REPORT ON IMPLEMENTATION OF THE ASSOCIATION AGREEMENT BETWEEN UKRAINE AND THE EUROPEAN UNION IN 2017

KYIV – 2018
This Report was prepared by the Government Office for Coordination of European and Euro-Atlantic Integration and the Office of Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration, jointly with experts of the European Union Project Association4U.

This document describes the results achieved in carrying out a set of tasks and activities in pursuance of commitments assumed by Ukraine under the Association Agreement between Ukraine and the EU, Euratom and their Member States. The 2017 priority objectives were determined in compliance with the Association Agreement, the Association Agreement Implementation Action Plan approved by the Cabinet of Ministers of Ukraine on 25 October 2017 and strategies, concepts and roadmaps for harmonising legislation, which were adopted by the Cabinet of Ministers of Ukraine and authorised government authorities as part of performing Ukraine’s European integration obligations.

The Government Office for Coordination of European and Euro-Atlantic Integration assessed the progress, completeness and extent of Ukraine’s compliance with its obligations under the Association Agreement in accordance with the Resolutions of the Cabinet of Ministers of Ukraine “On the procedure for planning, monitoring and assessing the implementation of the Association Agreement between Ukraine, of the one part, and the European Union and the European Atomic Energy Community and their Member States, of the other part” of 31 May 2017 and “On the Government Office for Coordination of European and Euro-Atlantic Integration” of 4 October 2017.

This Report consists of 24 titles representing the areas covered by the Association Agreement. Each title of this Report contains information on the progress achieved in the respective area in 2017 and the future steps that Ukraine is required to take with a view to performing the Association Agreement properly and timely. This Report further highlights the results of the operation of the Deep and Comprehensive Free Trade Area in 2017.

The electronic version of this Report is available on the Government Web Portal and the European Integration Web Portal.
Another year of the Association Agreement implementation effort has passed. This agreement is aimed at realising the aspirations of Ukrainians to assert our state in the family of the European peoples. The Government of Ukraine is committed to its implementation and regards the attained results with optimism. Every day we work to create a clear vision of achieving the key national interest of Ukraine — joining the European Union.

Over the past year, Ukraine has reached significant progress and powerful success. In a situation of armed aggression and political instability, this was extremely difficult. However, despite the challenges, Ukraine is moving steadily towards the European integration. This indicates the power of the European dream, which allows us to build a new and modern country.

In 2017, after completing all the necessary ratification procedures, the Association Agreement became fully effective. The Agreement already gives tangible results. In 2017, the sales of Ukrainian goods in the European market increased by USD 4 billion (or almost by 30%) compared to the previous year. And our exports of goods and services to the EU totalled USD 20 billion in 2017. The range of Ukrainian goods in the European market has also expanded. In 2017, 362 new items appeared among Ukraine’s exports to the EU — this means more jobs and welfare of Ukrainians. It is hard to overestimate the importance of eliminating barriers in communication, education and business after the visa-free regime became effective, of which hundreds of thousands of Ukrainians have already taken advantage.

However, this is just the beginning. We continue our work to remove outdated standards and regulations. From 2014 to 2017, Ukraine cancelled 14,475 of such restrictions. Meticulous work is being carried out to harmonise national standards and technical regulations with European and international ones.

The country undergoes rapid changes and approximates the EU. As the Agreement is being fulfilled, the problems that have accumulated over the years now begin to be resolved. Ukraine has reached significant progress in the consumer protection, environment, social policy, company law, energy efficiency and other areas. The first step towards approximation to EU digital standards and the reform of electronic digital signature in Ukraine was made; the progress in the legislative part of reforming the food safety system is tangible; the basic law on environmental management and integration of environmental policy in all sectors was adopted; the legislative framework for implementing international accounting, financial reporting and auditing standards was established.

The beginning of the official negotiations on concluding the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA), which will allow to reduce technical barriers to our industrial exports, is of the utmost importance. In order to expand
export opportunities, the laws ratifying the Regional Convention on pan-Euro-Mediterranean preferential rules of origin and the Agreement on the Participation in the EU Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (COSME) were adopted in 2017. Ukraine was included in TEN-T Core Network Extension Maps, which should develop the country’s transit potential.

The Government is actively working to create a system for the effective implementation of the Agreement, defining the European integration as an integral part of each ministry’s strategic planning and policy-making. The strategic documents introducing the European principles in various areas were approved: the National Waste Management Strategy 2030, the National Plan for Reducing Emissions from Large Combustion Plants and the Energy Strategy of Ukraine 2035.

Ukraine continues to enjoy significant support of the EU in implementing the Agreement. It should be noted that the EU’s assistance has given major impetus for the public administration reform in Ukraine. This will facilitate the approximation of Ukrainian legislation to EU law and contribute to developing and carrying out reforms more effectively.

I look confidently at the next phase of implementing the Association Agreement in 2018, but the Government faces a difficult task. As a result of the cooperation with the Parliament, 23 fundamental European integration laws were adopted in 2017, but considerable delays in specific areas still remain. The approximation of Ukrainian legislation to EU law should intensify.

