consultations on the alignment of the provisions of Ukrainian legislation with the provisions of the EU law.

NEXT STEPS AND CHALLENGES:

Further effective consultations with the European Commission in accordance with Annex XXVII-B to the Association Agreement, taking into account their results in the process of legislation adoption.



ELECTRICITY MARKET

On 13 April 2017, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On the electricity market" No. 2019-VIII, which implements Directive 2009/72/EC. The Law entered into force on 11 June 2017. It set the principles of the electricity market reform in two stages.

The regulations required for the launch of the new market model were developed and approved. Both stages of the reform were implemented, namely, the introduction of the retail market from 01.01.2019 and the transition to a new model of the electricity market from 01.07.2019. The main segments of the new market were launched, including the bilateral contracts market, the day-ahead market, the intraday market, the balancing market and the ancillary services market. At the same time, certain regulatory elements have been preserved, in particular, the state controlled electricity prices for household consumers, and a special regime of selling electricity from renewable sources through the state enterprise Guaranteed Buyer.

The launch of the new market model is designed to encourage competition between suppliers, to guarantee high quality services for the consumers at competitive prices, and for electricity producers – the funds for operating activities and investments in the new capacities, in particular, low-carbon ones.

In light of the measures on preventing the spread of COVID-19 introduced in Ukraine, which led to a drop in consumption, the problems of the previous years at the electricity market aggravated, namely cross-subsidization taking into account regulated prices for certain categories of consumers, the existence of two trade zones technically separated from each other (energy island of Burshtyn TPP and UES of Ukraine), the significant impact of thermal generation on the pricing of the main organized market segments, the unresolved issue of sources of compensation for the difference between the wholesale price of electricity and the "green tariff" of growing volumes of renewable energy, over-regulation of nuclear generation activities and non-repayment of debts of previous periods.

One of the results of the electricity market reform was the approval by the Government of the Resolution No. 694 of 05.08.2020 "On Amendments to the Regulations on Imposing Special Obligations on Electricity Market Participants to Ensure Public Interests in the Functioning of the Electricity Market".

On 28 September 2020, the Cabinet of Ministers of Ukraine adopted the Resolution No. 887 "On amendments to the procedure of electronic auctions for the sale of electricity under bilateral contracts", which improved the procedure of electronic auctions and defined the procedure of a special session on the sale of electricity from alternative energy sources. Thus, it was possible to reduce the financial gap between the funds needed to cover the difference between the "green tariff" and the wholesale price.

The Verkhovna Rada of Ukraine has adopted the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning certification of transmission system



operator" No. 3364-1-d of 01.02.2021. This will provide an opportunity to certify the power transmission system operator (TSO) in line with the ISO separation model.

NEXT STEPS AND CHALLENGES:

Integration of the energy markets of Ukraine and the EU, implementation of reforms in the energy sector in order to implement the updated Annex XXVII of the Association Agreement.

RENEWABLE ENERGY

In December 2016, the member states of the International Renewable Energy Agency (IRENA) took positive decision on Ukraine's accession. In order to implement the domestic procedures necessary for obtaining membership in this agency, a draft Law of Ukraine "On Ukraine's accession to the Charter of the International Renewable Energy Agency (IRENA)" No. <u>2222-VIII</u> was developed and the Verkhovna Rada approved it on 05.12.2017. Ukraine's involvement in IRENA will help to increase the share of energy from renewable sources in the state's energy balance.

By the Decree No. 605-r of 18 August 2017, the Cabinet of Ministers of Ukraine approved the Energy Strategy of Ukraine till 2035 "Safety, Energy Efficiency, Competitiveness". This is a program document that defines the entire range of reforms in the country's energy sector. The new energy policy of Ukraine is based on the goals of reducing the energy intensity of the economy by half by 2030, increasing the Ukrainian production of both traditional and alternative energy, in particular, the goal is to achieve 25% of energy production from renewable energy sources by 2035.

On 22.05.2019, the Law of Ukraine "On amendment of certain laws of Ukraine on competitive conditions for electricity generation from alternative energy sources" No. 2712-VIII of 25.04.2019 came into force. The law provides for introducing of a competitive model of stimulating the renewable energy development through support quota distribution auctions ("green" auctions).

On 27.12.2019, the Cabinet of Ministers adopted the Resolution "On competitive conditions for electricity generation from alternative energy sources", which adopted the procedure of holding the support quota distribution auctions and the procedure of selection of electronic platforms operators for holding the support quota distribution auctions.

On 01.08.2020 the Law of Ukraine "On amendments to certain laws of Ukraine on improving the conditions of support for electricity generation from alternative energy sources" No. 810-IX of 21.07.2020 entered into force, in which a number of steps were agreed to be taken by the state and the investors in renewable energy to resolve problematic issues, namely the reduction of the "green tariff" and the introduction of additional state guarantees for payment of debt and for electricity released to the network.



NEXT STEPS AND CHALLENGES

Further implementation of the Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources.

Overcoming of the crisis situation in renewable energy sector, which has become a significant challenge for the country.

INTEGRATION INTO ENTSO-E

The Agreement on the conditions of the future integration of power systems of Ukraine and Moldova with the grid of continental Europe came into force on 7 July 2017. It is an important achievement on the way to creating prerequisites for further integration of the power system of Ukraine into the pan-European electricity market.

According to the Law of Ukraine "On the electricity market", since 01.07.2019, the liberalized electricity market has been launched, which is aimed at fulfilling Ukraine's obligations under the Treaty Establishing Energy Community and the Association Agreement between Ukraine and the European Union, in particular, to meet the requirements of the Third EU Energy Package.

Order of the Cabinet of Ministers of Ukraine No.1097-r of 27.12.2018 approved the action plan for synchronizing the United Energy Systems of Ukraine with the association of power grids of the EU member-states, the implementation of which will allow to:

- implement a set of organizational and technical measures necessary to improve the country's energy security, to ensure sustainable operation of the UES of Ukraine, reliable supply of the quality electricity to the own consumers;
- minimize the impact on the UES of Ukraine of parallel work with the UES of Russia by physically separating the UES of Ukraine from the power grids of the UES of Belarus and the UES of Russia with the transition of the UES of Ukraine to parallel work with the association of power grids of the EU member-states.

As part of the implementation of the Action Plan for synchronization in 2018, an operational agreement was developed and signed between NPC Ukrenergo and Moldelektrika state enterprise on the creation of a joint regulatory unit within the energy systems of Ukraine and Moldova. The Ukrenergo transmission system operator also submitted a request for certification required to perform functions in accordance with the requirements of the Law of Ukraine "On the electricity market".

During 2019, the generating equipment of TPP, CHPP and HPP was successfully tested for modeling and validation of excitation systems and frequency and power control systems, and in 2020 – testing of excitation systems of turbo generators of RNPP, ZNPP and UUNPP in order to further use their results in building a joint



mathematical model of power systems of Ukraine and ENTSO-E to simulate operation in different modes.

The result of testing of the power units was a set of data necessary for creating a mathematical model of the UES of Ukraine and performing calculations of static and dynamic stability in synchronous operation with the European power system. The data set, together with the dynamic network model, has already been passed on by Ukrenergo experts to members of the ENTSO-E Consortium. The results are also already being used to create a joint mathematical model of the UES of Ukraine and ENTSO-E for the consortium of ENTSO-E system operators to carry out study of the static and dynamic stability of the Ukrainian energy system. These studies are carried out on the basis of a service contract between NPC Ukrenergo and the ENTSO-E Consortium.

In order to meet one of the priority conditions for integration into ENTSO-E, it is necessary to complete the certification process of NPC Ukrenergo as an Independent System Operator. The regulator has generally confirmed compliance with the requirements for separation and independence of the operator, but, according to Directive 2009/72/EC, the TSO shall be the owner of fixed assets with the right to pledge them. Solving of this issue requires amendments to the Law of Ukraine "On the electricity market" concerning the certification of TSO under the Independent System Operator (ISO) model.

NPC Ukrenergo is actively preparing the power system for test operation in an isolated mode from the power systems of the Russian Federation and Belarus. Successful completion of this test operation will be a key factor for the final decision of the ENTSO-E Regional Group Continental Europe on synchronization, which is scheduled for 2022.

In the first half of 2021, it is planned to replace the AER (automatic excitation regulator) systems and install PSS stabilizers in accordance with the measures of the comprehensive program for improving the safety of Ukrainian NPPs, and by the end of 2021 – modernization of software and hardware for dispatching control and data collection (SCADA, WAMS).

Since Ukraine has completed almost all main technological preparation measures specified in the Agreement, the synchronization date – 2023 – was confirmed three times by ENTSO-E in 2020. This will be the example of one of the fastest integration of power grid into the European network. For example, it took Turkey 10 years to do this. Ukraine will pass this path in six years.

Certification of Ukrenergo is a requirement of the Law of Ukraine "On the electricity market" and Directive 2009/72/EC of the European Parliament and of the Council, the implementation of which is an integral part of Ukraine's international obligations. Certification is also a prerequisite for obtaining a license for electricity transmission activities in the European market model, which has been operating in Ukraine since 1 July 2019. The certificate of independent system operator is issued by the national regulator – NEURC and confirmed by the EU Energy Community Secretariat.



NEXT STEPS AND CHALLENGES:

- ensuring synchronization of the Ukrainian power system with the European power network ENTSO-E and its separation from the energy systems of the Russian Federation and Belarus, respectively (Article 338, Annex XXVII to the Association Agreement);
- adoption of the draft Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning certification of a transmission system operator" (No. 3364-1-d).

GAS MARKET

On 1 October 2015, the Law of Ukraine "On the natural gas market" came into force. It sets out the legal framework of the Ukraine's natural gas market operation, based on the principles of free competition, proper protection of consumer rights and security of natural gas supplies. The law also stipulates the legal framework for the market capable of integration with the natural gas markets of the Energy Community member-states, including through the creation of regional natural gas markets.

The Law of Ukraine "On the natural gas market» is aimed at implementation Energy Community regulations on energy, in particular: Directive 2009/73/EC; Regulation (EC) 715/2009; Directive 2004/67/EC and Commission Regulation (EU) 2015/703, etc.

Currently, the state gas market regulation policy has already been adjusted in line with international obligations by implementing the EU energy legislation, reforming vertically integrated companies and creating conditions for the integration of Ukraine's energy system with the EU. Today, Ukraine is fully synchronized with Europe in the mode of operation of the gas market by switching to daily balancing.

A number of pieces of subsidiary legislation have been adopted in accordance with the requirements of the EU Third Energy Package. The liberalized natural gas market currently operates on the basis of this legislation.

In order to ensure effective monitoring of the electricity and natural gas markets functioning in the context of new models and taking into account Ukraine's international obligations as a party to the Treaty Establishing the Energy Community, NEURC works on the implementation of the Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency.

GTS Operator of Ukraine LLC has signed technical agreements with Gas Transmission System Operators in Poland, Hungary and Romania, which allow it to operate in virtual reverse mode. Negotiations are underway with Slovakia, which is the largest gas transportation route in terms of capacity both in the western direction and in the opposite direction to Ukraine.



On 01.01.2020, a new transit contract came into force, which ensures the transportation of natural gas from the Russian Federation to the EU through the territory of Ukraine in accordance with European rules and standards.

In August 2020, the regulation on imposing special obligations on natural gas market entities to ensure public interests was repealed. The state no longer regulates the price for the household consumers, now the suppliers compete for the consumers based on the price offer. Despite the numerous problems related to the monopolistic influence of individual players, in the energy sector the natural gas market in Ukraine is currently the most liberalized and reformed.

NEXT STEPS AND CHALLENGES

Ensure complete integration with the ENTSO-G gas transportation system.

GAS MARKET DEVELOPMENT AND OFFERED THRESHOLD PRICE FOR HOUSEHOLD CONSUMERS

In December 2020 - January 2021, there was a sharp increase in prices at European hubs (an increase of more than 60% from November). Distribution tariffs have also increased.

Due to the inability of the population to pay for natural gas to gas supply companies, which artificially and unreasonably increased the price of natural gas, it was decided to introduce a temporary mechanism to protect vulnerable consumers who suffered the most. On 18 January 2021, the Government adopted Resolution No. 25 "On amendments to certain resolutions of the Cabinet of Ministers of Ukraine", setting the maximum price of UAH 6.99 with VAT for the population until 31.03.2021. This solution is not an analog of PSO. The existing mechanism provides temporary protection for vulnerable consumers during the period of high prices at European hubs during the heating period.

Starting from April 2021, it is planned to switch to natural gas metering in energy units – kilowatt-hours. So, in June 2020, the Verkhovna Rada of Ukraine approved in the first reading the relevant draft Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the introduction on the natural gas market of metering and settlements by gas volume in energy units".



NUCLEAR INDUSTRY AND RADIATION PROTECTION

Council Directive 2009/71/Euratom and Council Directive 2014/87/ Euratom were already implemented in Ukraine at the time of signing the Association Agreement⁴³.

On 27 January 2016, the Cabinet of Ministers of Ukraine adopted the Resolution No. 89 "On amendments to the procedure of developing and approving norms, rules and standards on nuclear and radiation safety" aimed at taking into account operating experience, conclusions of safety analyses of existing nuclear plants when developing regulatory documents on nuclear and radiation safety.

In the part of implementation of the provisions of, the Law of Ukraine "On amendments to certain laws of Ukraine on nuclear energy use" No. 107-IX of 18.09.2019 came into force on 24.11.2019. The law is designed to regulate the issue of protection against radiation in certain areas of nuclear energy use, where the greatest negative impact of ionizing radiation on public health is possible, and will also provide increased protection against radiation for workers in the extraction and processing of uranium ores and the population living in the adjacent territory to uranium facilities.

Currently, a number of regulations are being developed to enable the implementation of the provisions of the adopted Law of Ukraine. So, as of today, the Cabinet of Ministers of Ukraine has adopted Resolution No. 803 of 9 September 2020 "On amendments to resolutions of the Cabinet of Ministers of Ukraine No. 440 of 6 May 2001 and No. 591 of 1 June 2011 (concerning the procedure of licensing of the uranium ores extraction). Licensing conditions are also being amended in accordance with the amendments introduced by the adopted Law of Ukraine.

On 18 November 2020, the Cabinet of Ministers of Ukraine adopted Resolution No. 1141 "Some issues of setting a unified state system for individual radiation doses monitoring and recording " (aimed at creating a unified state system for monitoring and recording of individual radiation doses in Ukraine, reflecting the basic principles of protection against radiation laid down in Council Directive 2013/59/Euratom).

In the part of the implementation of the provisions of Council Directive 2006/117/ Euratom, the Cabinet of Ministers of Ukraine on 21 August 2019 adopted a resolution on amendments to the procedure of issuing permits for the international transportation of radioactive materials No 759 (aimed at introducing a procedure for coordinating the international transportation of radioactive waste and spent nuclear fuel in cases where the country of origin, destination country or transit country is a member state of the European Union).



⁴³ Laws of Ukraine "On the use of nuclear power and radiation safety" (1995), "On the management of radioactive waste" (1995), "On licensing activities related to the use of nuclear energy" (2000), "On decision making procedure regarding placement, design, construction of nuclear plants and facilities of national importance intended for the management of radioactive waste" (2005), "On access to public information" (2011), Resolution of the Cabinet of Ministers of Ukraine of 18 July 1998, No. 1122 approved the procedure for holding public hearings on the use of nuclear energy and radiation safety, the regulation "On the State Nuclear Regulatory Inspectorate of Ukraine", approved by the Resolution of the Cabinet of Ministers of Ukraine of 20.08.2014 No. 363 (as amended) and relevant regulations approved in accordance with the set procedure of the State Nuclear Regulatory Inspectorate and registered with the Ministry of Justice of Ukraine

State Nuclear Regulatory Inspectorate on 4 August 2020 adopted Order No. 320 "On approval of standard document forms", which was registered with the Ministry of Justice of Ukraine on 2 October 2020 under No. 968/35251. This order provides for the application of the approval procedure in accordance with the Resolution No. 759 of 21 August 2019 approved by the Cabinet of Ministers of Ukraine.

In terms of ensuring the independence of State Nuclear Regulatory Inspectorate of Ukraine, one of the main achievements is the entry into force on 11 June 2020 of the Law of Ukraine "On amendments to certain laws of Ukraine concerning the safety of the use of nuclear energy" of 19 May 2020 No. 613-IX. This law restores the independence of the body regulating safety of the use of nuclear energy in the process of making decision regarding supervision and licensing, which is conditioned by the fulfillment by Ukraine of international obligations as provided for in the Council Directive 2014/87/Euratom, Council Directive 2009/71/Euratom and in the IAEA's safety standards (item 87 of the Joint Operational Conclusions of the 5th EU-UA Association Committee).

NEXT STEPS AND CHALLENGES

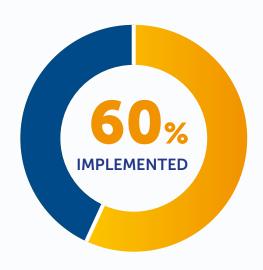
Ensure further effective implementation of the approximated legislation and reflection of the amendments in European Union law in the Ukrainian energy legislation in the part of ensuring nuclear and radiation safety.

Adopt the draft Law of Ukraine "On amendments to the Law of Ukraine "On the use of nuclear energy and radiation safety" concerning radiation protection expert" (No. 3869 of 16 July 2020).



2.13 TAXATION

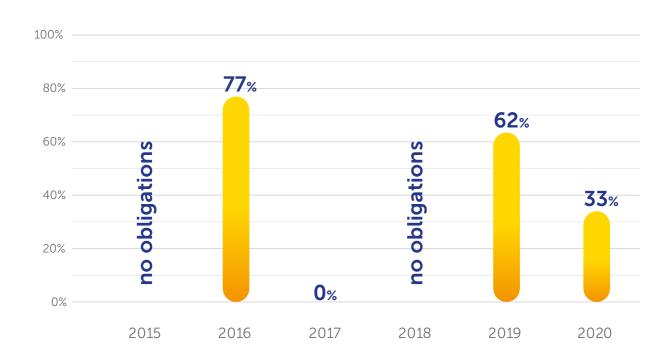
It covers **218** measures within **77** tasks Overall progress since the AA effective date - **60%**



218MEASURES

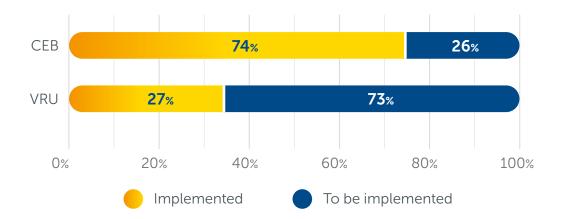
77
TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



The overall progress in the implementation of the Association Agreement between Ukraine and the EU from 01.11.2014 till the present moment in this area is 60%.

EXCISE TAX

The Law of Ukraine "On amendments to the Tax Code of Ukraine concerning improving the investment climate in Ukraine" (No. 1797-VIII of 21.12.2016) was adopted. The purpose of this law is to improve the investment climate in Ukraine by simplifying the tax system and tax administration.

The list of excise tax payers has been supplemented by individuals engaged in wholesale fuel supplies.⁴⁴

Budget revenues have been balanced by establishing a gradual increase in excise tax rates in Ukraine until 2025 until they reach the minimum level set in the EU (90 EUR per 1 thousand units⁴⁵).

The draft Law of Ukraine "On amendments to the Tax Code of Ukraine and other laws of Ukraine concerning ensuring the balance of budget revenues" (No. 4101 of 15.09.2020) was submitted to the Verkhovna Rada for consideration. This draft law, among other things, is aimed at bringing national legislation in compliance with the provisions of Council Directive 2011/64/EU.

The Verkhovna Rada of Ukraine is considering the draft Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the criminalization of illegal movement of excisable goods" (No. 4556 of 29.12.2020), which provides for the introduction of criminal liability for the smuggling of excisable goods.

⁴⁵ Law of Ukraine "On amendments to the Tax Code of Ukraine and certain legislative acts of Ukraine concerning ensuring the balance of budget revenues in 2018" No. 2628-VIII of 23.11.2018.



⁴⁴ Law of Ukraine No. 2628 of 23 November 2018 "On amendments to the tax code of Ukraine and some other legislative acts of Ukraine concerning the improvement of administration and revision of the rates of certain types of taxes and fees".

VALUE ADDED TAX

At the 4th Meeting of Cluster 2 of the Subcommittee on Economics and other Sectoral Cooperation of the EU-Ukraine Association Committee, which took place on 03.07.2020, it was agreed to present in December 2021 a draft schedule for the gradual approximation of the Ukrainian legislation to the Thirteenth Council Directive 86/560/EEC of 17 November 1986 on the harmonization of the laws of the Member States relating to turnover taxes - Arrangements for the refund of value added tax to taxable persons not established in Community territory.

In order to introduce international standards of tax control and implement the norms envisaged by BEPS (Base Erosion and Profit Shifting) plan, the Law of Ukraine "On amendments to the Tax Code of Ukraine to improve tax administration, eliminate technical and logical inconsistencies in tax legislation" No. 1210 of 30.08.2019 and the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the improvement of tax administration, elimination of technical and logical inconsistencies in tax legislation" No. 1209-1 of 19.09.2019 were approved.

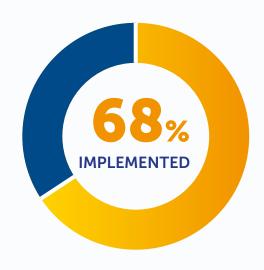
CONCLUSIONS, NEXT STEPS AND CHALLENGES

- Improve the VAT refund procedure to avoid debt accumulation, ensure effective tax collection, and strengthen the fight against tax fraud.
- Amend the Customs Code of Ukraine concerning the introduction of quantitative restrictions on the import of excisable goods, namely alcoholic beverages and tobacco products, as well as on the import of certain amount of fuel without VAT and excise tax, in accordance with EU requirements.
- Develop a draft law on the implementation of certain provisions.
- Analyze existing tax benefits for their compliance with the Law of Ukraine "On state aid to business entities" and cancel the ones that harm trade and competition.
- Bring national legislation in line with the provisions of Directive 2011/64/EU, Council Directive 2006/112/EC, Council Directive 2003/96/EC.
- Regulate at the legislative level (in cooperation with the NBU) the issue of taxation of investment gold.



2.14 STATISTICS AND INFORMATION EXCHANGE

It covers **25** measures within **21** tasks Overall progress since the AA effective date - **68%**



25 MEASURES

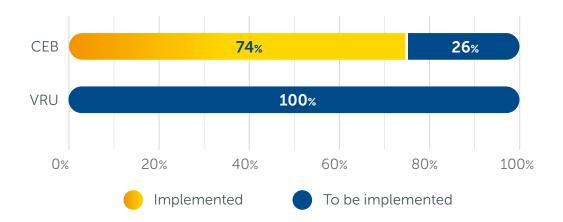
21 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



In 2016, the European experts' mission conducted a Global Assessment of the National Statistics System of Ukraine. Based on the results of the mission's work, experts noted that the National Statistics System generally meets the requirements and standards of the EU in the field of statistics. At the same time, recommendations for further work were received.