By fulfilling the Association Agreement, we continue to build the new Ukraine and desire that every citizen will be proud of the achieved result.
DESCRIPTION OF THE REPORT TITLES

POLITICAL DIALOGUE, NATIONAL SECURITY AND DEFENCE . . . . . . . . . . . . . . . . 10
- Dialogue and cooperation with the EU on domestic reforms in Ukraine
- Foreign policy, security and defence matters

JUSTICE, FREEDOM, SECURITY AND HUMAN RIGHTS . . . . . . . . . . . . . . . . 12
- Human rights
- Justice
- Personal data protection
- Fighting terrorism, organised crime and corruption
- Anti-money laundering
- Fighting drug trafficking
- Movement of persons, migration, asylum and border management

TECHNICAL BARRIERS TO TRADE . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 17
- Technical regulations
- Standardisation
- Market surveillance
- Conformity assessment
- Metrology and accreditation

SANITARY AND PHYTOSANITARY MEASURES . . . . . . . . . . . . . . . . . . . . . 21
- Safety of food and feed
- Animal health and well-being, plant health
- Labelling of food products
- Government SPS controls

CUSTOMS MATTERS . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 24
- Customs matters
- Trade facilitation between Ukraine and the EU

ENTREPRENEURSHIP . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 27
- Industry and entrepreneurship
- Company law
- Corporate governance
- Accounting and auditing
- Competition and state aid
- Tourism
- Transparency in the mining industries

PUBLIC PROCUREMENT . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 31
- Ukrainian public procurement system reform
INTELLECTUAL PROPERTY .................................................. 34
- Copyrights and related rights
- Industrial property
- Protection of geographical indications
- Protection of trade-marks and inventions

ENERGY EFFICIENCY AND HOUSING AND UTILITY SECTOR ............... 36
- Energy efficiency
- Housing and utility sector
- Ecodesign and energy labelling of energy-related products

ENERGY, INCLUDING NUCLEAR ENERGY .................................. 39
- Coal
- Gas
- Oil
- Electricity
- Nuclear energy

TAXATION .............................................................................. 43
- Indirect taxation

STATISTICS AND EXCHANGE OF INFORMATION ............................... 46
- Introduction of EU approaches and standards to the Ukrainian statistical observation system

ENVIRONMENT ...................................................................... 47
- Protection of nature
- Waste management
- Emergencies and measures against industrial pollution
- Preservation of ozone layer
- GMO control
- Integration of environmental policy into all sectors

TRANSPORT, POSTAL SERVICES ............................................ 51
- Transport sector in general
- Transport infrastructure
- Road transport
- Maritime transport
- Inland waterway transport
- Railway transport
- Air transport
- Postal and courier services

SCIENCE, TECHNOLOGIES AND INNOVATIONS, SPACE .................. 56
- Science, research and innovations
- Technology transfer
- Space
- Information society
- Telecommunication services

FINANCIAL SECTOR ................................................................ 59
- Banking
- Securities
DESCRIPTION OF THE REPORT TITLES

- Collective investment institutions
- Insurance services
- Non-governmental pension provision
- Circulation of money
- Operation of payment systems
- Anti-money laundering

PUBLIC FINANCE MANAGEMENT .................................................. 64
- Public finance management

HUMANITARIAN POLICY ............................................................. 68
- Culture
- Physical culture and sports
- Civil society development
- Audiovisual services

AGRICULTURE ................................................................. 71
- Agricultural product quality
- Organic farming
- Fisheries
- Standards for trade in animals and plants
- Use of genetically modified organisms

CONSUMER PROTECTION .................................................. 74
- Safety of non-food products
- Protection against unfair commercial practices
- Consumer protection in financial and tourism services

SOCIAL POLICY AND EMPLOYMENT RELATIONS ...................... 76
- Employment relations
- Social security
- Health and labour safety
- Anti-discrimination and gender equality

PUBLIC HEALTH ................................................................. 79
- Healthcare system reform in Ukraine
- Tobacco
- Transplantation of tissues, cells and organs
- Donated blood
- Cancer
- Measures against communicable diseases and other cross-border health threats

EDUCATION, TRAINING AND YOUTH ...................................... 81
- Education and training
- Youth

FINANCIAL COOPERATION AND ANTI-FRAUD ......................... 84
- Preventing and fighting fraud, corruption and other illegal activities involving international technical assistance funds

DEEP AND COMPREHENSIVE FREE TRADE AREA
BETWEEN UKRAINE AND THE EU IN 2017 ............................... 85
UKRAINE’S OVERALL PROGRESS IN IMPLEMENTING THE ASSOCIATION AGREEMENT WITH THE EU IN THE REPORTING YEAR

41%

2017 IMPLEMENTATION PROGRESS

32% By the Verkhovna Rada
42% By central executive authorities
50% By other government authorities
Ukraine’s Progress in Implementing the Association Agreement with the EU in 2017