In order to implement the received recommendations, Ukraine developed and approved the relevant action plan, which became the basis of the Program for the State Statistics Development until 2023, approved by the Government on 27.02.2019.

The Cabinet of Ministers of Ukraine has submitted to the Parliament a draft Law of Ukraine "On amendments to certain laws of Ukraine concerning state statistical activity" (No. 5108 of 19.02.2021). The draft law aims to ensure the improvement of statistical legislation in accordance with EU statistical legislation (acquis) and conducting All-Ukrainian population census.

Orders of the State Statistics Service on approximation of statistical practice to the EU standards have been approved. In particular, in 2020, 66 guidelines on various statistical topics were improved, in 2019 – 72, in 2018 - 59.

In July 2020, the official website of the State Statistics Service published the results of international comparisons of gross domestic product for 2017, which were calculated and published by the World Bank.

On the agenda is the issue of Ukraine obtaining observer status at Eurostat, following the example of European Free Trade Association (EFTA) countries.



NEXT STEPS:

- adoption of laws of Ukraine on amendments to certain laws of Ukraine concerning state statistical activities and on amendments to certain laws of Ukraine regulating state statistical activities for the harmonization of state statistics with the norms and standards of the European Union, cooperation and exchange of statistical information with the EU statistical authorities, ensuring the confidentiality of statistical information, etc.;
- continuing work on harmonizing the national methodology with the provisions of EU legislation in the field of statistics;
- implementation in 2021-2022 of the next round of Global Assessment of the National Statistical System of Ukraine for its compliance with EU norms and standards (a request was sent to Eurostat and a positive response was received).



2.15 ENVIRONMENT AND CIVIL PROTECTION

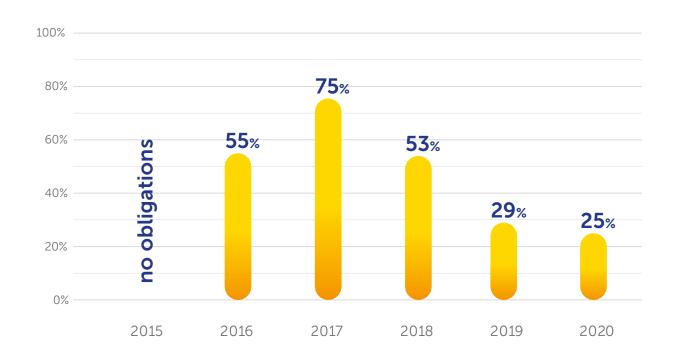
It covers **482** measures within **108** tasks Overall progress since the AA effective date - **50%**



482
MEASURES

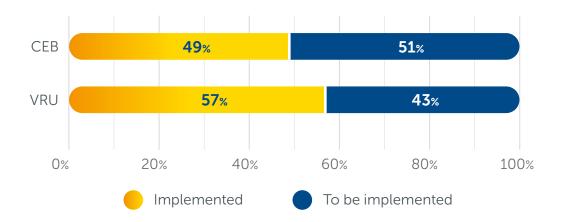
108 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



ENVIRONMENTAL MANAGEMENT AND INTEGRATION OF ENVIRONMENTAL POLICIES INTO OTHER SECTORAL POLICIES

The Protocol on Strategic Environmental Assessment to the Convention on Environmental Impact Assessment in a Transboundary Context (law of Ukraine No. 562-VIII) has been ratified. The Main principles (strategy) of the state environmental policy of Ukraine till 2030 were approved, which is aimed at raising environmental standards and establishing a safer level of environment for ecosystems and the population, taking into account European requirements.

The laws of Ukraine "On environmental impact assessment" and "On strategic environmental assessment", bylaws were adopted in order to integrate environmental requirements into decision-making processes on the implementation of economic activities that can have a significant impact on the environment, and take into account public and private interests in the development and approval of state planning documents.

A Unified Environmental Impact Assessment Registry has been introduced in order to collect, reproduce and provide access to up-to-date information on the implementation of the environmental impact assessment procedure for all interested parties: http://eia.menr.gov.ua/

At the same time, in order to strengthen the SEA procedure, the Government submitted to the Parliament a draft Law "On amendments to certain laws of Ukraine concerning the introduction of liability for violation of the procedure of strategic environmental assessment" (No.5159). The draft law proposes to establish responsibility for violating the procedure of strategic environmental assessment with the imposition of fines on officials.



NEXT STEPS AND CHALLENGES

Take into account the need to conduct strategic environmental assessment when developing state target programs, urban development plans, etc.

WATER QUALITY AND WATER RESOURCES MANAGEMENT, INCLUDING THE MARINE ENVIRONMENT

The Law of Ukraine "Onamendments to certain legislative acts of Ukraine concerning the introduction of integrated approaches to water resources management based on the basin principle" of 4 October 2016 No. 1641-VIII was adopted. The structure of the State Water Resources Agency of Ukraine was approved in accordance with the basin principle of water resources management in line with the requirements of the EU Water Framework Directive. Within each area of the river basin (sub-basin), a corresponding system of management bodies is defined – 12 basin water resources departments and 15 regional water resources offices; 13 basin councils - advisory and consultative bodies that participate in formation and implementation of state water protection policy within a separate area of the river basin.

Hydrographic and water management zoning of the territory of Ukraine was also carried out, the boundaries of river basins, sub-basins and water management areas were established.

A new procedure for state monitoring of waters (surface, underground, sea) was introduced (Resolution of the Cabinet of Ministers of Ukraine No. 758 of 19.09.2018 "On approval of the procedure for state monitoring of waters"), in particular, the existing system of state monitoring of waters was reformed in accordance with European principles and approaches.

The existing system of surface water bodies monitoring is being changed to a new one that can provide modern diagnostics of the condition of water bodies according to European standards.

The number of water monitoring subjects has been optimized from 11 to 5, and the number of examined indicators has been doubled. New examined indicators were introduced – hydromorphological, hydrobiological, priority and specific for determining the chemical condition of water (about 90 indicators), the number of water monitoring objects (surface and underground water bodies, sea waters) was increased.

The Order of the Ministry of Natural Resources of Ukraine dated 06.02.2017 No. 45 (registered with the Ministry of Justice of Ukraine on 20.02.2017 under No. 235/30103) approved the List of pollutants for determining the chemical condition of surface and underground water bodies and the ecological potential of an artificial or significantly modified surface water bodies.



Order of the Ministry of Natural Resources of Ukraine No. 4 of 14.01.2019 (registered with the Ministry of Justice of Ukraine on 22.03.2019 under No. 287/33258) approved the Guidelines for determining surface and underground water bodies.

Order of the Ministry of Natural Resources of Ukraine No. 5 of 14.01.2019 (registered with the Ministry of Justice of Ukraine under No. 127/33098 on 05.02.2019) approved the guidelines for assigning surface water body to one of the classes of ecological and chemical conditions of a surface water body, and assigning artificial or significantly modified surface water body to one of the classes of ecological potential of an artificial or significantly modified surface water body.

Order of the Ministry of Health of Ukraine No. 410 of 31.12.2020 approved the Program of State Monitoring of Waters (in the part of diagnostic and operational monitoring of surface waters).

In order to ensure the implementation of state monitoring of waters in accordance with European principles and approaches, four modern basic laboratories were equipped: the water monitoring laboratory of the Northern region (Vyshgorod), water monitoring laboratory of the Western Region (Ivano-Frankivsk), water monitoring laboratory of the Eastern region (Slovyansk) and the water monitoring laboratory of the Southern region (Odessa).

Diagnostic monitoring of surface water bodies in the river basins of Don, Dniester, Danube and Visla was introduced, and the preparation of state monitoring of surface waters of the Dnieper river basin was completed.

The mechanism for developing a river basin management plan in accordance with the procedure approved by Resolution of the Cabinet of Ministers of Ukraine No. 336 of 18 May 2017 has been defined.

Order of the Ministry of Environment of Ukraine No. 313 of 27.11.2020 approved 9 schedules for development of the draft plans of management of river basins (of Dnieper, Dniester, Danube, Don, Visla, Southern Bug, Crimea, rivers of the Azov region, rivers of the Black Sea region).

In accordance with the procedure of development of a river basin management plan approved by the Resolution of the Cabinet of Ministers of Ukraine No. 336 of 18.05.2017, the characteristics of 8 areas of river basins (Dnieper, Dniester, Danube, Don, Vistula, Southern Bug, rivers of the Azov region and rivers of the Black Sea region) were analyzed.

The Treaty between the Cabinet of Ministers of Ukraine and the Government of the Republic of Moldova on Cooperation in the Field of Protection and Sustainable Development of the Dniester River Basin has been ratified. This Treaty was concluded in order to ensure coordination of joint actions of Ukraine and Moldova aimed at solving urgent cross-border environmental problems, ensuring sustainable ecological and socio-economic development of the entire Dniester Basin.



Order of the Ministry of Environmental Protection and Natural Resources of Ukraine No. 410 of 31.12.2020 approved the State Water Monitoring Program (in the part of diagnostic monitoring of coastal and marine waters of the Black and Azov seas).

NEXT STEPS AND CHALLENGES

- Ensure the implementation of diagnostic monitoring of surface water for 9 river basins of Ukraine.
- Develop and upgrade the state water monitoring laboratories, expand their capabilities to perform diagnostic and operational monitoring of surface water.
- Develop, approve and implement management plans for 9 river basins districts of Ukraine.
- Approve the Marine Environmental Strategy of Ukraine.

AIR QUALITY

In the framework of environmental protection state supervision (control) system reform, the Order of the Cabinet of Ministers of Ukraine No. 616 of 31 May 2017 approved the Concept of environmental protection state supervision (control) system reform, which provides for the formation of a single integrated state body for environmental monitoring and supervision (control).

The draft Law "On state environmental control" (No. 3091 of 19.02.2020) was submitted for consideration by the Verkhovna Rada of Ukraine. The draft law was developed in line with the need to improve the state environmental monitoring.

The concept of the state target program for material and technical re-equipment of the National Hydrometeorological Center for the period 2022-2024 was approved.

Order of the Ministry of Internal Affairs No. 154 of 28.02.2018 "On approval of the procedure for monitoring the content of arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in atmospheric air" was adopted.

In accordance with the Procedure of state monitoring in the field of atmospheric air protection, approved by the Resolution of the Cabinet of Ministers of Ukraine No. 827 of 14 August 2019, 25 zones and 24 agglomerations have been established on the territory of Ukraine to monitor atmospheric air and manage its quality. The work is underway to approve the form of the state monitoring program in the field of atmospheric air protection



NEXT STEPS AND CHALLENGES

- Develop and approve air quality improvement plans and short-term action plans for the relevant zone or agglomeration.
- Approve the procedure for placing air pollution monitoring points in zones and agglomerations.
- Adopt a regulation to inform the public about the concentrations of arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in the atmospheric air;
- Provide for technical re-equipment of existing posts and creation of a new observation network, allocation of necessary financial resources for this.

WASTE

The National Waste Management Strategy of Ukraine until 2030 has been approved.

The National Waste Management Plan until 2030 and methodological recommendations for the development of regional waste management plans were approved. The draft Order of the Ministry of Natural Resources and Environment "On the procedure of Regional Waste Management Plans development and approval" is being approved.

The Verkhovna Rada of Ukraine adopted in the first reading the draft Law of Ukraine "On waste management" (No. 2207-1-d of 04.06.2020), the draft laws of Ukraine "On batteries and accumulators" (No. 2352 of 30.10.2019), "On waste of electrical and electronic equipment" (No. 2350 of 30.10.2019) were registered.

Draft laws of Ukraine "On packaging waste" and "On waste management of the extractive industry" are being developed.

Draft law of Ukraine were developed: "On chemical safety" to ensure the state registration of chemicals and ensure their classification and "On Ukraine's accession to the Minamata Convention on Mercury", which provides for restrictions on trade and gradual rejection of the use of mercury in certain technological processes; transition to mercury-free alternatives for certain types of products; strengthening control over the reduction of mercury emissions and discharges.



NEXT STEPS AND CHALLENGES

- Adopt framework legislation in the field of waste management, sectoral laws on packaging waste, extractive industry waste, household waste, hazardous waste, in particular, waste from batteries and accumulators, electrical and electronic equipment. Settlement of legal relations in the field of medical waste is of particular importance.
- Develop and implement regional waste management plans.

INDUSTRIAL POLLUTION

The Concept of implementation of the state policy on industrial pollution was approved by the Order of the Cabinet of Ministers of Ukraine No. 402 of 22.05.2019 along with the Action Plan for the Concept implementation.

National plan to reduce air emissions from large combustion plants has been approved. Amendments have been made to the technological standards for permissible emissions of pollutants from thermal power plants with a nominal heat output exceeding 50 MW.

A draft Law of Ukraine "On prevention, reduction and control of industrial pollution" has been developed and registered in the Verkhovna Rada of Ukraine on 29.09.2020 under No. 4167.

NEXT STEPS AND CHALLENGES

- Adopt a draft law on prevention, reduction and control of industrial pollution, introduction of an integrated licensing system.
- · Adopt the draft Law "On state environmental control".
- Approve the best available management technologies and methods (BAMT) for Ukrainian industries that have a significant impact on the environment.

NATURE CONSERVATION

In order to implement certain provisions of the Directive 2009/147/EC, a draft law of Ukraine "On the territories of the Emerald network" (No. 4461 of 04.12.2020) was developed and registered in the Verkhovna Rada of Ukraine.

The Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning wildlife conservation" was adopted on 9 April 2015 with No. 322-VIII, which introduced restrictions and barriers to work and activities that are a source of increased noise and anxiety, as well as strengthened the protection of animal habitats in the nature reserve fund facilities.



The Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the protection of virgin forests in accordance with the Framework Convention on the Protection and Sustainable Development of the Carpathians" of 23 May 2017 No. 2063-VIII was adopted.

At the 39th meeting of the Standing Committee of the Bern Convention in 2019, it was decided to include 106 new territories within Ukraine in the Emerald network of Europe.

NEXT STEPS AND CHALLENGES

- · Adopt the draft Law "On the territories of the Emerald network".
- Approve the State Forest Management Strategy of Ukraine until 2035.
- Increase the forest cover of the territory of Ukraine, provide for sustainable management of forest resources.
- Adopt draft laws "On the wood market", "On forest reproductive material", "On the state system of biosafety in creating, testing, transportation and using genetically modified organisms".

CIVIL PROTECTION

In order to implement the provisions of Directive 2012/18/EU, a draft Law of Ukraine No. 4407 "On amendments to certain legislative acts of Ukraine concerning high-risk objects" has been developed and adopted in the first reading.

The Procedure of the development of Flood Risk Management Plan (Resolution of the Cabinet of Ministers of Ukraine No. 247 of 4 April 2018) was approved in order to implement the provisions of the Directive 2007/60/EC, as well as a number of bylaws to prevent emergencies related to floods and inundation.

NEXT STEPS AND CHALLENGES

Adopt the draft Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning high-risk objects" and bylaws aimed at its practical implementation.



CLIMATE CHANGE AND OZONE PROTECTION

The Paris Agreement (Law of Ukraine No. 1469-VIII of 14 July 2016) was ratified, which sets the obligations of countries to limit greenhouse gas emissions and adapt to climate change, and form a nationally determined contribution.

In order to fulfill its international obligations under the Paris Agreement Ukraine is completing the preparation of a second nationally determined contribution.

The Concept on state climate change policy implementation till 2030 (approved by the Order of the Cabinet of Ministers of Ukraine of 07.12.2016 No. 932-r) and the Action Plan for its implementation (approved by the Order of the Cabinet of Ministers of Ukraine of 06.12.2017 No. 878-r) were approved.

Ukraine's 2050 Low Emission Development Strategy was adopted (approved by the protocol decision of the Cabinet of Ministers of Ukraine No. 28 of 18 July 2018) and was sent to the Secretariat of the UN Framework Convention on Climate Change.

Resolution of the Cabinet of Ministers of Ukraine No. 879 of 23.09.2020 "On establishment of the interdepartmental commission on climate change and ozone layer conservation" was adopted.

The Law of Ukraine of 12.12.2019 No. 377-IX "On the principles of monitoring, reporting and verification of greenhouse gas emissions" was adopted. In order to implement the provisions of the above-mentioned law in September 2020, the Government adopted the bylaws developed by the Ministry of Natural Resources, namely the Resolutions of the Cabinet of Ministers of Ukraine:

- "On approval of the list of activities subject to monitoring, reporting and verification of greenhouse gas emissions" of 23.09.2020 No. 880;
- "On approval of the procedure for monitoring and reporting on greenhouse gas emissions" of 23.09.2020 No. 960;
- "On approval of the procedure for verification of the operator's report on greenhouse gas emissions" of 23.09.2020 No. 959.

Implementation of the above by-laws will allow Ukraine to create a regulatory system for monitoring, reporting and verification of greenhouse gas emissions, which is aimed, in particular, at: (i) the introduction of a single mandatory methodology for calculating greenhouse gas emissions, (ii) obtaining accurate and objective information on greenhouse gas emissions, (iii) ensuring compliance of the calculation of greenhouse gas emissions with European standards and mechanisms.

The Law of Ukraine No. 376-IX of 12.12.2019 "On regulation of economic activities with ozone-depleting substances and fluorinated greenhouse gases" was adopted in order to fulfill Ukraine's international obligations under the Vienna Convention for the Protection of the Ozone Layer, the Montreal Protocol thereto and the Association Agreement between Ukraine and the European Union. In order to implement the



provisions of the above-mentioned law, bylaws were also approved in September 2020, namely the Resolutions of the Cabinet of Ministers of Ukraine:

- "Some issues of regulating activities in the field of ozone layer protection" of 23.09.2020 No. 992;
- "Some issues of issuing a qualification document (certificate) for performing works defined by Part One of Article 10 of the Law of Ukraine "On regulation of economic activities with ozone-depleting substances and fluorinated greenhouse gases" of 23.09.2020 No. 1086;

Annual National inventory of man-made emissions from sources and GHG removal by sinks in Ukraine was prepared and submitted to the Secretariat of the UN Framework Convention on Climate Change. The inventory contains information on greenhouse gas emissions and removals throughout Ukraine, including the temporarily occupied Crimean Peninsula. The latest prepared and published National inventory of manmade emissions from sources and GHG removal by sinks in Ukraine for 1990-2018 is available on the official website of the Secretariat of the UN Framework Convention on Climate Change.

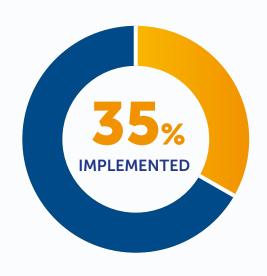
NEXT STEPS AND CHALLENGES:

- Update of the provisions of Annex XXXI to the Association Agreement, taking into account Ukraine's ratification of the Paris Agreement.
- Approve the second nationally determined contribution to the Paris Agreement (NDC2) pursuant to Article 4 of the Paris Agreement.
- Ensure that climate policy objectives are integrated into other state sectoral strategies and programs, taking into account its cross-cutting nature.
- Ratify the Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer.
- Adopt the Strategy for environmental safety and adaptation to climate change until 2030.
- Implement the greenhouse gas emissions trading system and a number of its integral components, in particular, the development of a national plan for the distribution of emission quotas, the introduction of an appropriate licensing system, and so on.



2.16 TRANSPORT, TRANSPORT INFRASTRUCTURE, POSTAL AND COURIER SERVICES

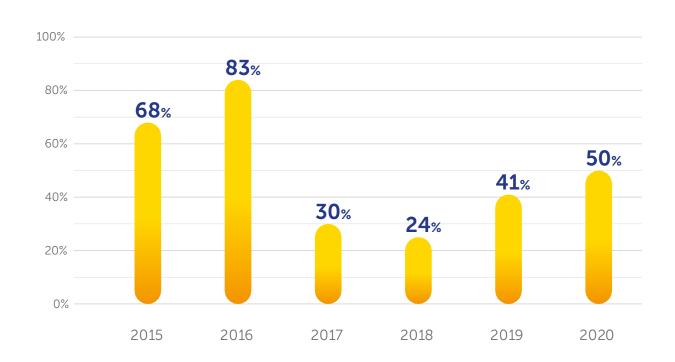
It covers **544** measures within **124** tasks Overall progress since the AA effective date - **35%**



544MEASURES

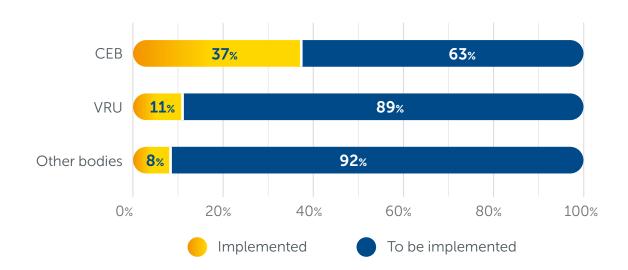
124 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



ROAD TRANSPORT

Liberalization of international road freight transport with the EU will be carried out on the basis of progress in fulfilling implementation obligations under the Association Agreement, but despite the fact that during 2014-2020, several versions of draft laws on road transport safety were registered in the Verkhovna Rada, none of them was adopted. Therefore, there is no framework legislation that would ensure further progress of reforms in this area. Taking this into account, it is necessary to step up and speed up the discussion and adoption of draft laws registered in the Verkhovna Rada.

A number of draft laws have been developed, in particular:

- "On amendments to certain legislative acts of Ukraine concerning the introduction of fees for the use of public roads of state significance" (No. 3544 of 27.05.2020).
- "On amendments to the Budget Code of Ukraine concerning the introduction of fees for the use of public roads" (No. 3545 of 27.05.2020).
- "On amendments to certain legislative acts of Ukraine concerning the regulation of the market of road transport services in Ukraine in order to compliance with the EU law" (No. 4560 of 30.12.2020).
- "On amendments to certain laws of Ukraine concerning socially important services for passenger transportation by road and urban electric transport" (No. 4583 of 13.01.2021).
- "On amendments to certain legislative acts of Ukraine on safety of operation of wheel vehicles in accordance with the requirements of the Association Agreement between the European Union, the European Atomic Energy Community and their member states, on the one part, and Ukraine on the other part";



• "On amendments to certain legislative acts of Ukraine (concerning the implementation of legislation and determining the list of administrative services provided by a territorial body of the Ministry of Internal Affairs of Ukraine").

The following Resolutions of the Cabinet of Ministers were adopted:

- "On amendments to the annex to Resolution of the Cabinet of Ministers of Ukraine No. 1166 of 22 December 2010" No. 7 of 05.01.2021
- "On approval of standard form and technical descriptions of national and international driver's licenses forms, certificate of vehicle registration, temporary registration card of a vehicle and a pattern of the vehicle identification plate of Ukraine and amendments to certain Resolutions of the Cabinet of Ministers of Ukraine" of 16 September 2020 No. 844.

The following Orders of the Ministry of Infrastructure were adopted:

- "On approval of the list of test tasks used in testing the knowledge of a manager (steward) on road transport" of 18.09.2020 No. 571;
- "On approval of the procedure for confirming the professional competence of vehicle drivers to provide passenger and cargo transportation service" of 18.11.2020 No. 789.
- A draft order of the Ministry of Infrastructure "On approval of amendments to the Order of the Ministry of Transport and Communications of Ukraine No. 340 of 7 June 2010" has been developed.

RAILWAY TRANSPORT

Progress in railway transport reforms depends on the adoption of updated legislation, although some steps have been taken to introduce private locomotive traction on the railway and pilot projects with private locomotive traction were launched in recent years. Taking this into account, it is necessary to step up and speed up the discussion and adoption of draft law registered in the Verkhovna Rada.

Decree of the Cabinet of Ministers of Ukraine No. 1411 dated 27.12.2019 "On approval of the action plan for railway transport reform" was adopted.

The target organizational structure of JSC "Ukrzaliznytsya" was approved, which separates the infrastructure operator and carriers. Branches of JSC "Ukrzaliznytsya": "Passenger company", "Cargo company "UZ cargo" and "UZ Infra" as an infrastructure operator were formed.

Resolution of the Cabinet of Ministers of Ukraine No. 1043 of 04.12.2019 "On the implementation of a pilot project on the admission of private locomotives to work on separate routes on public railway tracks" was adopted. The Order of the Ministry of Infrastructure of 04.03.2020 No. 191 "On approval of the temporary regulation on the procedure for allowing private locomotives to work on separate routes on public railway tracks" was adopted. As part of the pilot project, a technology for allowing



private locomotives to operate on separate routes on public railway tracks has been developed, which, after its testing, can be used as the basis for the procedure for equal access to public railway transport infrastructure of strategic importance (Network Statement).

A draft law of Ukraine "On railway transport" has been developed (No. 1196-1 of 06.09.2019).

In the framework of the joint with the EIB project on regional passenger services modernization the implementation of the pilot project on contracting of socially important passenger transport services was launched (in Dnipropetrovsk and Zaporizhia regions).

MARITIME AND INLAND WATER TRANSPORT

The Law of Ukraine No. 1054 "On inland water transport" of 03.12.2020 was adopted.

With the adoption of the framework Law of Ukraine "On inland water transport", the process of further fulfillment of implementation measures has been unblocked. It is necessary to adopt appropriate bylaws and implement appropriate organizational measures. Taking into account the procedure of updating Annex XVII-5 of Title IV of the Association Agreement on maritime transport services, a significant amount of developed draft legislation will need to be finalized taking into account new acts of the EU legislation.

The Strategy for Implementing the Provisions of EU Directives and Regulations in the Field of International Maritime and Inland Water Transport ("road map") (Order of the Cabinet of Ministers of Ukraine No. 747 of 11.10.2017) was approved.

The Resolution of the Cabinet of Ministers of Ukraine No. 1095 of 06.09.2017 "On the formation of the State Service of Maritime and River Transport of Ukraine" was adopted.

The following Orders of the Ministry of Infrastructure were adopted:

- "On amendments to the Procedure for determining the minimum crew of a vessel" of 16.07.2020 No. 399;
- "On amendments to the Order of the Ministry of Infrastructure of Ukraine of 25 April 2012 No. 221 "On the introduction of a unified surface monitoring system with the use of an automated identification system on the Black and Azov Seas in Ukraine's area of responsibility" of 18.08.2017 No. 284;
- "On approval of amendments to the Order of the Ministry of Infrastructure of Ukraine of 25.02.2011 No. 7" of 07.10.2020 No. 605 (registered with the Ministry of Justice on 26.10.2020 under No. 1053/35336);



• "On amendments to certain regulations of the Ministry of Transport of Ukraine, the Ministry of Transport and Communications of Ukraine, the Ministry of Infrastructure of Ukraine and repealing of the Order of the Ministry of Transport of Ukraine of 17 October 2001 No. 693" of 12.10.2020 No. 614 (registered in the Ministry of Justice on 23.11.2020 under No. 1160/35443).

Ukraine joined the Protocol of 1988 relating the International Convention on Load Lines, 1966 (Resolution of the Cabinet of Ministers of Ukraine No. 991 of 21.11.2018).

The International Convention on the Control of Harmful Anti-Fouling Systems on Ships has been ratified (Decree of the President of Ukraine No. 112/2017 of 21.04.2017).

The domestic procedures required for the entry into force of ILO 2006 Maritime Labour Convention are ongoing (the ratification package is currently being finalized).

Work is under way to accede to the 2004 Ballast Water Management Convention, as amended.

Strategic plans for the development of river and maritime transport for the period up to 2020 were adopted (respectively, Orders of the Ministry of infrastructure No. 543 of 18.12.2015 and No. 542 of 18.12.2015).

AIR TRANSPORT

The list of existing restrictions on air traffic has been defined. As of 2016, bilateral air services agreements have been concluded with all EU member states.

A mechanism for holding consultations on amendments to existing bilateral air services agreements has been developed in order to remove existing restrictions.

Without regard to the conclusion of the Common Aviation Area Agreement between the European Union and its Member States and Ukraine, Ukraine, in its relations with the EU member states, adhered to the obligations arising from bilateral intergovernmental agreements on air services concluded with the EU member states and supplemented by the Agreement on certain aspects of air services (the "Horizontal Agreement") of 01.12.2005.

In particular, in accordance with Article 3 of the Horizontal Agreement, the Ukrainian party recognizes at the bilateral level as valid appointments made by an EU member state in relation to EU airlines established on the territory of such state for the purpose of transportation between points established in the bilateral air services agreement and defined in accordance with other bilateral agreements.

In addition, with states the agreements with which provide for certain restrictions, the agreements were reached on positive consideration in each individual case of the proposals of Ukrainian party to increase the number of flights or expand the geography of flights.



During 2016-2020, in a way of exchange of letters, it was agreed with the aviation authorities of a number of countries to broaden the conditions of agreed services operation: the Republic of Lithuania (locations without restrictions), the Greece (frequency without restrictions), the Republic of Poland (frequency without restrictions), the Republic of Slovenia (locations, frequency without restrictions), the Republic of Austria (frequency without restrictions), Hungary (frequency without restrictions on all routes, increased number of flights from 9 to 14 to/from Kyiv), the Federal Republic of Germany (increased number of flights from 28 to 55 per week cumulatively on routes from Kyiv to Munich, Berlin, Frankfurt, on other routes from 7 to 10 flights per week), the Czech Republic (expanded geography of flights, increased frequency from 10 to 17 flights per week on the route Kyiv-Prague), the French Republic (increased number of airlines, flights), the Italian Republic (increased number of airlines, flights, expanded geography of flights), the Portuguese Republic (locations without restrictions), the Republic of Finland (increased number of airlines from 1 to 2 on the route Kyiv-Helsinki), the Kingdom of Denmark (expanded geography of flights), the Kingdom of Sweden (expanded geography of flights), the Kingdom of the Netherlands (increased number of airlines from 1 to 2 on the route Kyiv-Amsterdam).

Common Aviation Area Agreement between the European Union and its Member States and Ukraine is expected to be signed in the near future.

POSTAL AND COURIER SERVICES

The Strategy for Implementing the Provisions of the EU Directives in the field of Postal and Courier Services ("road map") was approved (by the Order of the Cabinet of Ministers of Ukraine No. 104 of 14.02.2018).

With the support of the EU experts draft laws "On postal communications" (No. 4353 of 10.11.2020) and "On amendments to the Code of Ukraine on Administrative Offenses concerning strengthening responsibility in the field of postal communications" (No. 4354 of 10.11.2020) were developed.

Also, a draft Law "On the National Commission for State Regulation in the Spheres of Electronic Communications, Radio Frequency Spectrum and Provision of Postal Services of Ukraine" (No. 4066 of 07.09.2020) has been developed. The law sets the legal status of the regulatory body, its powers, economic, political and financial independence in decision-making.



TRANSPORT POLICY

The obligations of the Parties are being updated in accordance with the current state of the EU-Ukraine relations through updating Annexes XVII-4 and XVII-5 of Title IV of the Association Agreement on maritime transportation services and postal and courier services. The issue of updating the Annex I to the initialed Common Aviation Area Agreement between Ukraine and the EU is also discussed.

The following Resolutions of the Cabinet of Ministers were adopted:

- "On amendments to the Strategy for Ukrainian Seaports Development until 2038" of 23.12.2020 No. 1634;
- "On approval of the Strategy for Improving Road Safety in Ukraine until 2024" of 21.10.2020 No. 1360;
- "On approval of the Strategy for Ukrainian Seaports Development until 2038" of 11.07.2013 No. 548;
- "On approval of the National Transport Strategy of Ukraine till 2030" of 30.05.2018 No. 430.

The following draft laws have been developed:

- · "On multimodal transportation" (No. 4258 dated 23.10.2020).
- "On amendments to certain legislative acts of Ukraine concerning bringing them in compliance with the EU legislation on dangerous goods transportation" (No. 1193-1 of 20.09.2019).

DEVELOPMENT OF THE TRANS-EUROPEAN TRANSPORT NETWORK (TEN-T)

Ukraine is included in the TEN-T indicative maps (except for inland waterways).

Within the framework of the EU Eastern Partnership, an Indicative TEN-T Investment Action Plan has been developed, according to which about 30 priority infrastructure projects will be implemented, of which the following have been or are being implemented:

- the project on implementation of the railway service Mukachevo-Chop Zahony (Hungary)/Chierna-nad-Tisoj (Slovakia). The train No.33/34 Mukachevo-Budapest and train No. 960/961 No. 962/963 Mukachevo Chop Chierna-nad-Tisoj Kosice started the operation;
- electrification of railway section in the Berdychev-Korosten-Berezhest (new construction of railway transport infrastructure facilities with electrification of the section Ovruch Korosten Zhytomyr Berdychev of the South-Western Railway regional branch of PJSC Ukrzaliznytsia, Zhytomyr region);



- · reconstruction and construction of the airfield complex of the municipal enterprise Odessa International Airport;
- implementation of the dredging works in the water area of the Southern branch of the State Enterprise "Ukrainian Seaports Authorities".

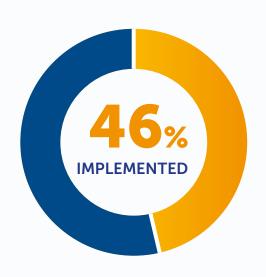
At the same time, for the integrated development of the TEN-T network, it is necessary to complete the procedure for including inland waterways of Ukraine in the regional TEN-T map, for which it is necessary to include inland waterways in the indicative TEN-T Maps (stage I – Southern Bug and Dnipro rivers, Stage II- Danube river).

In addition, it is necessary to speed up the discussion and adoption of the draft Law "On multimodal transportation" registered with the Verkhovna Rada.



2.17 SCIENCE, TECHNOLOGY AND INNOVATIONS, SPACE

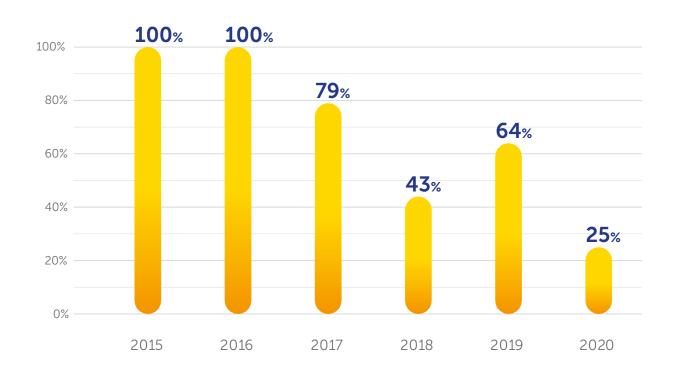
It covers **320** measures within **73** tasks Overall progress since the AA effective date - **46%**



320 MEASURES

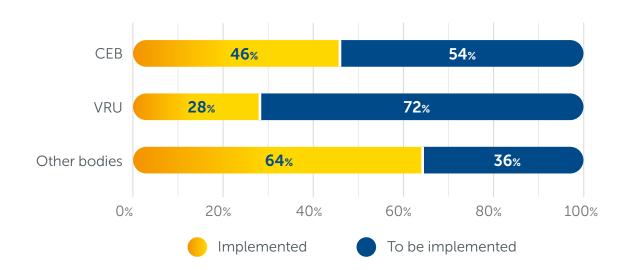
73 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



DIGITAL INTEGRATION

In December 2020, the Law "On electronic communications" was adopted, which implements the European Electronic Communications Code (Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code).

In September 2020, the Verkhovna Rada registered a draft Law "On the National Commission for State Regulation of Electronic Communications, Radio Frequency Spectrum and Postal Services of Ukraine" No. 4066 of 07.09.2020, which is aimed at transforming the current regulator in accordance with the amendments provided for in the law of Ukraine on electronic communications.

The European Commission has initiated a multi-stage process to assess the roadmap and support Ukraine's progress in the digital sector. Based on the results of the work, a comprehensive update of the roadmap was provided and an agreement was reached on its implementation.

In 2017, the Digital Strategy "Digital Agenda – 2020" was developed, which sets out the basic principles of Ukraine's development in the digital space and the framework for the development of legal regulation in the digital sphere. In particular, the Government of Ukraine defined the priorities of the state innovation policy for 2017-2021 and approved the Concept for the development of the digital economy and society of Ukraine for 2018-2020, as well as an action plan for its implementation.

The Ministry of Digital Transformation is actively working on the introduction of electronic public services. In particular, in 2020, the application and the online portal Diia were successfully launched. As of December 2020, 120 public services are available online in Ukraine (52 of them on the Diia portal).



The parties are finalizing the draft decision of the EU Ukraine Association Committee in Trade Configuration on amendments to Annex XVII-3 Rules applicable to telecommunication services.

Significant progress in the field of digital transformation and telecommunications and in a number of other areas is also worth noting. In particular:

- On 4 June 2017, the Law of Ukraine "On access to construction, transport, electric power facilities for the development of telecommunications networks" came into force, which is aimed at approximation of the national legislation to the requirements of the Directives of the European Parliament and of the Council: No. 2002/19/EC, 2002/21/EC, 2002/22/EC.
- In compliance with the relevant provisions of the law, during 2017-2019, the competent state authorities developed and approved rules for granting access to the above-mentioned individual infrastructure elements and all guidelines for determining the fee for access to the relevant infrastructure elements.
- On 1 May 2019, the mobile number portability service (MNP) was introduced in Ukraine, as part of the implementation of the provisions of Directive 2002/22/EC. As of 12 January 2021, 106,125 mobile numbers were transferred between telecom operators.
- as part of the implementation of the provisions of Decision 676/2002/EC, the Ukrainian Party has now completed a number of implementation measures to harmonize the use of radio spectrum resources in Ukraine with the EU's acquis, in particular:
 - the analysis of EC Decision 2006/771/EC (as amended as of 2019) was carried out and the technical and operational conditions for 62 bands (or 58%) were fully harmonized. Additionally, 17 more bands (16%) specified in the relevant EC decision were analyzed;
 - EC decisions 2008/294/EC, 2008/477/EC, 2009/766/EC, 2010/166/EU, 2010/267/EU, 2011/251/EU, 2013/654/EU, (EU) 2016/2317, (EU) 2017/191, (EU) 2018/637 are partially implemented for available in Ukraine ranges for IMT systems;
 - for harmonized radio frequency spectrum, radio interfaces have been developed that correspond to the EC publication in accordance with Part 3 of Article 1 of Commission Decision 2000/299/EC;
 - a number of Resolutions of the Cabinet of Ministers of Ukraine recognized certain radio spectrum bands in Ukraine as harmonized with the decisions of the European Commission⁴⁶;
- the decision of the NCCIR No. 391 of 13 October 2020 amended the rules for the use of radio equipment without permits, taking into account the decisions of the EU and SEPT.

⁴⁶ In particular: 2013/752/EU (SRD) - telemetry and radio remote control, inductive radio applications, medical radio implants and radar measurements; (EU) 2016/339, 2014/641/EU - wireless support for national or international events; (EU) 2017/1483 - direct ultrashort wave radio communication, radio microphones, radio detection of the location of objects, radio control of models and specialized devices of technological users



In November 2020, by Order No.1457-r of 18 November 2020, the Government of Ukraine adopted an action plan to free up 700 MHz from television broadcasting so that it could become available for 5G communication. Order of the Cabinet of Ministers of Ukraine No. 1409-r of 11 November 2020 approved the action plan for the introduction of a fifth-generation mobile communication system in Ukraine.

In January 2019, the National Commission for State Regulation of Communications and Informatization (NCCIR) approved the Procedure for analyzing the markets of certain telecommunications services and identifying operators and telecommunications services providers with a significant market advantage in the markets of such services. The markets of certain telecommunications services subject to the analysis for the purpose of preliminary regulation are defined in the annex to the procedure and are fully correlated with the Ukraine's Indicative list of respective markets in accordance with Article 116 of the Association Agreement.

On 14 July 2020, by Decision No. 269, the NCCIR approved the Procedure for determining the markets of certain telecommunications services.

During 2019-2020, regular analyses of 9 markets of certain telecommunications services were conducted. Currently, 3 more are being analyzed.

On 25 December 2019, the Law of Ukraine on amendments to certain legislative acts of Ukraine concerning the reduction of the list of economic activities subject to licensing came into force, which cancels licensing of telecommunications and (pursuant to Paragraph 1 of Article 117 of the Association Agreement) introduces the notification principle of registration of business entities engaged in electronic communications.

Ukraine actively advances the idea of creating a common international roaming space and reducing tariffs for international roaming services between Ukraine and the EU. At the initiative of Ukraine, the International Roaming Expert Working Group on (REWG) was created, which, based on the EU legislation, developed an Agreement on reducing tariffs for such services between the Eastern Partnership countries.

NEXT STEPS AND CHALLENGES

Implement the action plan for the implementation of the Association Agreement and implement the updated roadmap for Ukraine's integration into the EU Digital Single Market.

Update of Annex XVII - 3 (Rules applicable to telecommunication services) to the Association Agreement.

Get an internal market regime in the telecommunications sector.



TRUST SERVICES

On 5 October 2017, the Law "On electronic trust services" No. 2155-VIII was adopted, which was developed with the aim of implementing the Regulation (EU) No. 910/2014.

Taking into account the provisions of Article 14 of the Regulation (EU) No. 910/2014, Ukraine has prepared a self-assessment of compliance of national legislation (primarily the provisions of the Law of Ukraine "On electronic trust services") with the Regulation (EU) No. 910/2014 in order to initiate and conclude an agreement between Ukraine and the EU on mutual recognition of electronic trust services.

At the meeting of the EU-Ukraine Association Committee in Trade Configuration in December 2020, the Parties agreed on a joint work plan for two years. After its implementation, the European Commission should submit a report to the member states with the prospect of concluding an agreement on mutual recognition between Ukraine and the EU.

The pilot of the Ministry of Digital Transformation together with the EU4DIGITAL project on the use of a cross-border electronic signature has been successfully completed. As part of this EU4Digital pilot project, Ukraine and Estonia successfully tested their electronic signatures. The pilot allowed to create an electronic signature using a qualified electronic signature obtained in Ukraine on the European portal, which is included in the EU Trust list.

A pilot project between Ukraine and Poland on the exchange of electronic invoices, launched in 2020, has been successfully implemented. During the pilot, Ukrainian and Polish companies conducting export-import activities among themselves exchanged invoices in structured data format through a secure eDelivery channel, which eliminates the main disadvantages of non-standardized data exchange on paper related to security, reliability, financial burden and administrative barriers. The recommendations developed based on the results of the pilot will become the basis for technical and legal mechanisms through which Ukrainian companies will be able to send and receive electronic documents from counterparties from the EU, USA, Canada, Australia, Singapore, etc.

NEXT STEPS AND CHALLENGES

Implement the Joint Working Plan of Cooperation between Ukraine and the EU on mutual recognition of electronic trust services.

Create the prerequisites for concluding an Agreement between Ukraine and the EU on mutual recognition of electronic trust services.



COOPERATION IN SCIENCE AND TECHNOLOGY

A roadmap for Ukraine's integration into the European Research Area has been developed, which was updated by the Order of the Ministry of Education and Science in February 2021.

Ukraine participates in subgroups of the EU Council's European Research Area and Innovation Committee (ERAC).

Ukraine's participation in the EU Framework Program for Research and Innovation Horizon 2020 was ensured by signing an Agreement between Ukraine and the European Union on Ukraine's participation in the Horizon 2020 program. A number of draft laws were adopted to ensure Ukraine's effective participation in Horizon 2020, in particular, a network of national contact points was created, representatives and experts were designated to the Horizon 2020 program committees. Ukraine ranked seventh among the associated countries in terms of the amount of funds raised from the total budget of the program. As of February 2021, 220 grant agreements were signed in Ukraine for a total amount of about 43.9 million euros. 160 Ukrainian research and development and innovations institutions were involved in the implementation of the projects, among which 52.9% were economic entities, 19.5% were higher educational institutions and 8.8% were research and development institutions.

In 2016, the national research and development system of Ukraine was audited with the participation of leading EU experts within the framework of the PSF Horizon 2020 program tool.

Ukraine's participation in the Euratom Research and training Program and the EUREKA - International European Innovative Scientific and Technical Program was ensured. The process of Ukraine's accession to the European Institute of Innovation and Technology (EIT) and its consortia (KICs) has started.

In 2019, the Strategy for the development of innovative activities until 2030 was approved, amendments to special legislation in the field of technology transfer and development of innovation infrastructure were developed, and EU directives and regulations in the relevant areas were analyzed.

NEXT STEPS AND CHALLENGES

Implement of recommendations on the results of the audit of the national research and development system carried out in the framework of the PSF tool.

Continue Ukraine's integration into the European Research Area.

Ensure Ukraine's participation in the next EU Framework Program for Research and Innovation "Horizon Europe" (2021-2027) and the complementary Euratom Research and Training Program.



Use of the PSF tool to conduct an audit of research infrastructure in Ukraine.

Improve the system scientific and innovative activities funding on competitive basis in Ukraine.

SPACE

Decree of the Cabinet of Ministers of Ukraine No.15-r of 13 January 2021 approved the Concept of the National Target Scientific and Technical Space Program of Ukraine for 2021-2025, which replaced the corresponding concept for 2018-2022.

In January 2019, an Agreement (in the form of an exchange of letters) was signed between the Government of Ukraine and the European Space Agency (ESA) on the extension of the agreement between the Government of Ukraine and ESA on cooperation in the peaceful use of outer space of 25.01.2008.

Cooperation within the EGNOS project (European Geostationary Navigation Overlay Service) envisages the implementation of a set of measures to expand the operation of EGNOS satellite based augmentation systems in the territory of Ukraine.