- POLITICAL DIALOGUE, NATIONAL SECURITY AND DEFENCE: 43%
- JUSTICE, FREEDOM, SECURITY AND HUMAN RIGHTS: 56%
- TECHNICAL BARRIERS TO TRADE: 59%
- SANITARY AND PHYTOSANITARY MEASURES: 33%
- CUSTOMS MATTERS: 33%
- ENTREPRENEURSHIP: 62%
- PUBLIC PROCUREMENT: 22%
- ENERGY EFFICIENCY AND HOUSING AND UTILITY SECTOR: 39%
- ENERGY, INCLUDING NUCLEAR ENERGY: 71%
- TAXATION: 44%
- STATISTICS AND EXCHANGE OF INFORMATION: 40%
- ENVIRONMENT: 27%
- TRANSPORT, POSTAL SERVICES: 11%
- SCIENCE, TECHNOLOGIES AND INNOVATIONS, SPACE: 28%
- FINANCIAL SECTOR: 100%
- HUMANITARIAN POLICY: 71%
- CONSUMER PROTECTION: 48%
- SOCIAL POLICY AND EMPLOYMENT RELATIONS: 52%
- PUBLIC HEALTH: 4%
- EDUCATION, TRAINING AND YOUTH: 100%
In 2017, Ukraine significantly advanced in reforming municipal government and the territorial organisation of public power. In relation to decentralisation, a number of important laws were adopted determining: the status of headpersons, the scope of their powers and the grounds and procedure for the early termination of their powers (Law of Ukraine No. 1848-VIII); the procedure for the voluntary accession of territorial communities to already existing amalgamated territorial communities (ATCs) (Law of Ukraine No. 1851-VIII); specific rules applicable to the amalgamation of territorial communities located in adjoining regions (Law of Ukraine No. 1923-VIII).

In addition, the draft laws on the procedure for the voluntary accession of territorial communities of villages and settlements to territorial communities of oblast-level cities (Reg. No. 6466) were adopted in the first reading.

The process of voluntary amalgamation of territorial communities continues. During the year, the number of ATCs almost doubled from 366 to 699 communities (for 34 of them the first elections are to be scheduled).

As a result of financial decentralisation, the income of local budgets increased significantly, in particular, their own income grew by UAH 45.4 billion, or by 31% (against 2016), and the share of local budgets (including transfers) for the first time reached almost 50% of the consolidated budget. Further, the government support of territorial communities more than doubled from UAH 7.3 billion to UAH 16.1 billion. Draft Law No. 6636, which is currently registered in the Verkhovna Rada, is intended to address the issues of changing the system of public authorities at the district level and redistributing and delineating powers and resources, as well as district boundaries.

However, the reform can be completed after amending the Constitution of Ukraine accordingly and adopting new laws on the political division of Ukraine, prefects, service at municipal government authorities, etc.

In 2017, Ukraine made an important step towards improving the electoral legislation. On 7 November 2017, the Electoral Code (Reg. No. 3112-1) was adopted in the first reading, which is intended to establish a common legal framework for preparing and holding the elections. In particular, the Code introduces an open-list proportional representation system for the parliamentary elections and elections of members of parliament of the Autonomous Republic of Crimea, oblast councils and city councils of big cities.

With the financial and expert support of the European Union, the actual implementation of the comprehensive public administration reform began. The main objective of the reform is to create an effective public administration system capable of making and implementing a coherent policy aimed at
sustainable social development and adequate response to internal and external challenges.

In 2017, the following major steps were taken as part of the reform:

• in accordance with the defined missions, goals and areas of public policy, new organisational units, directorates, were established in ten pilot ministries and two national agencies. Additionally, directorates were established within the Secretariat of the Cabinet of Ministers of Ukraine;

• the Concept of Optimising the System of Central Executive Authorities was drafted and approved (Ordinance of the Cabinet of Ministers of Ukraine No. 1013 of 27.12.2017);

• the competitive recruitment of reform specialists for the newly created directorates began. 320 vacancies were filled as a result of the first competitions;

• the guidelines for determining the key performance indicators and efficiency and quality criteria for category “Б” and “B” government officials and for heads of the newly created directorates were approved.

KEY OBJECTIVES FOR THE NEXT YEAR:

• Ensuring further legislative support for the reform of municipal government and territorial organisation of power, including by making necessary amendments to the Constitution of Ukraine.

• Ensuring the development and adoption of laws and regulations and taking organisational measures as part of the public administration reform.

• Completing the reform of the pilot ministries and commencing the reform in other central executive authorities.

• Ensuring the adoption of the Electoral Code of Ukraine and amending the Constitution of Ukraine with regard to reforming the procedure for lifting the immunity of Members of Parliament and judges (Reg. No. 1776).

Foreign policy, national security and defence

Ukraine continues aligning itself with EU statements and opinions on relevant foreign policy matters, including within the framework of international organisations. In 2017, Ukraine aligned itself with 424 (out of 504) statements and in general, since 2005, to 5344 (out of 6486) statements.

The political dialogue between the EU and Ukraine remains at a high level and runs within the existing framework. The EU and Ukraine ensure that their approaches to assessing and condemning Russia’s actions that pose a threat to international peace and security are coordinated, and relevant countermeasures are taken.

With the participation of NATO, USA and EU experts, the Draft Law of Ukraine “On national security of Ukraine” was drafted, which is expected to bring national security and defence standards in line with EU standards. According to the provisions of the Draft Law, Ukraine aspires to membership of the European Union and NATO, which should unconditionally guarantee security, sovereignty and territorial integrity of our state. On 17 January 2018, the Draft Law was considered and supported at the meeting of the National Security and Defence Council of Ukraine.

To deepen its cooperation with the European Defence Agency within the Single European Sky, Ukraine participated in a number of meetings of the Military Aviation Council at political level and in the annual conference on that subject in 2017. Ukrainian experts also joined the work of the expert groups Material Standardisation, Single European Sky and European Air Transport Fleet within the framework of the European Defence Agency projects.