Project for the installation of ground RIMS stations in Kyiv is being implemented in the interests of the European Party in accordance with the provisions of the Cooperation Agreement on a Civil Global Navigation Satellite System (GNSS) between the European community, its member states and Ukraine.

At the same time, in order to ensure full coverage of the territory of Ukraine by the EGNOS system and ensure the possibility of its practical use in the interests of the Ukrainian Party, there is a need to conclude an agreement between Ukraine and the European Union on the expansion of the European satellite navigation system EGNOS to the territory of Ukraine.

On 25 May 2018 in Brussels, an Agreement has been signed between the State Space Agency of Ukraine and the European Commission on cooperation in the field of data access and use of data from the Sentinel satellites of the Copernicus program.

To implement the Agreement, in February 2019 the SSA and the European Space Agency (ESA) have signed an agreement on the technical operation of the space component of the Copernicus program.

In December 2019, on the basis of the National Space Facilities Control and Testing Center of the State Space Agency, the main data access point of the regional mirror site of the Copernicus program was created - http://sentinel.spacecenter.gov.ua/. Starting from 1 December 2019, the website provides freely available images of the territory of Ukraine obtained by the Sentinel-1, Sentinel-2 and Sentinel-3 spacecrafts. In the future, it is planned to receive data from the Sentinel-5P spacecraft.



At the same time, work is underway to prepare agreements between the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) and the State Space Agency of Ukraine on the technical operation of the space component of the Copernicus program.

NEXT STEPS AND CHALLENGES

Launch of a space dialogue between Ukraine and the EU.

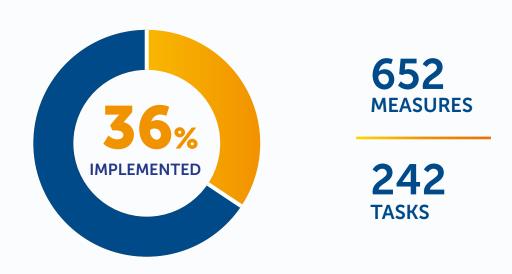
Sign of an Agreement on the technical operation of Copernicus with the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT), which will ensure the receipt of data from the Sentinel-3 series of meteorological satellites in Ukraine.

Conclude an Agreement between Ukraine and the EU on expansion of the European Geostationary Navigation Overlay Service EGNOS to the territory of Ukraine.

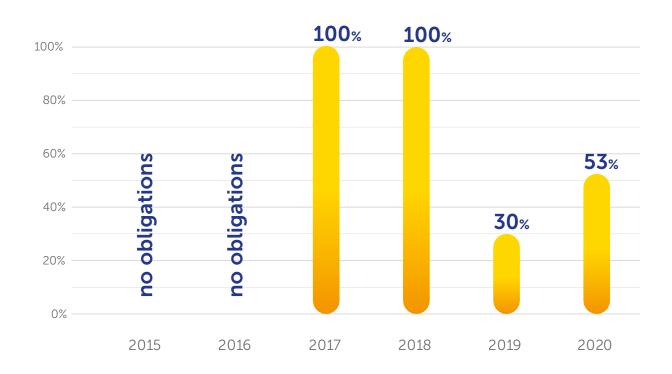


2.18 FINANCIAL SERVICES

It covers **652** measures within **242** tasks Overall progress since the AA effective date - **36%**

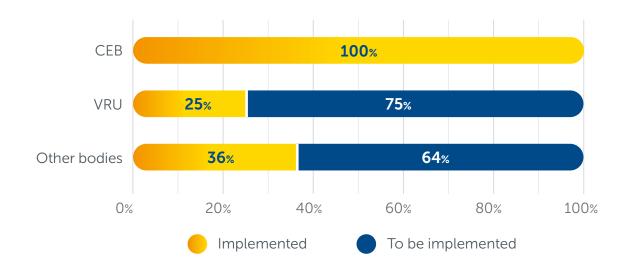


IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



The overall progress in fulfilling Ukraine's obligations to approximate the EU norms and practices in financial sector is 36%.

BANKING SECTOR

In 2015, the amendments to the Ukrainian legislation were adopted introducing at the national level the world-wide recognized principle of central bank independence. These amendments also strengthened institutional, operational and financial independence of the National Bank of Ukraine. Thus the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the development of the institutional capacity of the National Bank of Ukraine" No. 541-VIII and the Law of Ukraine "On amendments to the Budget Code of Ukraine concerning the development of the institutional capacity of the National Bank of Ukraine" No. 542-VIII were adopted.

In the reporting period, significant progress was made in approximation of the regulatory legislation and legislation on supervision to the EU standards, focusing on the recommendations of the European Banking Authority (EBA) and international standards, including the recommendations of the Basel Committee on Banking Supervision (BCBS), in particular:

- the requirements for banks licensing were improved (Resolution of the Board of the National Bank of Ukraine No. 149 of 22.12.2018 adopted the Regulation on banks licensing);
- the requirements for disclosure of the banks ownership structure were improved, in particular they provide for the right of the National Bank of Ukraine to recognize the ownership structure of a bank as non-transparent in case of inability to identify the



person or persons who exercise significant influence on the management or activities of the bank (Resolution of the Board of the National Bank of Ukraine of 10.11.2017 Nº 109 amended the Regulation on the procedure for submitting information on the ownership structure of the bank);

- the National Bank of Ukraine has established Credit Registry (Resolution of the National Bank of Ukraine No. 50 of 04.05.2018 approved the Regulation on the Credit Registry of the National Bank of Ukraine);
- requirements to banks for measuring credit risk for active banking transactions have been established (Resolution of the Board of the National Bank of Ukraine No. 351 of 30.06.2016 approved the Regulation on measuring credit risk for active banking transactions by Ukrainian banks);
- the mandatory liquidity coverage ratio (LCR) (Resolution of the Board of the National Bank of Ukraine of 15.02.2018 No. 13) and the net stable funding ratio (NSFR) (Resolution of the Board of the National Bank of Ukraine No. 158 of 24.12.2019) have been introduced to enable the banks to maintain the liquidity level required for ensuring stable operations and timely fulfillment of obligations to depositors and creditors;
- the annual assessment of the banks resilience was introduced (Resolution of the Board of the National Bank of Ukraine No. 141 of 22.12.2017 approved the Regulation on assessing resilience of banks and banking system of Ukraine);
- minimum requirements for banks to organize the internal process of nonperforming loans (NPL) management have been (Resolution of the Board of the National Bank of Ukraine No. 97 of 18.07.2019 approved relevant Regulation);
- the procedure for defining minimum transaction exposure by Ukrainian banks was set along with taking it into account in the capital adequacy ratio calculation (the Resolution of the Board of the National Bank of Ukraine of 24.12.2019 No. 156 approved the Regulation on the procedure of setting minimum transaction exposure by Ukrainian banks);
- new methodology for determining systemically important banks has been introduced (Resolution No. 79 of the Board of the National Bank of Ukraine of 19.06.2019 approved the Regulation on the procedure for determining systemically important banks);
- requirements for the submission of plans of resumption of banks' and banking groups' activities was introduced (Resolution of the Board of the National Bank of Ukraine No. 95 of 18.07.2019 approved the Regulation on plans of resumption of Ukrainian banks' and banking groups' activities);
- new bank assessment system was introduced in accordance with the European methodology Supervisory review and evaluation process (SREP) along with a risk-based approach to on-site and off-site banking supervision.



In order to improve approaches to the organization of corporate governance in banks:

- the risk management system in banks and banking groups has been improved (Resolution No. 64 of the Board of the National Bank of Ukraine of 11.06.2018 approved the Regulation on the organization of the risk management system in banks of Ukraine and banking groups);
- the NBU Board Resolution No. 814-rsh of 03.12.2018 approved Guidelines on corporate governance in Ukrainian banks;
- updated requirements for the organization of the internal control system in banks of Ukraine and banking groups aimed at ensuring effective corporate governance have been introduced (Resolution No. 88 of the Board of the National Bank of Ukraine of 02.07.2019 approved the Regulation on organization of the internal control system in banks of Ukraine and banking groups);
- the NBU Board Resolution No. 153 of 30.11.2020 approved the Regulation on requirements for regulations and reports on remuneration of members of bank's supervisory board and management board.

Also the issues of corporate governance and risk management systems in the banks were addressed. The draft Law "On amendments to certain legislative acts of Ukraine on improving the organization of corporate governance in banks and other issues of the banking system functioning" was developed (No. 4367 of 12.11.2020).

In order to create a legislative framework for further implementation of the EU standards, the National Bank of Ukraine has developed a draft Law of Ukraine "On amendments to certain legislative acts of Ukraine on improving the organization of corporate governance in banks and other issues of banking system functioning" (No. 4367 of 12.11.2020), which was approved by experts of the International Monetary Fund and submitted to the Verkhovna Rada of Ukraine.

SECURITIES AND CO-INVESTMENT INSTITUTIONS

National legislation on securities issue and disclosure of information at the stock market has been brought in compliance with the provisions of EU Directives No. 2003/71/EC of 04.11.2003, No. 2004/109/EC of 15.12.2004, No. 2007/14/EC of 08.03.2007, the EU Regulation No. 809/2004 of 29.04.2004 by adopting the Law of Ukraine "On amendments to certain legislative acts of Ukraine on simplification of doing business and attracting investment by issuers of securities" of 16.11.2017 No. 2210-VIII and the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning simplification of investment attraction and introduction of new financial instruments" of 19.06.2020 No. 738-IX, as well as the development and adoption of regulations for implementation of these laws.

Due to the adoption of the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning simplification of investment attraction and



introduction of new financial instruments" of 19.06.2020 No. 738-IX the issues of derivative instruments markets functioning, the infrastructure of organized markets has been regulated, provisions on settlement finality and on closeout netting have been introduced into domestic legislation, and a list of financial instruments has been defined and regulation of the activities of capital market participants, in particular investment companies, trade organizers, central counterparties and trade repositories were regulated in accordance with the requirements of the EU law, in particular the EU Directives No. 2014/65/EU of 15.05.2014 (Directive on markets in financial instruments II), No. 98/26/EU of 19.05.1998 (Settlement Finality Directive), No.2002/47/EC of 06.06.2002 (Financial Collateral Directive), No.2013/36/EU of 26.06.2013 (CRD IV), the EU regulations No. 600/2014 of 15.05.2014, No.648/2012 of 04.07.2014 (EMIR), No. 575/2013 of 26.06.2013 (CRR).

CONCLUSIONS, NEXT STEPS AND CHALLENGES

Ensure that the legal regulation of investment funds' activities is brought in compliance with the requirements of the EU acts regulating the rules of operation of UCITS, AIFMD, VCF, etc.

Bring national legislation in the field of rating in compliance with the requirements of the EU law.

Improve the system of countering abuse in the capital markets.

INSURANCE SERVICES

In 2019, a balanced and systematic approach to the development of the non-bank financial sector was developed, which was set in the Law of Ukraine "On amendments to certain legislative acts on improving the state regulation of financial services markets" (the so-called split Law), was adopted. This law liquidated the National Commission for State Regulation of Financial Services Markets and distributed powers of the non-bank financial market regulation between the National Bank of Ukraine and the National Securities and Stock Market Commission. In particular, the authority to regulate the insurance services market from 01.07.2020 is assigned to the National Bank of Ukraine.

In order to implement the European standards of the insurance sector supervision and regulation, a new version of the Law of Ukraine "On insurance" has been developed, which, in particular, shall introduce a new comprehensive model of supervision, improve licensing requirements, assessment of solvency and liquidity.



CONCLUSIONS, NEXT STEPS AND CHALLENGES

Introduce an insurance services complying with the requirements of the EU law, which shall create transparent and protected conditions for all participants in the insurance services market.

Improve the requirements for civil liability insurance for road vehicle owners.

DEFINED CONTRIBUTION PENSIONS

Within the framework of the developed legislative initiatives, it is proposed to stipulate the legal and organizational framework for the introduction of mandatory defined contribution pensions in Ukraine, taking into account the requirements of a number of European regulations, in particular the EU Directive No. 2016/2341/EU (IORPs II) and the EU Directive No. 2009/65/EU (UCITS). In particular, a draft Law of Ukraine "On mandatory defined contribution pension" (No. 2683 of 27.12.2019) was developed.

Also, a draft law "On amendments to the Law of Ukraine "On non-state pension provision" and other legislative acts on non-state pension provision" (No. 3058 of 11.02.2020) has been developed.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

Improve the legislative framework for the activities of all participants in the defined contribution pension system in accordance with the requirements of the EU law.

Create conditions for cross-border activities of non-state pension funds.

PAYMENT SYSTEMS

International internet payment systems (such as PayPal, ApplePay, GoogleWallet and others) have been granted the right to carry out full-fledged activities in Ukraine - the National Bank has simplified the procedure for registration of the international internet payment systems.

<u>The Resolution of the Board of the National Bank of 21.01.2020 No. 11</u> updated the approaches to the oversight of payment systems in Ukraine in accordance with international standards, in particular, the oversight of significant payment systems was strengthened in order to introduce a risk-oriented oversight, the criteria and procedure for recognizing significant operators of payment infrastructure services were defined, the procedure for meeting requirements by payment organizations of significant payment systems were simplified.



Transparency of settlements was increased and illegal operations in the payment services market were made impossible due to specification of the requirements to documents of the market participants in the part of financial monitoring.

The possibility for compatibility of payment systems has been created and approaches to the procedure for consideration by the National Bank of documents of payment organizations of payment systems, participants of payment systems and operators of payment infrastructure services have been changed, which will prevent the appearance of unscrupulous players on the market. Also the transparency of money transfers has been improved by introducing amendments to the Regulation on the procedure for registration of payment systems, participants of payment systems and operators of payment infrastructure services by the Resolution of the National Bank of Ukraine of 21.12.2017 No. 139.

The legislative framework for improving approaches to regulating the payment services market has been created. Thus, the draft Law "On payment services" has been developed (No. 4364 of 12.11.2020), which is based on modern requirements and takes into account the EU law provisions. The draft law proposes to set a legal framework for the integration of the payment system of Ukraine with the EU payment system, as well as to strengthen the protection of the rights of users of payment services, expand the range of payment service providers and streamline their activities in the payment market, increase the security and efficiency of payment services, and promote innovations.

A new Regulation on the BankID system of the National Bank of Ukraine has been approved, which takes into account the requirements of EU law (the Resolution of the Board of the National Bank of 17.03.2020 No. 32).

The regulation of activities related to the regulation of electronic money issuers' activities and the procedure for performing electronic money transactions was improved (amendments to the Regulation on electronic money in Ukraine were approved by the Resolution of the National Bank of 11.09.2020 No. 133).

CONCLUSIONS, NEXT STEPS AND CHALLENGES

Comprehensively regulate the institution of payment services in accordance with the requirements of the EU law.



LIBERALIZATION OF CAPITAL FLOWS

On 7 February 2019, the new Law of Ukraine "On currency and currency transactions" came into force. This law completely changed the system of currency regulation in Ukraine. A new simple, clear and transparent regulatory framework has been launched - 7 main currency regulations of the National Bank have replaced 56 outdated acts and become the basis of a new liberal system of currency regulation provided for by the new law.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

Continue implementation of measures to further liberalize capital flows.

PREVENTION OF MONEY LAUNDERING

The mechanism of regulation and oversight of reporting institutions was improved, the risks of using the financial system of Ukraine were minimized, the measures to eliminate the opportunities for crime proceeds laundering, financing of terrorism and proliferation of weapons of mass destruction were improved. Thus the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval) approved the report of Ukraine in the field anti-money laundering and funding of terrorism.

Risk criteria for legalization (laundering) of crime proceeds were set in the Order of the Ministry of Finance of Ukraine dated 08.07.2016 No. 584.

The work on FATF recommendations incorporation is ongoing. The Strategy for reforming the reporting system in the field of preventing and countering the legalization (laundering) of crime proceeds, funding of terrorism and funding of the proliferation of weapons of mass destruction was approved taking into account the recommendations and the report of the IMF mission experts.

The current national financial monitoring system has been brought in compliance with the requirements of the 4th Directive (EU) 2015/849 - the Law of Ukraine "On preventing and countering the legalization (laundering) of crime proceeds, the funding of terrorism and the funding of the proliferation of weapons of mass destruction" No. 361 – IX was approved.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

Continue to improve the financial monitoring system, and promptly implement the requirements in line with the EU law amendments.



PROTECTION OF THE FINANCIAL SERVICES CONSUMERS' RIGHTS

In 2016, the Law of Ukraine "On consumer lending" No. 734-VIII was adopted, which sets the general legal and organizational framework of consumer lending in Ukraine in accordance with international legal standards in this area. The law regulates relations between lenders, credit intermediaries and consumers in the provision of consumer lending services.

The principles of consumer lending were improved in a way of adopting the Regulation "On setting requirements for credit intermediaries of banks and their activities in the field of consumer lending" (the Resolution of the National Bank of Ukraine of 08.06.2017 No. 50) and "Requirements to credit intermediaries and their activities in the field of consumer lending in the market of non-bank financial institutions" (Order of the National Commission for State Regulation of Financial Services Markets of 27.06.2017 No. 2864).

In September 2019, the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the protection of the rights of financial services consumers" No. 122-IX was adopted, which was developed taking into account the EU law provisions and which assigned market regulators a range of powers to protect the rights of consumers of financial services.

Requirements have been introduced for banks to disclose comprehensive information about services and their full cost to customers (the Regulation on provision of clients with the information by banks regarding banking and other financial services" was approved by the Resolution of the Board of the National Bank of Ukraine of 28.11.2019 No. 141).

CONCLUSIONS, NEXT STEPS AND CHALLENGES

Continue to improve the system of financial services consumer protection in accordance with the provisions of the EU law.



2.19 PUBLIC FINANCE MANAGEMENT

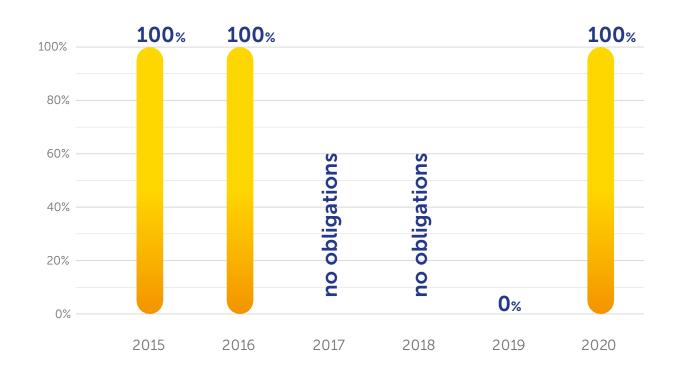
It covers **31** measures within **6** tasks Overall progress since the AA effective date - **74%**



31MEASURES

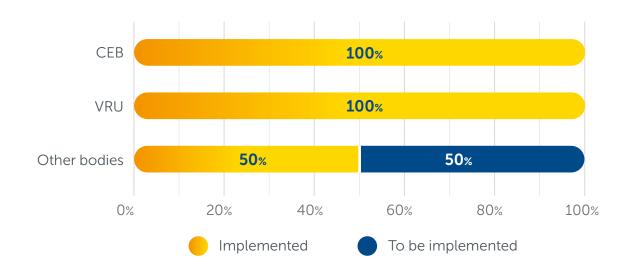
6 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



BUDGETING

The Public Finance Management Reform Strategy (Order of the Cabinet of Ministers of Ukraine No. 142-r of 08.02.2017) and the Law of Ukraine "On amendments to the Budget Code of Ukraine concerning the introduction of medium-term budget planning" were adopted, which are aimed at increasing the efficiency and effectiveness of budget expenditures, strengthening the link between state policy priorities and state budget expenditures.

The main principles and rules for verifying budget expenditures have been regulated – the Law of Ukraine "On verification and monitoring of state payments" No. 324-IX was adopted.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

- Continue to improve program-based approaches in the budget process;
- Analyze the effectiveness and efficiency of budget programs.



INTERNAL FINANCIAL CONTROL AND FINANCIAL AUDIT

Guidelines on financial audit were prepared and evaluation criteria and its main stages were defined, taking into account the requirements and provisions of the International Standards of Supreme Audit Institutions (ISSAI), in particular, the Fundamental Principles of Public Sector Auditing (ISSAI 100), the Fundamental Principles of Financial Auditing (ISSAI 200) and the Financial Audit Guidelines INTOSAI (ISSAI 1000-1999). Guidelines for conducting a financial audit by the Accounts Chamber were approved.

In accordance with European practices, the function of the state internal financial control harmonization was transferred from the State Audit Service of Ukraine to the Ministry of Finance of Ukraine, in particular, the of State Internal Financial Control (SIFC) Harmonization Department was created.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

- . Monitor the legal practicality of the SIFC database.
- Improve methodological support for internal control and internal audit.
- Continue implementation of the advanced training programs for internal auditors.
- Continuously provide explanatory, advisory and methodological support to internal control and internal audit.



2.20 HUMANITARIAN POLICY

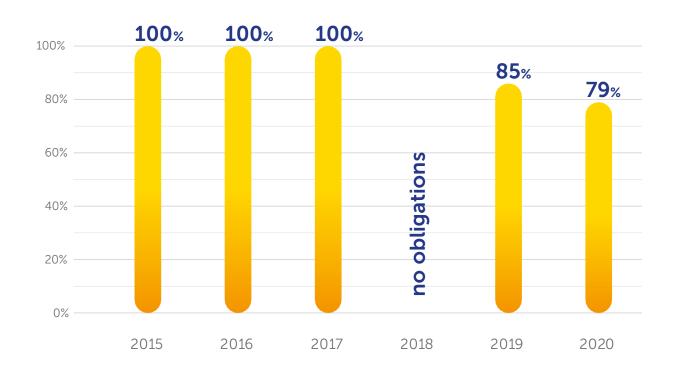
It covers **152** measures within **34** tasks Overall progress since the AA effective date - **84%**



152 MEASURES

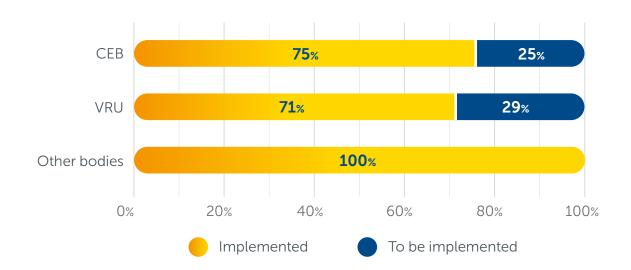
34 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



CREATIVE EUROPE PROGRAM

Since 2016, Ukraine has been participating in the EU Creative Europe Program (2014-2020), the largest EU program for the culture and creative industries sector. For the period 2016-2020, the Creative Europe Program supported 38 projects with the participation of Ukrainian organizations in the amount of 5,472,228.12 euros.

PROTECTION OF CULTURAL HERITAGE

In 2016, Ukraine joined the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM) in order to intensify the exchange of experience, promote the training of Ukrainian specialists in the field of cultural heritage protection and preservation and mastering the latest restoration technologies.

Ukraine actively participates in the joint project of the European Union and the Council of Europe European Heritage Days (EHD).

The domestic procedure necessary for Ukraine's accession to the Enlarged Partial Agreement on Cultural Routes of the Council of Europe is underway.

In 2020, Ukraine joined the Second Protocol to the 1954 Hague Convention for the Protection of Cultural Property in the Event of Armed Conflict, which details the provisions of the Convention for its application during armed conflict and regulates the procedure for the protection of cultural property (Law of Ukraine No. 585-IX of 30.04.2020).



In order to strengthen the effectiveness of the protection, preservation and management of cultural heritage, a number of important regulations were adopted, in particular, amendments were made to the Law of Ukraine "On the protection of cultural heritage (regarding the preservation of cultural heritage monuments included in the World Heritage List of the United Nations Educational, Scientific and Cultural Organization (UNESCO); to the Procedure for determining the boundaries and regimes of use of historical areas of settlements, restrictions on economic activity on the territory of historical areas of settlements. Also the procedure of informing the UNESCO World Heritage Committee about the intentions to carry out restoration works, new construction on an object included in the UNESCO World Heritage List was approved along with the Procedure for creating and updating a National Register of Intangible Cultural Heritage of Ukraine (approved by Order of the Ministry of Culture of Ukraine of 11.12.2017 No. 1319 and registered with the Ministry of Justice of Ukraine on 9 January 2018 under No. 20/31472).

The electronic public part of the State Register of Immovable Monuments of Ukraine is available on the portal http://publicregistry. heritage.in.ua.

DEVELOPMENT OF CREATIVE INDUSTRIES

The Ukrainian Cultural Foundation was established – an institution that is an example of successful reforms in the cultural sector, introducing transparent and democratic principles of providing state aid to cultural projects on a competitive basis.

The Ukrainian Book Institute was founded as a single decision-making center for reading promotion and turning national publishing into a European type cultural industry.

Legal framework have been created for the development of creative industries in Ukraine. The concept of "creative industries" is fixed at the legislative level (by the Law of Ukraine "On amendments to the Law of Ukraine "On culture" No. 2458-VIII of 19.06.2018). Order of the Cabinet of Ministers of Ukraine on approval of types of economic activities related to creative industries (dated 24 April 2019 No. 265-r) defines the corresponding types of economic activity according to the National Classifier of Ukraine DK009:2010.

AUDIOVISUAL SERVICES

Order of the Cabinet of Ministers of Ukraine No. 788 of 26 October 2016 approved the Action plan for the introduction of digital television and radio broadcasting in Ukraine.

In 2019, Ukraine joined the European fund for support of joint production and distribution of artistic cinematic and audiovisual works "Eurimages".



The Verkhovna Rada of Ukraine has registered a draft Law of Ukraine "On Media" (No. 2693-d of 02.07.2020).

PHYSICAL CULTURE AND SPORTS

The National Strategy on Health Improving Physical Activity in Ukraine for the period up to 2025 "Physical Activity - Healthy Lifestyle - Healthy Nation" was approved (Decree of the President of Ukraine No. 42 of 9 February 2016).

On 3 July 2016, Ukraine signed the Council of Europe Convention on an Integrated Safety, Security and Service Approach at Football Matches and Other Sports Events.

On 16 November 2016, the Verkhovna Rada of Ukraine ratified the Council of Europe Convention on Manipulation of Sports Competitions, the implementation of which makes it possible to prevent, detect and apply sanctions against national or transnational manipulation of national and international sports competitions.

In 2017, the Law of Ukraine "On anti-doping control in sports" (No. 1835-VIII) was adopted. The law partially took into account the provisions of the World Anti-Doping Code and created the legal and organizational framework for accreditation of the Anti-Doping Control Laboratory in compliance with the requirements of the World Anti-Doping Agency (WADA).

A draft Law "On anti-doping activities in sports" was developed and submitted to the Verkhovna Rada of Ukraine for consideration (No. 5099 of 18.02.2021).

Ukraine joined the Enlarged Partial Agreement on Sports (EPAS) (Law of Ukraine "On Ukraine's accession to the Enlarged Partial Agreement on Sports (EPAS)" of 16.12.2020 No. 1096-IX), which contributes to the implementation of the best European practices of sports management, strengthening the autonomy and capacity of sports federations.

CIVIL SOCIETY COOPERATION

In 2016 the implementation of the National Strategy for Promoting the Civil Society Development in Ukraine for 2016-2020 started, aimed at establishing dialogue between the authorities and civil society organizations, primarily on ensuring human rights and freedoms.

The Coordination Council for Promoting Civil Society Development with the status of an advisory body was created under the President of Ukraine.

In accordance with articles 469-470 of the Association Agreement, the EU-Ukraine Civil Society Platform has been created – a joint civil society body aimed at ensuring public control over the implementation of the agreement. Cooperation has



been established with experts of the Ukrainian Party of the EU-Ukraine Civil Society Platform. The Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine holds quarterly meetings with representatives of the Ukrainian Party of the platform to discuss key issues related to the implementation of the Association Agreement and priorities for cooperation with the EU.

RAISING PUBLIC AWARENESS OF EUROPEAN INTEGRATION

In order to raise public awareness of the European integration:

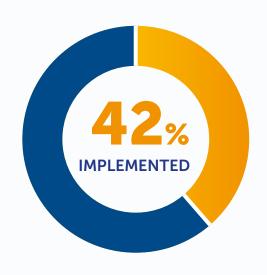
- the Communication strategy in the field of European integration for 2018-2021, approved by the Resolution of the Cabinet of Ministers of Ukraine No. 577 of 18 July 2018, is being implemented, including the Coordination Council headed by the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine;
- the European integration portal has been operating since 2018 (eu-ua.org), developed with the assistance of the EU project "Support to the Implementation of the Association Agreement between Ukraine and the EU" (Association4U);
- the European Integration Digest is being published weekly.

On 21 December 2020, the EUKrayina information campaign was launched. The project was initiated by the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine with the support of the Delegation of the European Union in Ukraine and the EU project "Association4U".



2.21 AGRICULTURE

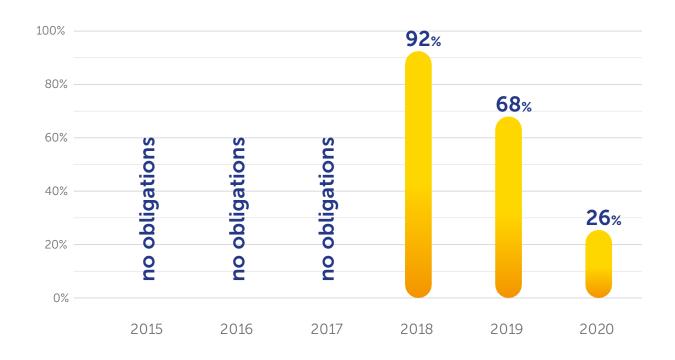
It covers **1414** measures within **486** tasks Overall progress since the AA effective date - **42%**



1414 MEASURES

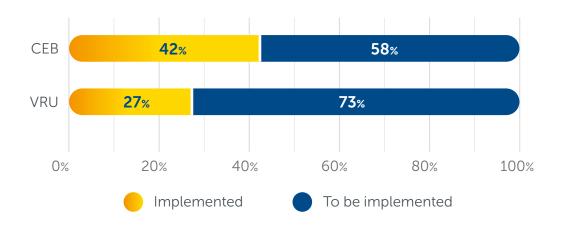
486 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



RURAL DEVELOPMENT

In order to support small and medium-sized agricultural producers, the Government approved the Concept of development farms and agricultural cooperation for 2018-2020 on 13 September 2017⁴⁷.

The Law of Ukraine "On agricultural cooperation" No. 819-IX regulates legal relations on the creation, operation and termination of agricultural cooperatives. Work is currently underway to bring the current regulatory framework in line with the Law. In order to determine the legal, organizational and socio-economic framework for regulating relations in the field of rural hospitality, in 2020 a draft Law of Ukraine "On stimulating the development of rural hospitality in Ukraine" was developed. Currently it is being finalized with the support of the members of the Working Group on Rural Development.

In addition, the Law of Ukraine "On state support for agriculture of Ukraine" is supplemented with an article that provides for state support for agricultural advisory activities, through partial compensation of the expenditures of the agricultural advisory services in providing agricultural advisory services to business entities operating in rural areas and the rural population.



⁴⁷ Decree of the Cabinet of Ministers of Ukraine No. 664 of 13 September 2017

QUALITY POLICY

A number of regulatory legal acts of the Ministry of Agrarian Policy have been adopted, which establish requirements for a number of food products, namely:

- 1. Order No. 157 of 13.07.2016 "Requirements for cocoa and chocolate products" (registered with the Ministry of Justice of Ukraine on 06.05.2016 under No. 688/28818) and Order No. 705 of 28.12.2017 "On amendments to the Order of the Ministry of Agrarian Policy and Food of Ukraine of 13 April 2016 No. 157", setting that supply of cocoa and chocolate products in the market, which have been put in circulation or will be put in circulation before 1 July 2019, may not be prohibited or restricted for reasons of non-compliance with all or individual provisions of the Requirements approved by the Order No. 157 of 13.07.2016, until the expiration date of such products;
- 2. Order No.592 of 02.11.2017 "Requirements for types of sugars intended for human consumption";
 - 3. Order No. 330 of 19.06.2019 "On approval of requirements to honey".

Also, on 1 January 2020, the Law of Ukraine "On amendments to certain legislative acts of Ukraine on improving the legal protection of geographical indications" came into force, which defines the principles of legal protection of geographical indications in Ukraine and regulates relations arising in connection with their registration, use and protection.

ORGANIC PRODUCTION

The Law of Ukraine No. 2496-VIII of 18.07.2018 "On basic principles and requirements for organic production, circulation and labeling of organic products" was adopted.

The government has introduced a mechanism for registering operators, certification bodies, organic seeds and planting material, which will contribute to the development and transparency of the organic sector, will allow us to quickly respond to cases of falsification of organic products, and will raise the profile of Ukraine as a reliable producer of organic products at the international level⁴⁸.

In addition, in order to introduce its own system of certification of organic production, the Government approved the Procedure for certification of organic production and/or circulation of organic products⁴⁹.



⁴⁸ Resolution of the Cabinet of Ministers of Ukraine No. 87 of 12.02.2020.

⁴⁹ Resolution of the Cabinet of Ministers of Ukraine No. 1032 of 21.10.2020.

With the Orders of the Ministry of Economy the following documents were approved:

- 1. the Procedure for maintaining the List of Foreign Certification Bodies⁵⁰, which ensured the settlement of the issue of recognition of certificates for organic production and/or circulation of organic products in accordance with legislation other than the legislation of Ukraine. The List of foreign certification bodies is available on the web portal of the State Service of Ukraine of Food Safety and Consumer Protection;
- 2. a list of substances (ingredients, components) that are allowed to be used in the process of organic production and that are allowed for use in the maximum permissible quantities⁵¹. This list of substances is developed taking into account the requirements of the EU legislation in the field of organic production. It includes the names of substances, their description, composition requirements, and conditions of use. The implementation of the order will allow manufacturers to use permitted substances during production in accordance with the requirements of Ukrainian legislation;
- 3. procedure for considering appeals against decisions of certification bodies⁵². The implementation of the provisions of the Ministry's order will contribute to the objectivity and transparency of the functioning of the organic products market, as well as fair competition. The document regulates the issues of consideration by certification bodies that carry out certification of organic production and/or circulation of organic products, and the State Service of Ukraine of Food Safety and Consumer Protection of appeals of organic market operators regarding decisions of certification bodies with which they do not agree;
- 4. a single unified application form for inclusion in the State Register of certification bodies in the field of organic production and circulation of organic products⁵³. This will allow enterprises, institutions, organizations or their divisions that intend to become certification bodies to submit an application to the Ministry of Economy for inclusion in the relevant register in accordance with the unified form;
 - 5. effective operation of certification bodies is ensured⁵⁴.

Organic producers can use the state logo for organic products in color and in black and white⁵⁵.

Amendments to the Law of Ukraine "On state support for agriculture of Ukraine" have expanded the opportunities for organic producers to receive state support. 56

- 50 Order of the Ministry of Economy No. 985 of 26.05.2020.
- 51 Order of the Ministry of Economy No. 1073 of 09.06.2020.
- 52 Order of the Ministry of Economy No. 1141 of 17.06.2020.
- 53 Order of the Ministry of Economy No. 109 of 30.01.2020.
- Order of the Ministry of Economy No. 2833 of 31.12.2020.
- 55 Order of the Ministry of Agrarian Policy of 22.02.2019 No. 67 as amended in accordance with the Order of the Ministry of Economy No. 1336 of 15.07.2020 (on the use of the logo for organic products in color and in black and white).
- 56 On 05.11.2020 the Verkhovna Rada of Ukraine adopted amendments to the Law of Ukraine "On state support for agriculture of Ukraine".



The Guide on the use of the state logo for organic products and the Guidelines on the application of legislation in the field of organic production, circulation and labeling of organic products have been developed for organic products producers.

PLANT MARKETING STANDARDS

The Cabinet of Ministers approved:

- 1. the procedure for issuing, revoking, temporary suspension and issuing a duplicate certificate of the certification auditor (agronomist-inspector) together with the form of the certificate for the certification auditor (agronomist-inspector)⁵⁷;
- 2. the procedure for certification of seeds and/or planting material (a set of measures aimed at determining the varietal and sowing qualities of seeds and varietal and commercial qualities of planting material), procedure of issuing certificates for seeds and/or planting material and their revoking.⁵⁸

Methodological requirements in the field of seed production for preserving the varietal and sowing qualities of grain seeds⁵⁹ and the procedure for labeling and packaging seed lots and label forms were approved⁶⁰.

The Parliament is expected to adopt the draft Law of Ukraine "On amendments to the Law of Ukraine "On seeds and planting materials" (No. 4593 of 14.01.2021).

AGRICULTURAL SECTOR REFORM

LAND REFORM

Agricultural land market

According to the Law of Ukraine "On amendments to certain legislative acts of Ukraine concerning the conditions of circulation of agricultural lands" of 1 July 2021, the ban on the acquisition of private agricultural lands (except for temporarily occupied territories) is lifted.



⁵⁷ Resolution of the Cabinet of Ministers of Ukraine No. 1031 of 26.12.2016 "On approval of the Procedure for issuing, revoking, temporary suspension and form of the certificate of a certification auditor (agronomist-inspector)"

Resolution of the Cabinet of Ministers of Ukraine No. 97 of 21.02.17 "On approval of the procedure for certification, issuance and revoking of certificates for seeds and/or planting material and forms of certificates for seeds and/or planting materials"

⁵⁹ Order of the Ministry of Agrarian Policy No. 476 of 04.10.2018

⁶⁰ Order of the Ministry of Agrarian Policy No. 348 of 10.07.2017

Improving land management

On 17 June 2020, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On amendments to the Land Code of Ukraine and other legislative acts on land use planning", which provides for improving management in the field of urban planning and land management; simplification of topographic, geodetic and cartographic works for the needs of spatial planning; development of automated resource management systems.

Geospatial data

According to the Law of Ukraine "On the national geospatial data infrastructure", it is planned to create a unified system that combines geospatial data from both the private and public sectors. As a result, investors will have access to complete information on land, including utilities, buildings and structures, grant coverage etc.

In September 2020, the Government made a decision to establish the Council for the National Geospatial Data Infrastructure and approved its regulations.

CONCLUSIONS AND NEXT STEPS

In order to ensure further implementation of the Agreement in this area, it is necessary to adopt the draft Law "On amendments to the Law of Ukraine "On seeds and planting materials" (No.4593 of 14.01.2021).

In development of the provisions of the Law of Ukraine of 20 September 2019 No. 123-IX "On amendments to certain legislative acts of Ukraine concerning the improvement of the legal protection of geographical indications", the following documents were developed and are at the stage of internal approval:

- draft Law of Ukraine "On the specifics of legal protection of geographical indications, traditional specialty guaranteed, protection of rights and application of quality schemes for agricultural products and food products. Now it is expected to be submitted to the Cabinet of Ministers for consideration.
- draft Law "On geographical indications of alcoholic beverages";
- · draft "Law on amendments to the Law of Ukraine "On grapes and grape wine".



2.22 CONSUMER PROTECTION

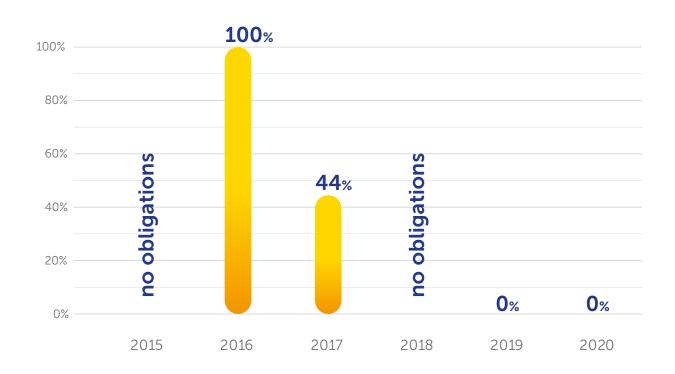
It covers **71** measures within **22** tasks Overall progress since the AA effective date - **42%**



71MEASURES

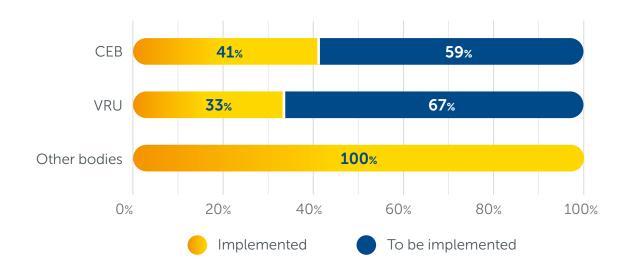
22 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



In the part of harmonization of the consumer protection system in Ukraine with the principles, approaches and practices of the EU:

- a ban on the sale of goods that imitate food products and endanger the safety or health of consumers, in particular children, has been introduced (Resolution of the Cabinet of Ministers of Ukraine No. 136 of 10 March 2017 "On amendments to trade activities arrangements and rules of trade in the consumer goods market);
- the Concept of the state policy on consumer rights protection until 2020 (Order of the Cabinet of Ministers of Ukraine No. 217 of 29 March 2017), and an Action Plan for its implementation were approved (Order of the Cabinet of Ministers of Ukraine No. 983 of 27 December 2017).
- the requirements have been established to prevent children from using lighters by making necessary amendment to the Rules of retail trade in non-food products (Order of the Ministry of Economic Development and Economy of Ukraine No. 80 of 23 January 2018, registered with the Ministry of Justice of Ukraine on 15 February 2018 under No. 181/31633).

CONCLUSIONS, NEXT STEPS AND CHALLENGES

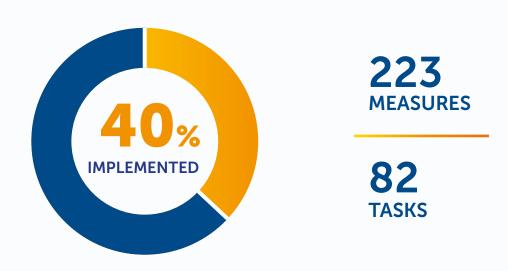
Submit the draft Law of Ukraine "On consumer rights protection" in a new version to the Cabinet of Ministers of Ukraine for approval and submission to the Verkhovna Rada of Ukraine.

Ongoing approximation of national consumer protection legislation to the EU legislation in accordance with Annex XXXIX to the Association Agreement.

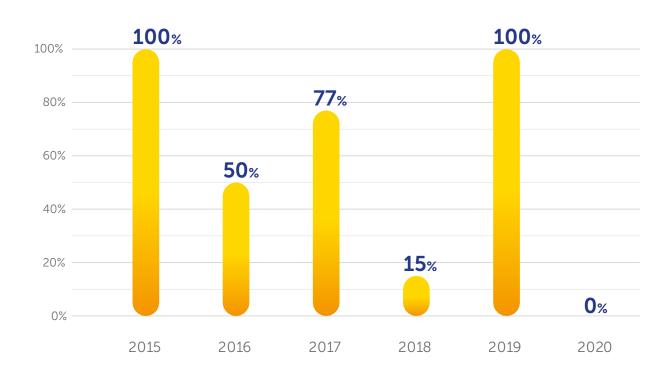


2.23 SOCIAL POLICY AND LABOR RELATIONS

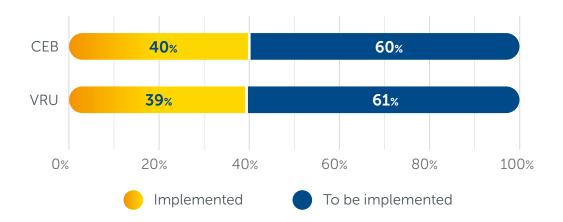
It covers **223** measures within **82** tasks Overall progress since the AA effective date - **40%**



IN THE CONTEXT OF THE LAST 6 YEARS



PROGRESS BY GROUPS OF IMPLEMENTERS:



LABOR RELATIONS, OCCUPATIONAL HEALTH AND SAFETY

The Ministry of Social Policy issued Order No. 1050 "On approval of minimum safety and health requirements at temporary or mobile construction sites" (registered with the Ministry of Justice on 08.09.2017 under No. 1111/30979), which introduced into the legislation the provisions of Council Directive No. 92/57/EEC (the eighth individual directive within the meaning of Article 16(1) of Directive No. 89/391/EEC).

In order to implement the provisions of Directives 2009/104/EC and 2001/45/EC, the Order of the Ministry of Social Policy "On approval of safety and health requirements for the use of work equipment by employees" was adopted (No. 2072 of 28.12.2017, registered with the Ministry of Justice on 23.01.2018 under No. 97/31549).

The provisions of Directive No. 90/270/EC on bringing the minimum safety and health requirements for work with display screen equipment in compliance with EU standards have been implemented in national legislation, namely, on 14.02.2018, the Ministry of Social Policy issued the Order No. 207 "On approval of the minimum safety and health requirements for work with display screen equipment".

The requirements for explosives for civil use have been brought in compliance with the EU standards (Directive 2014/28/EC), namely, the Resolution of the Cabinet of Ministers of Ukraine No. 802 of 03.10.2018 "On approval of the technical regulations for industrial explosives" was adopted.

In order to recognize the occupational activity rules (Directive No. 2005/36/EC; Recommendation of the European Parliament and Council No. 2008/C111/01 on the establishment of the European Qualifications Framework for lifelong learning), to approximate the National Qualifications Framework to the European requirements, the Ministry of Social Policy issued Order No. 74 of 22.01.2018 "On approval of the methodology for occupational standards development".



In May 2019, the General agreement on the regulation of basic principles and norms for the implementation of socio-economic policy and labor relations in Ukraine for 2019-2021 was signed.