On 20 November 2017, the Council of the European Union extended the mandate of the European Union Advisory Mission (EUAM) to Ukraine until 31 May 2019 and approved its budget for the next 18 months in the amount of EUR 32 million. The work to improve the efficiency of the EU Advisory Mission for Civilian Security Sector Reform and ensure the practical effectiveness of its activities, given our state’s current security challenges, goes on.

KEY OBJECTIVES FOR THE NEXT YEAR:

• Maintaining the highest level political dialogue and cooperation with the EU on foreign policy, security and defence.

• Ensuring the adoption of the Law of Ukraine “On national security of Ukraine” and beginning its implementation.

• Amending the laws and regulations to improve the system of government export control.
JUSTICE, FREEDOM, SAFETY AND HUMAN RIGHTS

According to the Association Agreement, the Parties must take certain consistent steps towards establishing a visa-free regime subject to the terms set out in the Visa Liberalisation Action Plan. Ukraine fully complied with its obligations in 2016. In 2017, the EU made a decision introducing the visa-free regime, effective as of 11 June 2017.

Over the course of the six months, 355 thousand Ukrainian citizens benefited from the visa-free regime. According to the Delegation of the EU to Ukraine, the number of Ukrainians travelling to the European Union has increased by 15% compared to the same period of 2016. The monitoring of the situation revealed no instances of groundless or disputable refusals by the EU of visa-free entry to Ukrainian citizens during the aforementioned period. Beginning 11 June 2017, only 61 persons were refused entry. The main reasons for the refusals were longer than permitted duration of stay in the EU or unconfirmed purpose of stay.

At the same time, Ukraine’s meeting the visa-free regime criteria will be subject to further monitoring by the EU under the visa suspension mechanism. In autumn 2017, the Ukrainian side prepared and submitted to the EU side the first National Report on Compliance with the Criteria of the EU Visa Liberalisation Action Plan for Ukraine, which covered all matters related to the post-visa liberalisation monitoring. The European Commission, on its part, published its First Report under the Visa Suspension Mechanism on 20 December 2017.

The Report of the European Union acknowledged Ukraine’s meeting the requirements in general and stated some decrease in the number of Ukrainians who stay illegally and the number of entry refusals, as well as a considerable decrease in the number of asylum seekers; the high level of cooperation with Ukraine on readmission was emphasised. There were specific reservations concerning the progress in combating drug trafficking, tobacco trafficking, cybercrime and firearms trafficking. The focus was on fighting corruption in Ukraine. The Report concluded that Ukraine had to take immediate actions in order to safeguard anti-corruption measures introduced with previous reforms and to allow further progress to be made.

The Ukrainian side started implementing the recommendations set out in the Report. In particular, in cooperation with UNDP, the mechanism applied by the National Agency for Prevention of Corruption to verify the information entered by declarants in the Single State Register of Declarations of Persons Authorised to Perform Government or Municipal Government Functions is being improved; the framework actions required to ensure proper information exchange between the state registers subject to the requirements for the integrated data protection system are being identified; setting up a separate institutional unit within the Ministry of Internal Affairs for combating organised crime is being considered.
The observance of and respect for human rights and fundamental freedoms are important objectives of the political dialogue and cooperation between Ukraine and the EU. In 2017, the following actions were taken in this field to fulfil Ukraine’s obligations:

- the performance of the National Human Rights Strategy and of the relevant Implementation Action Plan 2020 continued;
- the Law of Ukraine “On preventing and combating domestic violence” (No. 2229-VIII of 07.12.2017) was adopted and amendments were made to the Criminal Code of Ukraine and the Criminal Procedural Code of Ukraine (by Law of Ukraine No. 2227-VIII of 06.12.2017), which are intended to create new effective mechanisms for preventing and combating violence against women and domestic violence. Both legislative acts are aimed at implementing the provisions of the Council of Europe Convention on preventing and combating violence against women and domestic violence (the Istanbul Convention);
- to further implement the UN Convention on the Rights of Persons with Disabilities, the Draft Law “On amending certain legislative acts of Ukraine concerning tightening the requirements of Ukrainian laws aimed at providing persons with disabilities with free access to buildings and structures” (Reg. No. 6536) was prepared. The Draft Law introduces a mechanism for controlling compliance with the requirements for environmental accessibility for low-mobile population groups;
- the preparation of the Draft Concept of Ethno-National Policy of Ukraine and of the Draft Laws of Ukraine “On national minorities of Ukraine” (as restated) and “On indigenous peoples of Ukraine” is in progress;
- the establishment of the institution of the Government Commissioner for Gender Policy was ensured. The position of the Commissioner was awarded to the famous human rights advocate Kateryna Levchenko based on an open competition.