SOCIAL PROTECTION

The International Labour Organization Social Security (Minimum Standards) Convention No. 102 (Law of Ukraine No. 1024-VIII of 16 March 2016) has been ratified. The Convention defines the types of social assistance, conditions and amounts of social payments in the event of major social risks and establishes the principle of equality of persons who are not citizens of the country of residence with citizens of this country.

On 10 November 2016 Ukraine signed the European Code of Social Security, which is the main guideline of the European social security model based on social justice.

In order to prevent poverty and fulfill the main tasks to solve this problem for the period up to 2020, a Poverty Reduction Strategy was implemented (Order of the Cabinet of Ministers of Ukraine No. 161 of 16 March 2016). This strategy provided for the implementation of measures in accordance with the annual action plans aimed primarily at increasing the level of monetary income of the population from employment, attracting citizens to the labor market, providing targeted assistance and improving the effectiveness of social support programs (Orders of the Cabinet of Ministers of Ukraine No. 573-r of 08.08.2016, No. 99-r of 14.02.2018, No. 86-r of 20.02.2019, No. 202-r of 03.03.2020).

Since the beginning of 2019, the provision of housing and utilities subsidies to the population in cash has been introduced (Resolution of the Cabinet of Ministers No. 62 of 06.02.2019).

The Verkhovna Rada of Ukraine has approved the Law of Ukraine "On social services" of 17.01.2019 No. 2671-VIII, which aims to improve the current legislation, in particular in terms of administration of social services, improving the status of social workers and other specialists providing social services, ensuring the protection of the rights of persons receiving social services, etc.

COUNTERING DISCRIMINATION AND ENSURING GENDER EQUALITY

Council Directive 79/7/EEC and Council Directive 2004/113/EC were implemented in a number of regulations, primarily in the Constitution of Ukraine, laws of Ukraine on the principles of preventing and countering discrimination; on ensuring equal rights and opportunities for women and men, as well as the state social Program on providing equal rights and opportunities for women and men up to 2021, approved by the Resolution of the Cabinet of Ministers of Ukraine of 11.04.2018 No. 273.



In order to ensure that the gender approach is taken into account in all spheres of society's life the following documents were approved in 2020:

- Instructions on the integration of gender approaches in the development of laws and regulations (Order of the Ministry of Social Policy of 07.02.2020 No. 86);
- Guidelines for assessing the gender impact of sectoral reforms (Order of the Ministry of Social Policy of 14.04.2020 No. 257);
- Guidelines for introducing in collective agreements and contracts of the provisions aimed at ensuring equal rights and opportunities for women and men in labor relations (Order of the Ministry of Social Policy of 29.01.2020 No. 56);
- Standard provisions on relevant structural divisions and advisers on ensuring equal rights and opportunities for women and men, preventing and countering gender-based violence (Order of the Cabinet of Ministers of Ukraine No. 930 of 09.10.2020).

In 2017, almost all restrictions (except for mining works) for women regarding employment in certain professions (types of work) were lifted, which gives women access to entire industries⁶¹.

The new Law of Ukraine "On education" envisages a provision on the mandatory acquisition of gender competence by students – the ability to understand equal rights and opportunities.

In 2017, for the first time, gender budgeting was integrated into the strategic documents of the Ministry of Finance, in particular in the Public Finance Management Strategy for 2017-2021.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

Comprehensively streamline individual labor relations and adapt Ukrainian legislation to the EU law.

Strengthen the fight against informal employment.

Protect social rights of Ukrainian citizens abroad by concluding bilateral agreements in this area.

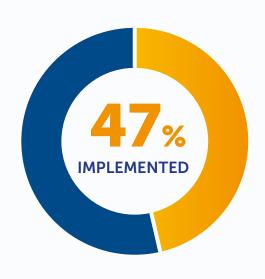
⁶¹ The list of jobs prohibited for women was approved in 1993 (Order of the Ministry of Health of Ukraine of 29 December 1993 No. 256). It *consisted* of sections combining works on metalworking; construction, installation and repair-construction works, mining works; geological exploration and topographic-geodetic works, work on oil and gas extraction; ferrous and non-ferrous metallurgy; repair of equipment of power plants and networks, electrical production, abrasive production, radio-technical and electronic production, general professions of electronic technology, professions of chemical production, professions of food production, tobacco-shag and fermentation production, works on railway transport and metro, automobile, maritime and river transport, printing production, agriculture.



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2.24 PUBLIC HEALTH

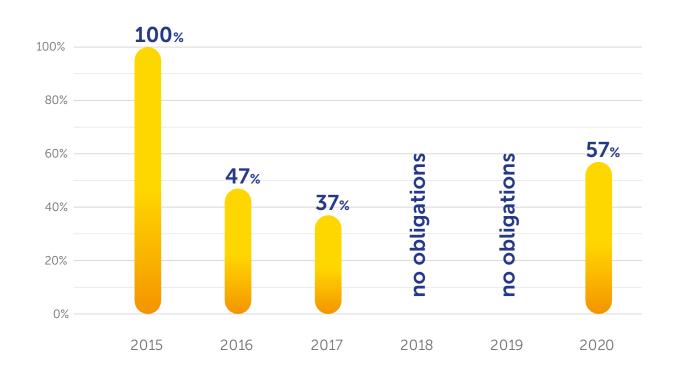
It covers **162** measures within **37** tasks Overall progress since the AA effective date - **47%**



162
MEASURES

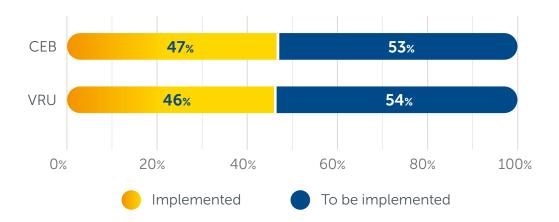
37 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



COVID-19

The COVID-19 pandemic has become one of the main items on the agenda of international life since the last year.

These hardships create additional obstacles, but do not change the consistent course of reforming the healthcare system in Ukraine.

A joint negotiation group with the EU on Ukraine's early access to a vaccine against acute respiratory disease Covid-19 has been established. The Ministry of Health, together with the EU, the EIB, the World Bank, and other donors, including within the framework of the COVAX program, is working on joint integrated solutions that would include the purchase and supply of vaccines, refrigeration equipment to ensure the appropriate temperature regime, as well as equipment for waste management and disposal.

HEALTHCARE SYSTEM REFORM

With the adoption of the Law of Ukraine "On state financial guarantees of medical care for the population" in 2017, a full-scale transformation of the healthcare funding system started. The main goal of the changes was to improve public health and provide financial protection against excessive costs by improving efficiency, modernizing outdated service delivery systems and improving access to quality healthcare services. In April 2018, the National Health Service of Ukraine (NHS), the strategic buyer of medical services, was established. The health system funding reform is being implemented in stages.

In 2018, new funding mechanisms were launched at the primary level of medical care, in 2019, the NHS started administering the Affordable Medicines Program (for



medicines costs reimbursement) and implementing a number of pilot projects that contributed to the preparation for the transformation of specialized care (polyclinics and hospitals), and from 1 April 2020, despite the political turbulence and the COVID-19 pandemic, the medical guarantee program was fully operational. Thus, healthcare facilities that provide secondary (specialized) medical care have started working under contracts with the National Health Service and for the first time gained independence – managerial and financial. The managers of the healthcare facilities got an opportunity to make managerial decisions, determine the organizational structure, number of employees, staffing and remuneration.

KEY ACHIEVEMENTS OF THE HEALTHCARE SYSTEM FUNDING REFORM FOR THE PERIOD 2018-2020.

For the first time, a patient received the right to freely choose a doctor and health care facility. Since April 2018, more than 30 million patients in Ukraine have freely chosen their primary care doctors, and about 74% are satisfied with the chosen doctor. The patient's "binding" to the place of registration has been canceled. The patient can refuse the previously selected doctor at any time and choose a new one by submitting a new declaration at any medical facility in the country.

For the first time, institutions of all forms of ownership are equal before the law regarding the provision of medical services for public funds. For a patient, this means that he/she can choose, in addition to a state or municipal facility, also a private facility (if such facility was contracted by the NHS).

The patient's binding to the place of registration for receiving free medicines at the pharmacy for the treatment of certain diseases has been canceled⁶². An electronic prescription for such medicines is issued by a primary care doctor, after which the patient can receive these medicines free of charge or with a surcharge at any pharmacy contracted by the NHS. Today, every third pharmacy participates in the drug reimbursement program, and more than 2 million patients are already the users of the program (on an ongoing basis). The number of patients joining the program is constantly growing.

Changes in the principles of healthcare system funding have contributed to an increase in the salaries of medical workers. Such changes were made possible, first of all, due to the autonomy of institutions and direct bilateral legal relations "NHS – provider of medical services".

Disbursement of funds of the medical guarantee program is absolutely transparent due to direct contracts with providers and the obligation of the NHS to publish all contracts. You can clearly track what the state spends money on.



⁶² Drugs that are currently subject to reimbursement include drugs for the treatment of cardiovascular diseases, bronchial asthma and Type II diabetes.

APPROXIMATION OF THE LEGISLATION TO THE EU LAW IN THE FOLLOWING AREAS:

Fight against communicable diseases

In terms of fighting against communicable diseases, the Ministry of Health approved the list of communicable diseases to be monitored, which fully implemented the Decision 2000/96/EC. It is worth noting that in connection with the entry into force of the Order of the Ministry of Health of 30.07.2020 No. 1726, work is underway to update the regulations on the procedure for registration, accounting, reporting and exchange of relevant information.

Decision No. 2002/253/EC laying down case definitions for reporting communicable diseases to the Community network, has also been implemented.

Development of the National Blood System

In 2018, with the international experts' support, a roadmap was developed to meet investment needs in the field of blood system management, introduce a transparent and accountable licensing process; launch new blood safety standards and develop information tracking technologies (up to 167 million euros for 4 years). These funds include upgrading of 11 blood centers, operating costs, test kits and supplies, introducing new standards and protocols for blood use, creating unique blood donor registries, and strengthening supply management.

The Strategy for the development of the National Blood System and the Action Plan for its implementation until 2022 were adopted (Decree of the Cabinet of Ministers No. 120-r of 20.02.2019).

Tissue, cell, and organ transplantation

On 01.01.2019, the Law of Ukraine "On the transplantation of human anatomical materials" was put into effect, which takes into account the basic requirements of Directive 2004/23/EC. The Government has approved a plan for preparing bylaws necessary for the implementation of this law.

Accordingly, the Government approved the Procedure for receiving and providing hematopoietic stem cells and exchanging information about available human anatomical materials intended for transplantation⁶³, and established a specialized state institution "Ukrainian Transplant Coordination Center".⁶⁴

On 27.12.2019 the President of Ukraine signed the Law of Ukraine "On amendments to certain legislative acts of Ukraine regulating the issue of transplantation of human anatomical materials", which automates the processes through the gradual introduction of the Unified State Information System for Organ and Tissue Transplantation — the Register of Donors, which will help to find a potential donor in time, whose physical indicators allow you to save a patient who needs a transplant.



⁶³ Resolution of the Cabinet of Ministers of Ukraine No. 257 of 25.03.2020

⁶⁴ Order of the Cabinet of Ministers of Ukraine No. 1154 of 23.09.2020

Fight against drugs addiction

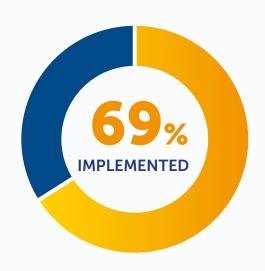
Resolution of the Cabinet of Ministers of Ukraine No. 689 "Issues of monitoring the drug and alcohol situation in Ukraine", introduced the procedure for monitoring the drug and alcohol situation, its main tasks and indicators are defined by the European Monitoring Center for Drugs and Drug Addiction, the UN Office on Drugs and Crime, the International Narcotics Control Board.

Since November 2017, Ukraine has been cooperating on an ongoing basis with the European Monitoring Center for Drugs and Drug Addiction.



2.25 EDUCATION, TRAINING AND YOUTH

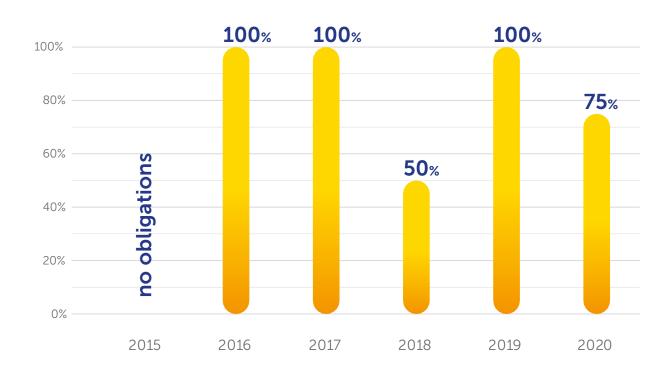
It covers **100** measures within **31** tasks Overall progress since the AA effective date - **69%**



100 MEASURES

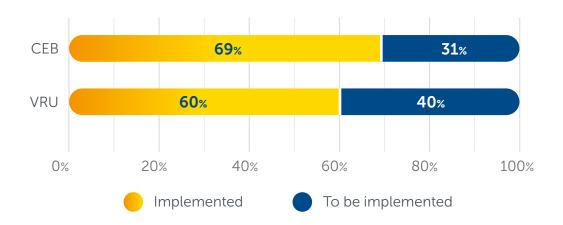
31 TASKS

IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



EDUCATION REFORM

In order to modernize the education system, a new Law of Ukraine "On education" (No. 2145-VIII of 05.09.2017) was adopted. The implementation of this law resulted in a deep comprehensive education system reform that improves the quality of education, the competitiveness of the younger generation in the labor market and contributes to Ukraine's inclusion in the European Educational Area.

A number of measures provided for in the roadmap for the implementation of Article 7 of the Law of Ukraine "On education" were implemented in accordance with the recommendations of the Venice Commission on national minority languages.

NEW UKRAINIAN SCHOOL

Since September 2018, the implementation of the secondary education reform "New Ukrainian School" has started, which is based on a competency-based approach to learning and decentralization of powers in the field of education. The Law of Ukraine "On complete general secondary education" No. 463-IX of 16.01.2020 was adopted, which set the regulatory framework for continuing school reform in particular: initiating a pedagogical internship and defining the conditions for introducing senior professional field oriented school, ensuring the financial autonomy of schools, expanding opportunities for professional growth and increasing teachers' salaries, opening opportunities for students to choose courses, academic subjects (integrated courses), as well as their educational trajectory.



DEVELOPMENT OF VOCATIONAL (VOCATIONAL AND TECHNICAL) EDUCATION

In September 2018, the Dual Education Concept was approved. The Regulation "On dual education" was approved. The dual education was introduced in 254 institutions of vocational (vocational and technical) education in 160 vocational professions, more than 10,000 students and 1,000 employers were covered.

In order to strengthen the material and technical base of vocational education institutions at the expense of the state budget (100 million UAH) in 2020, 53 sectoral educational and practical centers were created, which are equipped with new equipment and machinery, where students can master practical skills, and adults can undergo advanced training or retraining.

During 2020, 209 standards of professional (vocational and technical) education developed on the basis of a competence-based approach were approved. The implementation of the program EU4Skills: Better Skills for Modern Ukraine continues.

Within the framework of EU4Skills, a large-scale audit of the network, as well as the websites of vocational education institutions, was conducted. A concept of career guidance and a standard of career guidance have been developed, which can be integrated into the program of the New Ukrainian School.

HIGHER EDUCATION

The adoption of the Law of Ukraine "On higher education" enhanced the academic, organizational and financial freedom of higher education institutions and introduced key changes in bringing education closer to the EU standards.

Graduates of higher education institutions are provided with the opportunity to freely choose their place of work (Resolution of the Cabinet of Ministers of Ukraine No. 376 of 31 May 2017).

As part of enhancing the autonomy of the higher education institutions, the list of paid services that can be provided by educational institutions, other institutions and institutions of the education system belonging in the state and municipal ownership has been expanded (Resolution of the Cabinet of Ministers of Ukraine No. 301 of 26.04.2017).

Changes in the field of higher education focus on cooperation with the EU for the modernization of higher education and its integration into the European Education Area in accordance with the Bologna Process, which requires improving the quality of university management, ensuring transparency of their activities and ensuring the quality of higher education.



The National Qualifications Framework has been updated in accordance with the qualifications framework of the European Higher Education Area.

YOUTH POLICY

The State Target Social Program "Youth of Ukraine" for 2016-2020 contributed to the creation of favorable conditions for the development and self-realization of Ukrainian youth, the formation of their civic position and national and patriotic consciousness.

As part of the pan-European initiative, the Ukrainian Pact for youth 2020 (interaction between business, the state and the public) is being implemented.

The national strategy for the development of state youth policy until 2030 (approved by Presidential Decree No. 94/2021 of 12 March 2021) and the Concept of the State Target Social Program "Youth of Ukraine for 2021-2025" (approved by the order of the Cabinet of Ministers of Ukraine No. 1669-r of 23 December 2020) set the priority tasks to increase the level of participation of young people in public life, including through participation in volunteer initiatives.

COOPERATION WITHIN ERASMUS+

Since 2014, Ukraine is participating in EU Erasmus+ programs in the field of Higher Education on international credit mobility, cooperation between universities, European studies and other areas to improve capacity and academic mobility, which is a tool for exchanging the best educational practices of European countries. In 2018, Ukraine received a separate window of funding from the EU in the amount of 5 million euros.

KA 1. Academic mobility. International credit mobility.

According to the results of the 2015-2020 international (credit) mobility (KA107) competitions, 32 national agencies of the Erasmus+ member countries of the EU Erasmus+ program supported 1,717 projects for the organization of international academic mobility out of 2,434 submitted projects in cooperation with 192 Ukrainian higher education institutions in partnership with universities of the EU member states and other member countries of the Program.

The total amount of grants for mobility projects with Ukraine reaches 54,018,009 euros. 11,505 Ukrainian students (bachelors, masters, postgraduates) go to study, and employees teach and improve their skills in Europe on the basis of inter-institutional agreements concluded by the European universities together with the Ukrainian HEIs.



KA 1. Academic mobility. International joint educational programs Erasmus Mundus - scholarships for studying/teaching in Master's and PhD programs.

According to the results of seven competitions for individual scholarships for studying at Joint Educational Programs (KA111), 288 fellows were selected, of which 274 Ukrainian students received scholarships to study at the Erasmus Mundus Master Courses and Erasmus Mundus Joint Master Degrees (EMJMDs).

According to the results of the 2014-2020 competitions, among 237 projects of Joint Master Programs Erasmus Mundus (Erasmus Mundus Joint Master Degrees), 13 Joint Master programs are introduced with the participation of 16 Ukrainian institutions.

KA 1. Mobility for youth.

2015-2020 Erasmus + funds mobility to support youth, youth leaders and youth workers through international non-formal education - European Solidarity Corps, European Voluntary Service, exchanges, etc. Ukraine participates in such competitions very actively and more than 11,600 representatives of youth and youth workers have already received funding to exchange experience with colleagues from Europe.

KA 2. Cooperation projects for the development of innovations and exchange of successful practices.

48 (out of 646 submitted) projects of international cooperation for the development of potential in the field of higher education are being implemented in the period from 2015 to 2022 with the participation of Ukraine. In the STEM modernization project Vasyl Stefanyk Precarpathian National University is the grantee-coordinator. According to the 2020 competition, three Ukrainian universities are grant recipients and project coordinators: Ivan Franko National University of Lviv, Lviv Polytechnic National University and Zaporizhzhia Polytechnic National University.

Projects last 2-3-4 years with a budget 500 000 – 1 000 000 euros with the participation of more than 6 partners from different countries in the consortium. The total budget of the EU grants provided for 48 projects is about 43 million euros. Based on the results of 2019-2020 competitions Ukraine has received an additional separate window of funding for projects to develop the higher education potential – 2 million euros.

KA2. Youth potential development (KA214).

The New Eastern Partnership window for youth potential development was open for the Eastern Partnership countries from 2017 to 2019. According to the results of 3 competitions, 59 projects are being implemented with the participation of 46 Ukrainian organizations, including 22 as coordinators and 3 HEIs. The total amount of grant funding is 6,149,904 euros.



KA3. Support for reforms.

44 projects are implemented with the participation of Ukrainian public organizations as partners in the framework of Support for reforms in the field of youth policy (KA347).

Jean Monnet projects.

121 (out of 1,069 submitted) Jean Monnet projects became the winners of seven competitions from 2014 to 2020. The EU budget for funding Jean Monnet direction for Ukraine is more than 3.9 million euros plus 1.3 million euros on the network.

Based on the results of 2019-2020 competitions an additional funding window for Ukraine under Jean Monnet direction was provided by the European Union in the amount of 500 thousand euros.

CONCLUSIONS, NEXT STEPS AND CHALLENGES

Continue the implementation of the New Ukrainian School program at the next levels of the complete general secondary education.

Develop school infrastructure and teachers' potential to implement new state standards based on a competence-based approach, develop a culture of formative assessment, and the introduce academic autonomy.

Adopt the Law of Ukraine "On vocational (vocational and technical) education".

Adopt of the Law of Ukraine "On adult education".

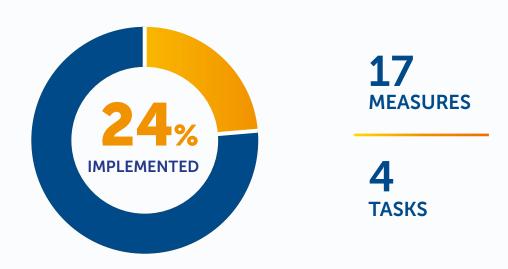
Develop online portals and their content about opportunities for self-realization and development of young people.

Review of Ukraine's status in the EU Erasmus+ program, conduct a joint study with the European Party on the advantages and opportunities of Ukraine's membership in the Erasmus+ program as a program country.

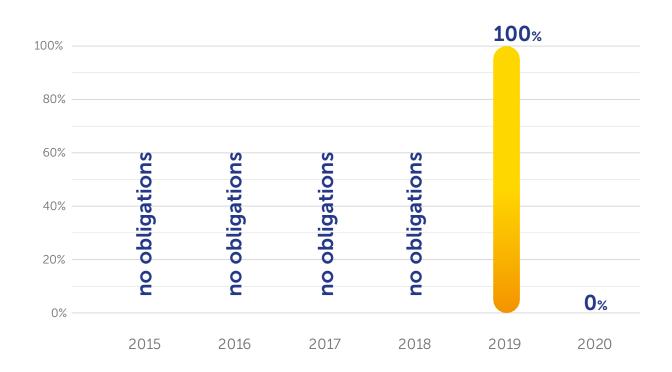


2.26 FINANCIAL COOPERATION AND COMBATING FRAUD

It covers **17** measures within **4** tasks Overall progress since the AA effective date - **24%**

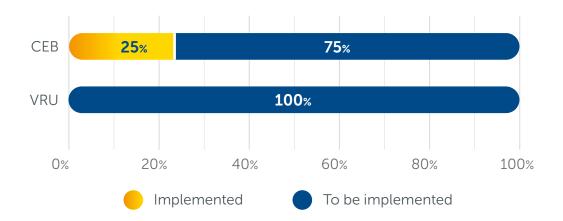


IN THE CONTEXT OF THE LAST 6 YEARS





PROGRESS BY GROUPS OF IMPLEMENTERS:



One of the areas of cooperation between Ukraine and the European Union is to protect the financial interests of the parties in the use of assistance provided to Ukraine by the European Union.