As a result of the EU-Ukraine Human Rights Dialogue (its third session took place on 13 June 2017), a number of measures were taken to improve the protection of human rights for internally displaced persons (IDPs) and of the Anti-Terrorist Operation participants. Specifically, the following measures were taken:

- free psychological rehabilitation of Anti-Terrorist Operation participants was ensured (Resolution No. 497 of the Cabinet of Ministers of 12.07.2017);
- the implementation of the Integrated Government Programme 2017 Concerning the Support, Social Adaptation and Reintegration of Ukrainian Citizens Who Migrated from the Temporarily Occupied Territory of Ukraine and the Regions Covered by the Anti-Terrorist Operation to Other Regions of Ukraine (as approved by Resolution No. 1094 of the Cabinet of Ministers of 16.12.2015) was ensured;
- the Strategy for Integrating Internally Displaced Persons and Implementing Long-Term Internal Displacement Solutions 2020 (Ordinance No. 909 of the Cabinet of Ministers of Ukraine of 15.11.2017) was approved;
- the taking of measures concerning medical, psychological, professional and social rehabilitation of Anti-Terrorist Operation participants was ensured;
- the Draft Law of Ukraine “On amending certain laws of Ukraine concerning the right of specific categories of individuals to receive pensions” (Reg. No. 6692) was prepared, which is intended to simplify the procedure for applying for pensions for IDPs and establish a special regime and procedure for receiving pensions for pensioners who continue to reside within the occupied territory.

**KEY OBJECTIVES FOR THE NEXT YEAR:**

- Ratifying the Council of Europe Convention on preventing and combating violence against women and domestic violence (Reg. No. 0119).
- Harmonising the anti-discrimination legislation with EU law, in particular by adopting the relevant Draft Law (Reg. No. 3501).
- Amending the administrative and criminal legislation concerning the tightening of responsibility for discrimination and hate-motivated crimes and enhancing mechanisms for combating torture and other ill treatment.
- Amending the Law of Ukraine “On personal data protection” to bring it in line with Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

The Association Agreement enables Ukraine to cooperate closer with the EU on combating organised crime, in particular with a view to addressing mutual challenges and cross-border threats. In this context, the following two important agreements determining the forms of and mechanisms for such cooperation were ratified and became effective in 2017:

- Agreement on Operational and Strategic Cooperation between Ukraine and the European Police Office (Europol), which allows the Parties...
to exchange information as part of criminal proceedings, participate in joint investigations of a wide range of crimes, search for persons involved in committing crimes and set up joint international investigation teams;

- Agreement on Cooperation between Ukraine and the European Union’s Judicial Cooperation Unit (Eurojust), which provides for cooperation and exchange of information on matters of combating serious crimes, in particular organised crime and terrorism, and allows for the participation by Ukraine’s representatives in operational and strategic meetings and for secondment by Ukraine of a Liaison Prosecutor to Eurojust.

The Ministry of Internal Affairs System Development Strategy 2020 was prepared with the immediate support of the European Union Advisory Mission experts and approved by the Ukrainian Government in November 2017. The Strategy is based on the achievements of the reforms of the Ministry of Internal Affairs completed in 2014–2017 and determines the priorities for further work. In this context, special focus was made on human rights.

To ensure independent and impartial criminal investigation and finally terminate investigative powers of public prosecution bodies, the work on establishing the State Investigation Bureau (SIB) continued. In particular, a competition was held to recruit the SIB Director. The work was commenced to provide this authority with human, organisational and material resources.

KEY OBJECTIVES FOR THE NEXT YEAR:

- Ensuring the proper implementation of the Agreements with Europol and Eurojust.
- Providing SIB with human, organisational and material resources and vesting it with its statutory functions.

As part of the cooperation in the fight against illicit drugs, and on precursors and psychotropic substances, in accordance with the Agreement, the Ukrainian Monitoring and Medical Centre for Drugs and Alcohol drafted the concept of nationwide illicit drug monitoring in Ukraine and its implementation action plan based on the standards of the European Monitoring Centre for Drugs and Drug Addiction.

KEY OBJECTIVES FOR THE NEXT YEAR:

- Adopting the law on Ukraine’s accession to the Council of Europe Enlarged Partial Agreement on the Co-operation Group to Combat Drug Abuse and Illicit Trafficking in Drugs (Pompidou Group).
- Enhancing cooperation with the European Monitoring Centre for Drugs and Drug Addiction and introducing the indicators used by the Centre into the Ukrainian illicit drug monitoring system.

In the anti-corruption field, Ukraine continues to perform a number of obligations, specifically with regard to carrying out comprehensive anti-corruption reforms and ensuring implementation of the anti-corruption laws adopted over the previous years.

The implementation of the Action Plan for Introducing the System for Logical and Arithmetical Control of Declarations and Upgrading the Software and Hardware of the Single State Register of Declarations of Persons Authorised to Perform Government or Municipal Government Functions (ITS Register) (approved by Ordinance No. 787 of the Cabinet of Ministers of 08.11.2017) is in progress.

On 10 November 2017, the National Agency for Prevention of Corruption (NAPC) accepted for safekeeping from UNDP a subsystem for control and verification of declarations in the e-declaration system to be further integrated into the ITS Register.

To enable NAPC to have direct automated access to information telecommunication and reference systems, registers and databanks of other government authorities, including those containing restricted (confidential) information, the Draft Law of Ukraine “On amending the Law of Ukraine “On corruption prevention” and other legislative acts concerning ensuring proper access of the National Agency for Prevention of Corruption to information required for exercising its powers” (Reg. No. 7276) was submitted to the Verkhovna Rada. The Draft Law has not yet been considered at the Verkhovna Rada’s plenary sessions.

NAPC, jointly with other anti-corruption institutions and law-enforcement agencies, prepared the Draft Law of Ukraine “On principles of public anti-corruption policy in Ukraine (the Anti-Corruption Strategy) for 2018–2020”. The Draft Law was prepared with the assistance of foreign experts based on the analysis of corruption in Ukraine and on the results of implementing the previous Anti-Corruption Strategy for 2014–2017.

To ensure transparent declaration of assets by politicians and officials, the Single State Register of Declarations of Persons Authorised to Perform...
Government or Municipal Government Functions became fully operational in 2017. As of the end of 2017, the Register contained over 1.5 million declarations. At the same time, verification of e-declarations remains an issue for NAPC. Thus, there is a need to enhance its institutional capacity and automate the processing of e-declarations.

In 2017, the organisation of the National Agency of Ukraine for Finding, Tracing and Managing Assets Derived from Corruption and Other Crimes (ARMA) was in fact completed. In particular, its basic staff and Public Board were appointed and the Procedure for Cooperation in Considering Requests from Authorities in Charge of Pre-Trial Investigation and from Prosecution Offices and in Performing Requests from Foreign States Concerning Finding and Tracing Assets was approved. ARMA carried out its first confiscation of assets, 154 immovable properties, in October and transferred, for the first time, the seized immovable properties to a trustee under an agreement in November.

**KEY OBJECTIVES FOR THE NEXT YEAR:**
- Adopting the new Anti-Corruption Strategy for 2018–2020 and approving the government programme for its implementation.
- Enhancing the institutional capacity of NAPC for the proper performance of its functions, ensuring access to the necessary registers and databases of government authorities and introducing software for the automatic verification of e-declarations.

The Association Agreement provides for cooperation between the Parties on implementing international standards and ongoing cooperation on anti-money laundering and terrorism financing.

The implementation of the Strategy for Development of the System for Prevention of Money Laundering, Terrorism Financing and Financing of Proliferation of Weapons of Mass Destruction 2020 continued during the reporting year. The Strategy Implementation Action Plan for 2017–2019 was approved and its practical implementation was commenced. Furthermore, the State Financial Monitoring Service of Ukraine together with the Ministry of Finance of Ukraine and other participants of the financial monitoring started preparation of the Draft Law intended to implement the EU legal acts in this field, namely Regulation (EU) 2015/847 on information accompanying transfers of funds and Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

Ukraine and the EU promote cooperation in the area of justice, in particular with a view to increasing the effectiveness of the judiciary and safeguarding its independence and impartiality. Within the scope of this cooperation, Ukraine must carry out a comprehensive reform of its judicial system, judicial procedure and related legal institutions.

To implement the constitutional amendments concerning justice, the restated version of the Law of Ukraine “On the Constitutional Court of Ukraine” was adopted (No. 2136-VIII of 13.07.2017). The Law provides, inter alia, for a mechanism for filing a constitutional appeal, which is new for Ukraine; the respective right is enshrined in the amended Article 55 of the Constitution. Individuals and legal entities now can appeal to the Constitutional Court where they believe that the law applied in the final judgement in their case contravenes the Constitution of Ukraine.

In 2017, the Supreme Court of Ukraine was completely “reset” – 120 judges of the new Supreme Court were appointed through an open competitive recruitment process held for the first time. As a result, the composition of the Supreme Court was refreshed by 96%, whereby experts who have not been part of the judiciary before (such as attorneys, scientists and legal scholars) now make up a quarter of it.

A number of amendments were made to the procedural legislation (Law of Ukraine No. 2147-VIII of 03.10.2017), which in fact introduced new rules of civil, commercial and administrative procedure and changed the rules of criminal procedure in line with the European and international practice. The adopted Law provides for new judicial remedies and instruments of evidence in the judicial process and ensures openness and transparency of the judicial process, proper exercise of procedural rights, compensation of legal costs, reasonable periods for trial, etc. In addition, the “e-court” system is introduced to simplify communication with the court and reduce the maintenance budget of the judiciary.

A public prosecutors’ self-governance body, namely the Council of Prosecutors of Ukraine, and the Qualification and Disciplinary Commission of Public Prosecutors, which is supposed to assess the level of professional qualification of persons applying for positions of public prosecutors and decide on matters of disciplinary responsibility and transfer and dismissal of public prosecutors, were set up in pursuance of the provisions of the Law of Ukraine “On public prosecution” at the first All-Ukrainian Conference of Public Prosecutors. The Code of Professional Ethics and Conduct for Public Prosecutors was also adopted at the Conference.

**KEY OBJECTIVES FOR THE NEXT YEAR:**
• Adopting the legislation concerning the Anti-Corruption Court and setting up that court.

Owing to the Association Agreement, Ukraine and the EU continue to actively cooperate in the fields of migration, asylum and border management, specifically on prevention of illegal migration, implementation of the integrated border management concept, effective enforcement of the right to asylum, operational measures and exchange of information concerning border control.