The competent authorities of the Ukrainian Party are the Ministry of Internal Affairs, the Ministry of Economic Development, the Ministry of Finance, the Ministry of Justice, the NABU, the State Audit Service, the State Financial Monitoring Service, National Agency for Civil Service, the National Police, the SBU, the Prosecutor's General Office, the Foreign Intelligence Service, the ARMA; and of the EU Party - the European Anti-Fraud Office (OLAF) and the European Court of Auditors. In this regard, the European Anti-Fraud Office (OLAF) can coordinate with its Ukrainian colleagues actions for further cooperation in the field of combating fraud, including conducting joint operational measures with the Ukrainian authorities in the framework of individual investigations.

Issues of cooperation in protecting the financial interests of Ukraine and the EU in connection with the use of the EU funds are the subject of constant dialogue between the parties during meetings of the EU-Ukraine bilateral bodies.

In order to properly fulfill the obligations, a national mechanism for coordination of the state authorities cooperation was introduced in order to protect the financial interests of Ukraine and the European Union⁶⁵. An Interdepartmental coordination council was formed to counteract violations that affect the financial interests of Ukraine and the EU, its staffing schedule and regulations were approved, and a National contact point was created to organize interaction with OLAF and the European Court of Auditors (ECA), whose functions are assigned to the Ministry of Internal Affairs.

In 2020, the level of dialogue between the parties in resolving this issue has somewhat slowed down. This was conditioned not only by the process of OLAF

⁶⁵ Resolution of the Cabinet of Ministers of Ukraine No. 1110 of 25.10.2017 "On the introduction of a national mechanism for coordination of the state authorities cooperation in order to protect the financial interests of Ukraine and the European Union.



reforming and the corresponding distribution of powers in connection with the establishment of the European Public Prosecutor's Office, but also by objective restrictions because of the COVID-19 pandemic.

In December 2020, OLAF received proposals to conclude cooperation agreements between OLAF and the Ministry of Internal Affairs, the National Police, the Security Service of Ukraine and the Prosecutor's General Office, along with relevant draft administrative agreements.

On 11 February 2021 on the sidelines of the Seventh Meeting of the EU-Ukraine Association Council (11 February 2020, Brussels) an Administrative Cooperation Agreement was signed between OLAF and the Attorney's General Office.



SECTION 3.

INSTITUTIONAL SUPPORT FOR THE IMPLEMENTATION OF THE ASSOCIATION AGREEMENT

INTERNAL INSTITUTIONAL MECHANISM AND PROCEDURES FOR MAKING EUROPEAN INTEGRATION DECISIONS

The complexity of the Association Agreement poses serious challenges for its effective implementation, primarily in terms of planning, coordination of different areas and choosing the ways to implement the relevant obligations. This requires the development of institutional capacity and an appropriate mechanism for coordinating the implementation of the Agreement.

Since 2014, a centralized institutional model for coordinating the European integration process has been introduced in Ukraine.

For proper institutional support of the Agreement implementation and coordination of European integration policies:

- the European integration issues, which are guided, coordinated and controlled by the Cabinet of Ministers were identified⁶⁶:
- a Government Office for Coordination on European and Euro-Atlantic Integration was established⁶⁷ and its powers were defined⁶⁸;
- positions of Deputy Ministers for European integration have been introduced;
- the procedure for planning, monitoring and evaluating the implementation of the Agreement was introduced,⁶⁹ and the information monitoring system "Pulse of the Agreement" was created;
- at the government level the procedure of assessment of the compliance of the draft laws with the EU integration obligations and the EU law was introduced;⁷⁰
- working groups have been formed to implement the Agreement and ensure the work of the association sub-committees, and the procedure for their work has been determined 71 :
- the monitoring and organizational component of the Government Office's work has been strengthened by giving it the functions of a secretariat on behalf of the Ukrainian Party of the joint Bodies of the Association: the Association Council, the Association Committee and its subcommittees⁷²;
- centralized and ongoing translation of the EU legislation into Ukrainian is provided⁷³.
- 66 See paragraph 3 of the Resolution of the Cabinet of Ministers No. 759 of 4 October 2017.
- 67 The Resolution of the Cabinet of Ministers No. 157 of 27 May 2014. At the same time, the Cabinet of Ministers Resolution No. 759 of 4 October 2017 established the Government Office for the Coordination of European and Euro-Atlantic Integration, which also, in addition to European integration, included issues related to the implementation of organizational, expert, analytical and informational support for the activities of the Cabinet of Ministers of Ukraine in the field of Euro-Atlantic integration, as well as approved an updated regulation on the Government Office.
- 68 The Resolution of the Cabinet of Ministers No. 759 of 4 October 2017.
- 69 Resolution of the Cabinet of Ministers "Issues of planning, monitoring and evaluating the effectiveness of the implementation of the Association Agreement..." dated 31 May 2017 No. 447.
- 70 See. §§ 281, 32, 33, 35, 471 475, 52 etc. Regulation of the Cabinet of Ministers approved by Resolution No. 950 of 18 July 2007.
- 71 See Resolution of the Cabinet of Ministers of Ukraine No. 646 of 8 July 2015.
- 72 See Resolution of the Cabinet of Ministers No. 700 of 10 December 2014 and Resolution of the Cabinet of Ministers No. 646 of 8 July 2015.
- 73 Currently, the translation of the EU acquis is carried out primarily with the support of the EU in the framework of technical assistance projects.



COORDINATION OF EUROPEAN INTEGRATION POLICY

THE PRIME MINISTER OF UKRAINE THE CABINET OF MINISTERS OF UKRAINE/ DEPUTY PRIME MINISTER FOR EUROPEAN AND EURO-ATLANTIC INTEGRATION OF UKRAINE		THE PRESIDENT OF UKRAINE	THE VERKHOVNA RADA OF UKRAINE
Government Committee on European and Euro- -Atlantic Integration, International Cooperation, Culture, Youth, Sports and Information Policy	Commission for coordination of the implementation of the Association Agreement the European Union, the European Atomic Energy Community and their member states, on the one part and Ukraine on the other part	Office of The President of Ukraine	Committee on Ukraine's Integration into the EU
Government Office for Coordination of European and Euro-Atlantic Integration of the Secretariat of the Cabinet of Ministers of Ukraine			
WG "Justice, freedom and security", No. 1	WG "Transport", No. 8		
WG "Free movement of goods", No. 2	WG "Environment", No. 9		
WG "Entrepreneurship and trade in services", No. 3	WG "Education, Science, Technology, Culture, Youth and Sports", No. 10		
WG "Customs matters and trade facilitation", No. 4	WG "Agrarian policy and regional development", No. 11		
WG "Public procurement, competition", No. 5	WG "Social Policy", No. 12		
WG "Intellectual property", No. 6	WG "Economics and Finance", No. 13		
WG "Energy", No. 7	WG "Trade and sustainable development", No. 14		
Deputy Ministers/Heads of Central Executive Bodies responsible for European integration issues			
Directorates for strategic planning and European integration under the ministries and other central executive bodies			

POLITICAL LEVEL

At the government level, the guidance of the European integration policy under the leadership of the Prime Minister is carried out by the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine.

Also during the reporting period, the relevant governmental committee responsible for European and Euro-Atlantic integration was acting, in different formats, as a platform for discussing "horizontal" issues and solving the issues related to the compliance of the draft laws of Ukraine with the Association Agreement and the EU acquis.

On 2 September 2020, the Government has created⁷⁴ a Commission for Coordination of the Implementation of the Association Agreement between Ukraine and the EU. One of the main tasks of the Commission is to ensure the preparation of proposals for the development of relations with the EU in the field of European integration of Ukraine, comprehensive and effective coordination of the implementation of the Association Agreement at the level of ministries, as well as an effective level of dialogue with the Verkhovna Rada, business and civil society. This also includes consideration by the Commission of the Agreement implementation priorities and the government's European integration legislative initiatives. To date, three meetings of the Commission have already been held, during which the progress and priorities of the implementation of the Agreement, directions for deepening integration with the EU were considered. In addition, the Commission identified priority European integration bills that the Government will follow up in Parliament, as well as a corresponding list of bills that should be developed by Ministries and submitted by the Government to the Verkhovna Rada for consideration, primarily in the fields of transport, energy, environment, agricultural policy, etc.⁷⁵

AT THE LEVEL OF THE GOVERNMENT AND THE MINISTRIES

The Government Office for Coordination of European and Euro-Atlantic integration established as part of the Secretariat of the Cabinet of Ministers⁷⁶ ensures coordination of the activities of executive bodies in the development and implementation of measures aimed at implementing the Association Agreement, monitoring the implementation of the Agreement and coordinating the process of legislation approximation.



⁷⁴ The Resolution of the Cabinet of Ministers of 2 September 2020 No. 851.

⁷⁵ See https://www.kmu.gov.ua/news/premyer-ministr-nasha-meta-nezminna-mi-ruhayemosya-do-vnutrishnogo-rinku-yes

Today, the government office has 59 fulltime positions, of which 46 are responsible for European integration issues; in turn, 28 out of 59 of these full-time positions remain unfilled. The staffing process was suspended, primarily due to restrictions related to COVID-19. The resumption of the selection of experts and specialists is expected in the near future with the entry into force of the Law of Ukraine "On amendments to certain laws of Ukraine concerning the resumption of competitions for civil service positions and other civil service issues" dated 23.02.2021 No. 1285.

EXECUTIVE LEVEL

At the level of ministries, there are special units for European integration, which are assigned the task of coordinating the implementation of the Agreement in the areas of activity of the relevant ministry. These divisions, as a rule, operate as part of the relevant strategic directorates that were formed as part of the reform of the public administration system in accordance with the Public Administration Reform Strategy of Ukraine till 2021 and the Action Plan for its implementation⁷⁷.

According to the assessment of the state of implementation of the public administration reform⁷⁸, the actual share of ministries which staff structures meet the unified requirements was 80% at the end of 2019. This indicator was evaluated by analyzing the structures and staffing schedules of ministries for compliance with the established requirements⁷⁹. The Directorate for Strategic Planning and European Integration is envisaged in a ministry's structure⁸⁰ to perform tasks related to strategic planning of activities and budget planning of the ministry, European integration, coordination of the ministry's implementation of international obligations, as well as coordination of work to ensure the formation of state policy in the areas of competence of the ministry. An analysis of the structure and staffing schedules of 15 ministries that were functioning as of 1 March 2020, demonstrated that the structures of 12 ministries actually meet the requirements.

Another important aspect of strengthening institutional capacity is competitions and filling positions of reform specialists (RS) in order to finalize the staffing in directorates, general departments, and the Government Office for the Coordination of European and Euro-Atlantic Integration.

As of 1 March 2020, the directorates employed 726 staff in the positions of RS of categories "B" and "C", including 35 — Directors General, 7 — Deputy Directors General, 161 — Heads of Expert Groups, 523 — state experts. Taking into account the positions of the RS of category "A", which includes state secretaries of ministries, the leadership of the Office of the President of Ukraine, the Secretariat of the Cabinet of Ministers of Ukraine and the NACS, as of 1 March 2020, a total of 753 employees worked in the positions of specialists on reform issues. The government office employs 20 RS out of 45 existing full-time positions⁸¹.

⁸¹ Today, the structure of the government office includes 59 full-time position, including 45 RS, 14 specialists. As of today, vacancies for 3 specialists have also not been filled.



⁷⁷ Decree of the Cabinet of Ministers No. 474 of 24 June 2016 as amended on 18 December 2018 No. 1102-r.

⁷⁸ See https://www.kmu.gov.ua/storage/app/sites/1/zviti-pro-vikonannya/par-report-ukr-web.pdf

⁷⁹ Resolution of the Cabinet of Ministers of Ukraine No. 179 of 12 March 2005 "On streamlining the structure of the apparatus of central executive bodies, their territorial divisions and local state administrations"

⁸⁰ According to these requirements, policy directorates shall be formed in all ministries to perform tasks related to formation of the state policy in one or more areas of competence of the ministry, as well as coordination and monitoring of its implementation, analysis and assessment of the impact of its implementation on interested parties.

Regulatory compliance assessment

In terms of legislation approximation to the EU acquis, the government rules of procedure provides for:

- the obligation of the developer of government documents (draft concept of state policy, draft law, draft resolution) to analyze and indicate Ukraine's obligations in the field of European integration and international practice in implementing relevant EU legislation;
- analysis by the Government Office for Coordination of European and Euro-Atlantic Integration of draft government documents (draft state policy concept, draft law, draft resolution) at the stage of interdepartmental consultations for compliance with Ukraine's international obligations in the field of European integration;
- mandatory consideration by the Government Committee on European Integration of draft government documents (draft concept of state policy, draft law, draft resolution) to which the Secretariat of the Cabinet of Ministers (Government Office for Coordination of European and Euro-Atlantic Integration) provided comments regarding their compliance with obligations in the field of European integration.

In this context, the challenge is to further ensure a high-quality expertise of draft acts of the government and the Verkhovna Rada of Ukraine for their compliance with the Association Agreement and other obligations in the field of European integration, especially taking into account the constant increase in the number of drafts developed by the Government and/or submitted to the Verkhovna Rada for consideration.

Planning, Monitoring and Evaluation

The Association Agreement and other obligations of Ukraine in the field of European integration became the basis for the program documents of the state policy of Ukraine and during the reporting period were defined in the main program and organizational documents of the Government, in particular, such as the Program of Activities of the Cabinet of Ministers of Ukraine and the Action Plan for its implementation, as well as in the relevant sectoral program documents.

Today, the main program document is the corresponding action plan⁸², approved in 2017 and updated in 2019.

The action plan is a large-scale document containing almost 2 thousand tasks and about 8 thousand activities covering 24 areas. 106 Ukrainian authorities are responsible for performing tasks. Each of these tasks corresponds to a separate article of the Agreement or implements certain norms of the European Union law.

The action plan is a document that should increase the responsibility of the executive branch for the implementation of the Association Agreement. In addition, this plan with clear indicators simplifies the control of this process by the Government and the public.



⁸² The Resolution of the Cabinet of Ministers No. 1106 of 25 October 2017.

This approach should ensure consistency and transparency in Ukraine's implementation of its obligations under the Association Agreement, and effective monitoring of the implementation of EU legislation.

In order to improve the process of planning, monitoring and evaluating the effectiveness of the implementation of the Agreement, an appropriate information system has been created — the Pulse of the Agreement (http://pulse.eu-ua.org) – an online monitoring system for the Action Plan on the Implementation of the Association Agreement with the EU. It is the only tool for planning, monitoring and evaluating the effectiveness of the implementation of the Agreement and contains generalized information on the status of implementation of relevant tasks. Today, the Government and the Government Office are working on expanding this system.

At the same time, given the complexity and large number of tasks in the plan, it is important to ensure its consistency with both strategic plans of priority actions of the Government and with more detailed plans of sectoral reforms, as well as prioritization and selection of optimal ways to perform the relevant tasks, and a meaningful assessment of implementation.

In this context, the newly created Commission for Coordination of the Implementation of the Association Agreement between Ukraine and the EU will play an important role, along with strengthening of the relevant sectoral work in this regard. Combined with prioritization at the political level and the development of a monitoring and evaluation system, the Implementation Plan should become a flexible and clear government tool for implementing the Agreement.

Legislative process

An important element of the success of fulfilling European integration obligations is a well-coordinated legislative process in the Verkhovna Rada. Currently, the Parliament has a procedure for assessing the compliance of draft laws with EU law, in particular, the Verkhovna Rada Committee on Ukraine's Integration into the European Union carries out an appropriate assessment of draft laws during the preparation for consideration in the first reading⁸³. The relevant conclusions are also prepared and provided to the Committee by the Government office. The rules of procedure of the Government from December 2020 also provide for a mandatory analysis for compliance with Ukraine's obligations in the field of European integration of a draft law initiated by people's deputies and considered by the Government in accordance with Article 103 of the rules of procedure of the Verkhovna Rada.

In addition, according to the rules of procedure of the Cabinet of Ministers, "the draft law concerning Ukraine's obligations in the field of European integration, including international law and European Union law (EU acquis), is also accompanied by an opinion on compliance with such obligations, which is prepared by the Government Office for Coordination of European and Euro-Atlantic Integration of the Secretariat of the Cabinet of Ministers in the established form and is signed by the Deputy Prime Minister, whose competence includes issues of European integration⁸⁴."

⁸⁴ See § 71 as amended by the Resolution of the Cabinet of Ministers of Ukraine No. 1285 of 16.12.2020



⁸³ Article 93, Law of Ukraine "On the rules of procedure of the Verkhovna Rada of Ukraine" of 10 February 2010 No. 1861.

NEXT STEPS

Coordination of European integration policy

- continue the practice of regular discussions and substantive review of the progress of the Agreement implementation and related priorities at the political level, including within the framework of the Commission for Coordination of the Implementation of the EU-Ukraine Association Agreement;
- strengthen interdepartmental coordination and coordination of measures to implement the Agreement, in particular at the level of relevant sectoral and interdepartmental working groups and in accordance with certain priorities for the implementation of the Agreement and the implementation of European integration policy;
- finalize, on the basis of the principles of good governance, the staffing of the Government office and directorates of ministries responsible for European integration issues, in particular the competitive selection of reform specialists, ensure the development of relevant professional knowledge and skills of civil servants involved in the implementation of the Association Agreement.

Regulatory compliance assessment

- ensure effective preparation and compliance with plans for the development and adoption of draft legislation, in particular through close cooperation with the Parliament:
- ensure the preparation of conclusions on the compliance of Ukraine's obligations in the field of European integration concerning the draft laws submitted by the Government to the Parliament for consideration and related to such obligations;
- strengthen the review of compliance of the legislation with Ukraine's obligations in the field of European integration, in particular by finalizing the staffing of the Government Office and effective interaction with relevant technical assistance projects, as well as enhancing the analysis of legislation compliance and compliance with relevant requirements of the rules of procedure by ministries and other executive bodies.

Planning, Monitoring and Evaluation

• expand the national system of Agreement implementation monitoring - Pulse of the Agreement — in order to introduce tools for reporting on the Action Plan implementation at the level of state bodies, improve mechanisms of further verification of reports by the Government Office and quantitative assessment of the implementation of tasks, incorporate in the Pulse of the Agreement the tasks and measures aimed at the implementation of the Action Plan and approved at the level of ministries and other state bodies:



- ensure regular updating of the Action Plan on the Implementation of the Agreement based on the results of monitoring, as well as taking into account certain priorities for the implementation of the Agreement and the implementation of the European integration policy;
- ensure monitoring and submission of proposals on the consistency of the Action Plan on the Implementation of the Agreement and strategic plans of priority actions of the Government, plans for sectoral reforms, as well as on prioritization and selection of optimal ways to fulfill the relevant tasks;
- ensure further development of qualitative assessment tools, forecasting the impact and evaluation of the results of implemented measures, in particular through monitoring of the quality of the forecast of the impact of the implementation of certain piece of legislation on the interests of the stakeholders and holding consultations with them, assessment of the impact on the budget, and strengthening the assessment of implementation of the approximated legislation and impact of the implemented measures when preparing the reports on the Agreement implementation;
- define and implement in practice a system of state strategic planning documents.

Legislative process

- facilitate coordination of the assessment of draft laws for compliance with the Association Agreement in the process of preparing them for the second reading, and development of appropriate mechanisms of expert review and consultations in the areas of in-depth integration, in particular on the implementation of the requirements of Annex XXVII "Energy Cooperation, Including Nuclear Issues" of the Association Agreement, and further on regarding areas related to integration into the EU internal market;
- provide for the analysis of compliance with Ukraine's obligations in the field of European integration of draft laws initiated by people's deputies and considered by the Government in accordance with Article 103 of the Rules of Procedure of the Verkhovna Rada.



SECTION 4. THE EU AND MEMBER STATES ASSISTANCE

For a long time, the EU has been not only an important political, economic and foreign trade partner, but also a donor that provides significant financial assistance resources to support the implementation of reforms in Ukraine.

Within the framework of cooperation between Ukraine and the EU, the parties implemented four EU macro – financial (loan) assistance (MFA) programs in 2014-2020.

The programs were implemented in accordance with the memoranda of understanding between Ukraine as a borrower and the EU as a lender concluded in 2013, 2014, 2015 and 2018 and subsequently ratified by the Verkhovna Rada of Ukraine and Loan Agreements between Ukraine as a Borrower, the NBU as an Agent of the Borrower and the EU as a Lender.

Based on the results of the relevant set of measures, Ukraine received:

- within the framework of MFA-I all planned funds 610 million euros (in 2014 2015);
- within the framework of MFA-II all planned funds 1 billion euros (in 2014);
- under MFA-III two of the three possible tranches 1.2 billion euros (out of 1.8 billion euros possible) (in 2015 and 2017);
- under MFA-IV all planned funds 1 billion euros (in 2018 and 2020).

Also in 2020, the 1st tranche was received in the amount of 600 million euros under the new "exclusive" MFA program launched in 2020 for a total amount of 1.2 billion euros.

Currently, the total amount of macro-financial assistance received by Ukraine in 2014-2020 is 4.41 billion euros.

Tools MFA programs implementation:

- 1) a Memorandum of Understanding between Ukraine as a Borrower and the EU as a Lender, which determines the prerequisites for allocating funds, in particular the general conditions (satisfactory result of fulfilling the obligations agreed between Ukraine and the IMF, achieving satisfactory progress in the implementation of the Association Agreement, etc.) and special conditions (implementation of measures agreed by the parties within the framework structural reforms implementation);
- 2) a Loan Agreement between Ukraine as a Borrower and the NBU as an Agent of the Borrower and the EU as a Lender, which defines the technical and financial aspects of granting a loan.



The interest rate of borrowing under programs for a period of 5 to 15 years does not exceed up to 2% per annum (usually about 1%), but its specific amount for each tranche becomes known only when the EC, which has the highest credit rating (AAA), enters the foreign borrowing market to receive funds that will be transferred to Ukraine at the same interest rate.

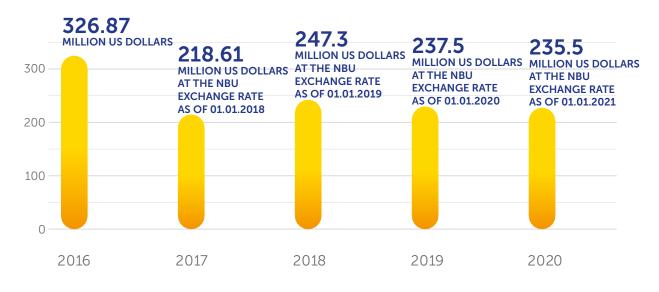
On 20.05.2020 the EU Council has made a final decision on a new "exclusive" macro-financial assistance (MFA) to overcome the consequences of the crisis caused by the COVID-19 pandemic for a number of countries (Albania, Bosnia and Herzegovina, Georgia, Jordan, Kosovo, The Republic of Moldova, Montenegro, North Macedonia, Tunisia), including Ukraine.