A number of important steps were made in this area in 2017:
• the Public Migration Policy Strategy 2025 was approved (Ordinance No. 482-p of the Cabinet of Ministers of Ukraine of 12.07.2017), which addresses all relevant challenges, in particular labour migration, emigration and forced internal displacement, and provides, inter alia, for harmonisation of the Ukrainian migration legislation with EU law;
• the organisation of the National System of Biometric Verification and Identification of Ukrainian Citizens, Foreigners and Stateless Persons was completed. The System currently runs in the test mode and is being prepared to be put into operation. Simultaneously, the Single Information and Analytical System for Managing Migration Processes is being prepared;
• the first stage of the renovated temporary accommodation centre for refugees in Yahotyn, Kyiv Oblast, was commissioned. The renovation of the first temporary accommodation centre for foreigners and stateless persons who illegally stay in Ukraine, in Rozsudiv Village, Ripkynskyi District, Chernihiv Oblast, was completed;
• bilateral Implementing Protocols to the Readmission Agreements with Austria, the Czech Republic and Estonia entered into force, the Protocol with Poland was signed, and negotiations were held with a number of other states;
• the issuance of biometric documents increased significantly: in the course of the year, the units of the State Migration Service issued almost 4 million foreign passports (compared to 1.5 million in 2016) and 1.1 million ID cards (compared to only 278 thousand in 2016).

KEY OBJECTIVES FOR THE NEXT YEAR:
• Continuing the implementation of the Integrated Border Management Concept and relevant cooperation with the EU.
• Taking measures to develop the infrastructure for hosting and supporting refugees, foreigners and stateless persons who illegally stay in Ukraine.
• Approving the four-year Public Migration Policy Strategy 2025 Implementation Action Plan and commencing its implementation.
• Enhancing cooperation with EU Member States and Moldova with respect to organising joint operational state border control and information exchange through contact points.
The overcoming of technical barriers to trade in industrial (non-food) products is an essential condition for the effective functioning of the Deep and Comprehensive Free Trade Area (DCFTA) between Ukraine and the EU, facilitating access to the EU market for Ukrainian industrial producers and increasing exports of goods with high added value from Ukraine.

According to Article 56 of Chapter 3 “Technical barriers to trade” of Title IV “Trade and Trade-related Matters” of the Association Agreement, Ukraine is obligated to ensure compliance with EU technical regulations and standardisation, metrology, accreditation, conformity assessment and market surveillance systems and adhere to the principles and practices set out in the applicable EU regulations. To this end, it is necessary to: 1) implement relevant provisions of the EU acquis; 2) carry out the necessary administrative and institutional reforms with a view of concluding the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA); 3) introduce an effective and transparent administrative system. Article 57 stipulates that ACAA will be annexed as a Protocol to the Association Agreement and will gradually cover all the sectors referred to in Annex III.

According to the legislation approximation schedule, Ukraine must harmonise its horizontal legislation within one year of the effective date of the Agreement (by 2017), and its sectoral legislation covering 27 sectors — within 2–5 years of the effective date of the Agreement (2017–2020). The Ministry of Economic Development and Trade of Ukraine (the “Ministry of Economic Development”) is responsible for fulfilling Ukraine’s obligations regarding the harmonisation of its horizontal legislation, and the central executive authorities performing the functions of technical regulation in the specified areas are responsible for harmonising the sectoral legislation (Resolution No. 1057 of the Cabinet of Ministers of Ukraine of 16.12.2015).

The adaptation of technical regulations and the introduction of the harmonised European standards will ensure the European level of requirements for quality and safety of industrial products for customers in Ukraine, increase the competitiveness of Ukrainian products, open new markets for exporters and facilitate the innovative development of the industry. Concluding ACAA, in turn, will ensure the mutual recognition of certificates of conformity by Ukraine and the EU in the specified industrial sectors. Ukrainian producers will be able to receive certificates of conformity in Ukraine that would be recognised in the EU and would not require an additional conformity assessment in the EU. This will allow businesses to reduce costs for obtaining relevant documentation and undergoing conformity assessment procedures (certification and testing).

Ukraine had harmonised its horizontal legislation with EU law in advance and had adopted all the framework laws in this area before the completion schedule was set.

For reference:

Laws enacted:
- “On state market surveillance and control of non-food products” (No. 2735-VI of 02.12.2010)
• “On accreditation of conformity assessment bodies” (No. 2407-III of 17.05.2001) implementing Regulation (EC) 765/2008;
• “On liability for damages caused by product defects” (No. 3390-VI of 19.05.2011) implementing Directive 85/374/EEC;
• “On standardisation” (No. 1315-VII of 05.06.2014) implementing Regulation (EU) 1025/2012;
• “On technical regulations and conformity assessment” (No. 124-VIII of 15.01.2015, effective as of 10.02.2016) implementing Decision 768/2008/EC;
• “On metrology and metrological activity” (No. 1314-VII of 05.06.2014, effective as of 01.01.2016) implementing Directive OIML D1.

Government resolutions adopted:
• “On approving the conformity assessment modules used to develop conformity assessment procedures and on approving the rules of use of the conformity assessment modules” (No. 95 of 13.01.2016) implementing Decision 768/2008/EC;
• “On approving the form and description of the mark of conformity with technical regulations and the rules and conditions of its application” (No. 1184 of 30.12.2015) implementing Decision 768/2008/EC;
• “On approving the special requirements for designated conformity assessment bodies” (No. 56 of 13.01.2016) implementing Decision 768/2008/EC.

The adopted legal acts regulate the issues of standardisation, metrology, accreditation, conformity assessment and market surveillance systems.