The decision opened up the possibility for Ukraine to receive a soft loan in the amount of 1.2 billion euros under the new MFA program. The duration of the program is 12 months and it will provide for the payment of 2 tranches of 600 million euros each.

On 9 December 2020, the European Commission transferred to Ukraine the first unconditional tranche under the new MFA program in the amount of 600 million euros.

Also, in 2016-2020, the EU assistance was provided for the fulfilment of the provisions of the EU-Ukraine Association Agenda and the Association Agreement with the EU in accordance with the European Neighborhood Instrument (with a budget of 15.4 billion euros for all 16 neighboring countries (Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Republic of Moldova, Morocco, Occupied Palestinian territory, Syria, Tunisia and Ukraine).

THE TOTAL AMOUNT OF THE EU ASSISTANCE TO UKRAINE WAS 85:



⁸⁵ According to the EU Delegation to Ukraine



In 2015-2017, the EU assistance to Ukraine was provided within the framework of "Special Measures", the list of which was agreed with the Ukrainian Party within the framework of annual programming missions.

In December 2017 the European Commission has approved a new strategic program of assistance to Ukraine for 2018-2020.

In 2016-2020, the EU assistance was provided within the framework of:

- budget support programs in the areas of overcoming technical barriers to trade, energy, transport, regional development, public administration and the State Building Contract. About 173 million euros were transferred to the state budget;
- 474 EU technical assistance projects (which passed state registration) totaling about 606.7 million euros, which are implemented through the EU national and regional assistance programs, cross-border cooperation programs, the Twinning mechanism, the Tempus educational program (Erasmus+), the Comprehensive Institutional Building Program and the Nuclear Safety Tool;
- 35 agreements were signed on funding new EU assistance programs to Ukraine, the total amount of which is about 1.4 billion euros.

In order to increase the effectiveness of supervision and control over the use of funds and improve the effectiveness of the EU international assistance projects and programs during the reporting period:

- the Resolution of the Cabinet of Ministers of Ukraine No. 554 "On introduction of the national system of management and control over the implementation of joint operational programs of cross-border cooperation of the European Neighborhood Instrument 2014-2020" (of 13 July 2018) was approved;
- the Resolution of the Cabinet of Ministers of Ukraine No.702 "On amendments to certain resolutions of the Cabinet of Ministers of Ukraine" was adopted in order to improve the procedures of preparing, implementing and monitoring the EU sectoral budget support programs (of 29 August 2018);
- joint reviews of the portfolio of the EU projects being implemented in Ukraine have been launched (during 2016-2020, 7 joint reviews of programs and projects were conducted, including sectoral budget support programs and cross-border cooperation programs).



SUMMARY RESULTS / SUMMARY

In 2020, important results were summarized in the work of the Government of Ukraine on the implementation of the EU–Ukraine Association Agreement (hereinafter referred to as the Association Agreement). During the reporting period of six years significant progress was made in the Agreement implementation within the framework of political association and economic integration. Thus, the overall progress in the implementation of the Association Agreement since 2014 is 54%. This means that we have fulfilled a little bit more than a half of the tasks that Ukraine set for itself under the Agreement.

On 21 March 2014, at the extraordinary EU-Ukraine Summit, the political part of the Association Agreement was signed. During this time, we have built an intensive and comprehensive dialogue with the EU at various levels. Today, the level of our cooperation with the EU is very high. This dynamics is clearly visible from the results of the 22nd EU-Ukraine Summit and the 7th Meeting of the EU-Ukraine Association Council, as well as the constant communication with the European Commission, which takes place within the framework of the Association Committees, subcommittees and clusters on the entire range of issues covered by the Agreement.

Today, Ukraine and the EU are strong partners and friends who support each other and develop the political, security and economic agenda of Europe as a whole. In 2020, Ukraine joined almost 90% of the European Union's statements on the international events and approaches to their settlement. At the same time, the European Union supports sanctions against Russia for its aggression in the Donbas and occupation of the Autonomous Republic of Crimea. Overall from 2014 to March 2021, Ukraine joined 2,323 statements of the European Union.

One of the key reforms was the decentralization reform. Local self-government bodies of ATCs received additional powers and resources to ensure their implementation, which made it possible to improve the efficiency of managing the relevant territories of territorial communities and ensure the provision of high-quality services to the population. As a result of the implementation of the first stage of the reform (2014-2019), 983 amalgamated territorial communities were created, amalgamating on a voluntary basis 4,492 communities. In 2020, the Government approved 24 orders on defining administrative centers and approving the territories of communities in 24 regions, as a result of which 1,469 territorial communities were created in the country. In addition, as a result of the reform, almost 900 CASPs <u>have been created</u> in Ukraine, providing convenient public services to our citizens.

Public administration reform has been launched, which allows creating a strong managerial skeleton for the state with a constitutional memory. In 2016, the Government developed and approved a <u>Public Administration Reform Strategy of Ukraine till 2021</u>, which meets European standards of good governance (SIGMA/OECD). In accordance with defined missions, goals and areas of state policy, ten pilot ministries, two national agencies and the Secretariat of the Cabinet of Ministers have created new structural divisions – directorates. Competitions have been launched for the positions of reform specialists in the newly formed directorates. Recently, the



Verkhovna Rada voted on a bill that returns competitions for civil service positions in order to select the best candidates which were suspended due to quarantine restrictions in connection with the COVID-19 pandemic. It also makes it impossible to dismiss civil servants of the highest category based on politically motivated decisions.

In order to strengthen the institutional capacity to implement the Association Agreement, during the 7th Meeting of the EU-Ukraine Association Council, the EU Natolin4Capacity Building project was launched, which is aimed at training Ukrainian civil servants in the field of the EU law and the European integration.

The Verkhovna Rada of Ukraine adopted a new Electoral Code of Ukraine and introduced a mechanism for state funding of political parties, which is designed to ensure the independence of political parties.

Our law enforcement officers actively cooperate with the EU Advisory Mission. Ukraine effectively interacts with the EUAM on civil security sector reform in order to promote comprehensive reform and preparation (education and training) of the Ukrainian law enforcement system staff in accordance with European standards. The EUAM is an integral part of the EU CSDP. In 2020, a new National Security Strategy was adopted, which is based on a human-centered approach. For the first time the complete implementation of the Association Agreement is identified as a national security priority.

In the field of integrated border management, a completely new "intelligent" technical system for protecting the state border is being created. The system of monitoring of Azov and Black Sea water areas, the basins of the Dnieper and Danube rivers has been strengthened. In particular, five observation posts on the Azov Coast have been upgraded.

As part of the sustainability component, an Automated system for identifying, monitoring and reporting of unmanned aerial vehicles (drones) was put in operation at 4 nuclear power plants.

In June 2020, the MONEYVAL Committee adopted the second Progress Report of Ukraine, which noted the positive dynamics of our state in bringing national legislation in line with international standards in the field of anti-money laundering and countering the financing of terrorism (AML/CFT).

Surely, these are not all achievements, and, in particular, a significant part of them is related to the implementation of the economic part that Ukraine and the EU signed on 27 June 2014.

In the field of public procurement, Ukraine has fulfilled a significant part of the obligations under the Agreement and is currently working on obtaining an official positive assessment of the implementation of the first stage of the Strategy for Reforming the Public Procurement System from the EU for the official mutual opening of public procurement markets in the context of access to contracts for the supply of goods for central authorities, which will create additional positive conditions for Ukrainian business in the field of international trade.



The Deep and Comprehensive Free Trade Area (DCFTA) started yielding positive effect for Ukraine already in 2014, since the moment of granting of autonomous trade preferences to Ukraine. This is confirmed by the increase in the volume of export of Ukrainian goods for which import duties were eliminated or reduced and duty-free tariff quotas were introduced. In general, after the entry into force of the Agreement for 2015-2020, export of Ukrainian goods to the EU increased by 60%. Currently, the European Union is the largest trading partner of Ukraine with a share of trade in goods of 40.7% of the total volume of foreign trade of Ukraine.

The number of enterprises the production conditions of which meet the EU requirements is constantly growing. For example, In 2014, 185 Ukrainian enterprises had the right to export their products to the EU, and according to the results of 2019 – 319 enterprises. In 2020, 362 Ukrainian enterprises had the right to export their own products to the EU market.

As of today, Ukraine has adopted 91 technical regulations, of which 83 were developed on the basis of acts of the EU legislation, 82 technical regulations are already binding. The transition from the outdated system of mandatory product certification in the state certification system "UkrSEPRO" to the system of conformity assessment in accordance with technical regulations identical to the European technical regulations has been completed.

4,161 harmonized European standards have been adopted as national standards for all technical regulations in Annex III (except the part of the standards for construction products and radio equipment). The application of these standards indicates that the products meet the requirements of these technical regulations.

With the adoption of the framework legislation on food safety and animal identification in Ukraine, the introduction of the basic principle of the EU legislation in this area — control of product safety "farm-to-table" has started. In the result of implementation of the EU law in Ukrainian legislation the volumes of trade between Ukraine and the EU in agricultural and food products are constantly growing. The export structure is dominated by such traditional goods as cereals, oilseeds and oils, and exports of a number of other agricultural and food products are growing. In addition, the number of enterprises that receive permits for export to the EU is constantly growing.

As of the end of 2020, 362 Ukrainian producers of animal products have passed inspection procedures and received the right to export animal products to the EU.

Ukraine should adapt to the national legislation more than 250 EU acts in such areas as state control in the field of SPM, food and feed safety, animal health and welfare, plant health, etc. In order to fulfill Ukraine's obligations under the Association Agreement 60% of the legislation in the field of SPM have been approximated by the beginning of 2021.



The liberalization in the sphere of customs relations is ongoing. On 26 March 2021, the first authorized economic operator (AEO) certificate in Ukraine was awarded, which certifies a high degree of trust in the business entity and provides it with significant simplifications in the implementation of customs formalities. In May 2020, a pilot project on automatic processing of customs declarations was launched, the main task of which is to ensure the possibility of functioning of automated release of goods to the appropriate customs regime without the participation of a customs official.

After the signing of the pan-Euro-Med Convention, constant work is underway to expand the possibility of diagonal cumulation for Ukrainian producers, which will contribute to their involvement in regional and international value chains.

In 2020, a two-level system of state management of the sphere of intellectual property was introduced, which aims to reduce bureaucratic processes and create a high-quality model of the state system of legal protection of intellectual property based on the best European and international practices.

The investment and business climate has been improved by improving the legal framework for accounting and preparing financial statements in accordance with the provisions of EU legislation, as well as by increasing the level of transparency and comparability of financial reporting indicators of enterprises.

The provisions of national legislation in the field of auditing are brought in compliance with the provisions of the EU law, and it provides for the establishment of requirements for conducting an audit of financial statements for enterprises of public interest, as well as enterprises with state ownership.

Joining EU COSME Program gave Ukraine access to its budget of about 900 million euros. Financial resources are provided in the form of grants to finance projects to support the export and innovation activities of small and medium-sized enterprises (hereinafter referred to as SMEs). The cumulative economic effect of participation in it for Ukrainian SMEs and the Ukrainian economy as a whole in 2017-2020 reached 14,6 euros (compared to 3.3 million euros paid by Ukraine to the COSME Program in the form of membership fees).

Work continues on the formation of a roadmap for joint activities of Ukraine and the EU in the extractive sector, on the draft document on strategic partnership in the raw materials sector and on the draft concept for a High-Level Conference on Cooperation between Ukraine and the EU in the extractive industry.

One of the priorities is Ukraine's involvement in the European alliances, namely the European Battery Alliance (a response to the request of State Service of Geology and Subsoil of Ukraine is expected) and the Raw Materials Alliance (State Service of Geology and Subsoil of Ukraine, the Ministry of Energy and Coal Industry of Ukraine, and private enterprises have already joined).



In the banking sector, significant progress was made in approximation of the regulatory and supervisory legislation to the EU standards, focusing on the recommendations of the European Banking Authority (EBA) and international standards, including the recommendations of the Basel Committee on Banking Supervision (BCBS), which facilitated the increased stability of the banking system. In general, the securities market is developing in line with the Association Agreement, as Ukraine seeks to get the EU internal market regime in the field of financial services.

Thanks to the EU-supported public finance reform, the efficiency and effectiveness of budget expenditures has been increased, the link between public policy priorities, state budget expenditures and the results of the activities of key budget holders has been strengthened - a model of medium-term budget planning has been introduced at all levels of the budget system.

On 6 October 2020 a funding agreement for the project "Energy Efficiency of Public Buildings in Ukraine" was signed between Ukraine and the European Investment Bank. The agreement provides for improving the energy efficiency of about 1,000 public buildings and reducing their energy consumption at the expense of loan funds in the amount of 300 million euros.

Besides, Ukraine is implementing an important European tool – Ecodesign, which defines the requirements for energy efficiency and environmental friendliness of various energy-consuming products. Significant progress has been made in meeting the EU requirements for the introduction of energy labeling of energy-consuming products and the adoption of technical regulations on eco-design, which sets requirements for the energy characteristics of such products. The laws of Ukraine "On environmental impact assessment" and "On strategic environmental assessment", bylaws were adopted in order to integrate environmental requirements into decision-making processes on the implementation of economic activities that can have a significant impact on the environment, and to take into account public and private interests in the development and approval of state planning documents.

The new structure of the State Water Resources Agency of Ukraine was approved in accordance with the basin principle of water resources management in line with the requirements of the EU Water Framework Directive. Within each area of the river basin (sub-basin), a corresponding system of management bodies is defined – 12 basin water resources departments and 15 regional water resources offices; 13 basin councils - advisory and consultative bodies that participate in formation and implementation of state water protection policy within a separate area of the river basin. Work is underway to re-equip laboratories that study the state of chemical water pollution with modern equipment.

In the field of transport, with the adoption of the framework Law of Ukraine "On inland water transport", the process of further implementation of the Agreement has been unblocked. The Ukrainian Party carried out the preparation for signing Common Aviation Area Agreement between Ukraine and the EU (CAA agreement). The EU is expected to approve the draft CAA agreement in the near future.



The Government is working on Ukraine's integration into the European educational and scientific area. Ukraine ranked seventh among the associated countries in terms of the amount of funds raised from the total budget of the Horison 2020 program. As of February 2021, 220 grant agreements were signed in Ukraine for a total amount of about 43.9 million euros. During 2016-2020 the Ministry of Education and Science held 16 bilateral research project competitions with partner EU member states, as a result of which about 300 research projects were implemented and jointly financed. At the moment the priority tasks in the sector are ensuring of the most wide Ukraine's participation in the next EU Framework Program for Research and Innovation "Horizon Europe" (2021-2027) and the complementary Research and Training Program Euratom. Thousands of Ukrainian students and scientists, as well as individual educational institutions of Ukraine, took advantage of participating in the EU Erasmus+ educational program, which contributed to the rapid growth of academic mobility between Ukraine and the EU.

Since 2016, Ukraine has been participating in the EU Creative Europe Program (2014-2020), the EU's largest program for the culture and creative industries sector, which provides access to financing projects in the field of culture and creative industries, supports the development of European professional networks and platforms, encourages the development of partnerships between member countries, promotes the competitiveness of the sector, supports initiatives to protect and promote the European cultural heritage and cultural and linguistic diversity of Europe. During the period 2016-2020, the Creative Europe Program supported 38 projects with the participation of Ukrainian organizations in the amount of 5,472,228.12 euros. In 2019, Ukraine joined the European fund for support of joint production and distribution of artistic cinematic and audiovisual works "Eurimages".

In the social sphere, after signing the European Code of Social Security in 2016, which is the main guideline of the European social security model, Ukraine has committed to providing social assistance in a number of areas. In order to keep to these commitments, the work is underway to improve national legislation and the work of relevant services. An important element of the reform is gender equality, in particular the introduction of the principle of equal treatment of men and women in the field of social security, as well as the implementation of the principles of equal opportunities and equal treatment of men and women in matters of access to and supply of goods and services.

Therefore, since the signing of the political and economic part of the Association Agreement, there has been a significant development in integration relations between Ukraine and the EU, as well as the evolution of the EU law itself, which has created prerequisites for updating the Association Agreement.

That is why at the 22nd EU-Ukraine Summit, the President of Ukraine V. Zelensky handed over to the EU Party the Concept of updating the Association Agreement. The Concept took into account the interests of Ukrainian business, because in 2020, for the first time, the Government held a broad discussion with businesses on the functioning of the free trade zone and collected their proposals for updating the Agreement.



At the 7th Meeting of the EU-Ukraine Association Council, an agreement was reached to promote a comprehensive review of the achievement of the goals of the Agreement and present the results at the EU-Ukraine Summit in 2021, as well as to start consultations on further review of the liberalization of trade in goods under the DCFTA, in accordance with Article 29 of the Association Agreement. Within the framework of economic integration, Ukraine aims to integrate into the EU internal market and agreements have already been reached with the EU Party on the future extension of the EU internal market regime in the telecommunications services sector to Ukraine.

A significant boost to the implementation of the Association Agreement was the strengthening of coordination both within the government and with the Parliament. Today, the process of Agreement implementation is coordinated with the involvement of all branches of the authorities – presidential, legislative and executive. To that end, a Commission for Coordination of the Implementation of the Association Agreement was established in 2020 chaired by the Prime Minister of Ukraine D. Shmyhal. The Commission has already demonstrated its ability to effectively coordinate the European integration processes, as it allows us to coordinate many details at the political level. In particular, the Commission has formed a map of priority European integration bills, which is a roadmap for the work of the Government and Parliament in the European integration direction.

In 2020, together with the EU, the goals of deep sectoral integration of Ukraine were agreed.

Work has started on assessing Ukraine's readiness for an Agreement on Conformity Assessment and Acceptance of Industrial Products.

Ukraine has fulfilled all obligations in terms of preparation for the conclusion of the ACAA agreement in three priority sectors of industrial products (low-voltage electrical equipment, electromagnetic compatibility of equipment, machinery), namely: industry and horizontal legislation of Ukraine in the field of technical regulation, conformity assessment, standardization and metrology is put in compliance with the relevant EU legislation; national standards are harmonized, which are the evidence base for product compliance with the requirements of technical regulations; in priority sectors the infrastructure of designated conformity assessment bodies was formed.

The official conclusion of the EU preliminary assessment mission on the readiness of Ukrainian quality infrastructure for the ACAA agreement was received. The mission covered an assessment of the system of technical regulation, conformity assessment, accreditation, standardization, and metrology and market supervision in Ukraine.

A high-level dialogue with the EU on Ukraine's involvement in the European Green Course has been launched.



An interdepartmental Working Group on coordination of climate change mitigation has been established within the framework of the European Commission's European Green Deal initiative.

The interdepartmental Working Group developed a position document on the modalities of early involvement of the Ukrainian Party in the development and implementation of policies within the framework of the European Green Deal, which was submitted to the EU Party.

An agreement was reached with the EU to start a regular dialogue aimed at coordinating policies in the areas covered by the European Green Deal, on the basis of the Association Agreement.

The meetings of the interdepartmental Working Group on coordination of climate change mitigation within the framework of the European Commission's European Green Deal initiative are chaired by the Prime Minister of Ukraine D. Shmygal. During these meetings, a number of important issues were considered, priorities for Ukraine's involvement in the European Green Deal were announced, in particular, in the field of circular economy and organic farming, environment, energy and energy efficiency, transport, etc.

We are actively working on Ukraine's integration into the EU energy market. On 1 October 2015, the Law of Ukraine "On the natural gas market" came into force, which is aimed at introducing the rules of the EU internal natural gas market. Vertically integrated companies have been reformed and conditions have been created for the integration of Ukraine's energy system with the EU one. Today, Ukraine is fully synchronized with Europe in terms of the mode of operation of the gas market by switching to daily balancing.

On 11 June 2017, the Law of Ukraine "On the electricity market" came into force. The main segments of the new market have been launched, including the bilateral contracts market, the day-ahead market, the intra-day market, the balancing market and the ancillary services market. An agreement was signed on the terms of the future unification of the energy systems of Ukraine and Moldova with the energy system of continental Europe and an action plan for synchronizing the United Energy System of Ukraine with the network of the energy systems of the EU member states (ENTSO-E) was approved. Since Ukraine has completed almost all main technological preparatory measures, we expect that in 2023 Ukraine will synchronize with ENTSO-E. This will be the example of one of the fastest integration of power grid into the European network. For example, it took Turkey 10 years to do this. Ukraine will pass this path in six years.

By Decision No. 1/2019 of the EU-Ukraine Association Council of 08.07.2019, Annex XXVII to the Association Agreement was updated. On its basis, consultations are held with the European Commission on the compatibility of Ukrainian draft legislation with EU law.

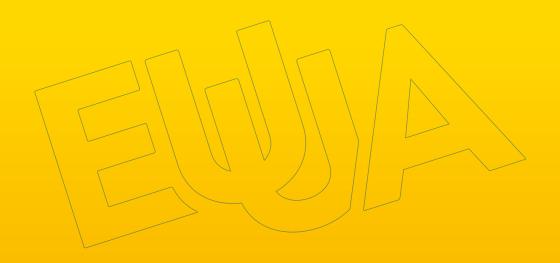


The EU visa-free regime for Ukraine has been introduced since 11 June 2017. Ukrainian citizens can travel without visas to 34 European countries. These are 26 EU member states (except the United Kingdom and Ireland) and 4 Associate Member States of the Schengen Agreement: Iceland, Liechtenstein, Norway and Switzerland, as well as 4 states where the EU visa legislation applies: Andorra, San Marino, Vatican, Monaco.

The progress summarized in the report was reached to a great extent not only due to the Ukrainian authorities efforts but also due to the EU's support. Thus, since 2017, significant progress in the development of the institutional capacity of European integration teams in the Government has been achieved thanks to the implementation of the EU Association4U project, which gave an opportunity for leading Ukrainian and international specialists in certain areas to participate in the implementation of the Association Agreement and provide their expert support to the Government.

Budget support programs in the areas of overcoming technical barriers to trade, energy, transport, regional development, and public administration have become a significant help. In total about 173 million euros were transferred to the state budget. In Ukraine during the reporting period 474 EU technical assistance projects were financed totaling about 606.7 million euros, which are implemented through the EU national and regional assistance programs, cross-border cooperation programs, the Twinning mechanism, the Tempus educational program (Erasmus+), the Comprehensive institutional development program and the Nuclear safety tool. Besides, 35 agreements were signed on funding new EU assistance programs to Ukraine, the total amount of which is about 1.4 billion euros.





UKRAINE

EUROPE