In order to implement these laws, a number of regulations were adopted. In 2017, the regulations necessary to implement the Law of Ukraine “On technical regulations and conformity assessment” were passed. In particular, the criteria for assessing the degree of risk associated with conducting business activities in the area of assessing conformity with the requirements of technical regulations were adopted and the frequency of scheduled inspections (Resolution No. 384 of the Cabinet of Ministers of Ukraine of 31.05.2017) and the procedure and rules for compulsory insurance of professional liability of the designated conformity assessment bodies and recognised independent organisations for damage that may be caused to third parties (Resolution No. 751 of the Cabinet of Ministers of Ukraine of 04.10.2017) were determined.

In accordance with the adopted legislation, the European-level quality infrastructure is being established in Ukraine, which includes: the National Accreditation Agency of Ukraine (NAAU), the National Standardisation Body (SE UkrNDNC), the State Service of Ukraine for Food Safety and Consumer Protection and other government market surveillance authorities.

Amending the applicable laws in the areas of technical regulations and conformity assessment, and state market surveillance and control of non-food products was set as the priority for 2017. The Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning technical regulations and conformity assessment” (No. 6235, recommended to be considered by the Industrial Policy and Entrepreneurship Committee of the Verkhovna Rada of Ukraine) prepared by the Ministry of Economic Development provides for amending a number of legislative acts with respect to clarifying the requirements for informing consumers of certain types of risk or products, clarifying essential elements of offences relating to standardisation, metrology and metrological activities, and technical regulation, clarifying the requirements for the national accreditation body, etc. Its adoption will ensure the coherence of all legislative acts.

With regard to legislative amendments in the area of state market surveillance, two alternative Draft Laws prepared by the Ministry of Economic Development and by Members of Parliament (No. 5450 and No. 5450-1) were submitted to the Verkhovna Rada, but each of them received objections. The relevant committee of the Verkhovna Rada of Ukraine approved for consideration the alternative Draft Law of Ukraine “On amending certain legislative acts of Ukraine (concerning ensuring the observance of the rights of persons in conducting checks on the characteristics of non-food products)” (No. 5450-1), provided that it would take into account certain provisions of the governmental Draft Law (No. 5450). At the initiative of the Ministry of Economic Development, a working group – consisting of, among others, major stakeholders (relevant central executive authorities, business associations and market players) – was set up, which revised the mentioned Draft Law in the light of observations. In particular, the Draft Law eliminates duplication of supervisory functions for specific types of products, reduces the number of different types of checks, eliminates the non-transparency and partiality in the application of penalties, while enhancing the responsibility of business entities for violating the legislation and obstructing officials carrying out the state market surveillance. The Draft Law, however, was not considered by the Parliament during the year.

The adoption by the Verkhovna Rada of the two Draft Laws (No. 6235 and No. 5450-1), which are necessary in the preparation for signing the ACAA, remains a priority task for 2018.
Furthermore, the requirements for the inland transport of dangerous goods are still to be harmonised with EU law (Directive 2008/68/EC of 24 September 2008). To that end, the adoption of the Draft Law of Ukraine “On amending certain laws of Ukraine to bring them into conformity with the European Union legislation in the field of transport of dangerous goods” (No. 7387) is necessary.

Annex III to the Association Agreement requires, for 27 industrial product sectors, that the national legislation be aligned with the European vertical (sectoral) legislation and provides a timetable for its implementation. As of today, Ukraine has adopted 24 of 27 technical regulations referred to in Annex III (except for explosives for civil uses; packaging and packaging waste; high-speed railways). Due to changes in the European legislation, the approved technical regulations are being revised in order to bring them into conformity with the new EU directives and regulations.

As of the end of 2017, 5 of 12 technical regulations with a two-year implementation period as stipulated in Annex III were revised, namely on electromagnetic compatibility, low-voltage electrical equipment, safety of machinery, simple pressure vessels, and lifts. Moreover, 3 of these technical regulations (on electromagnetic compatibility, low-voltage electrical equipment and safety of machinery) were submitted to the EU side for the analysis of their conformity with EU provisions. Other technical regulations – on transportable pressure equipment; toys; appliances burning gaseous fuels; marine equipment; personal protective equipment; hot-water boilers fired with liquid or gaseous fuels; energy efficiency requirements for household electric refrigerators and freezers – are at different stages of development.

The full consistency and equivalence of the national technical regulations with EU legal acts is the key requirement for the priority sectors referred to in Annex III, which will be covered by the ACAA. For the purposes of signing the ACAA, a table of correlation with EU legal acts will be drawn up for each technical regulation, which will be sent to the European Commission for an official assessment.

At the same time, certain technical regulations were adopted or revised and aligned with applicable EU legal acts before the expiration of the periods specified in Annex III. This is particularly the case for the technical regulations on measuring equipment, non-automatic weighing instruments, radio equipment, equipment and protective systems intended for use in potentially explosive atmospheres, and others.

Further, the Draft Law of Ukraine “On basic requirements for structures and on conditions for placing on the market of construction products” (No. 7151), which is aimed at implementing Regulation (EU) No. 305/2011 laying down harmonised conditions for the marketing of construction products, was developed with a view to implementing point 2.23 of Annex III.

Pursuant to Article 56 of Chapter 3, Ukraine must transpose the European standards (EN) and withdraw conflicting national and interstate standards (GOST). As of the end of 2017, the following results were achieved:

- the national standards fund comprised 23,677 national standards, of which 13,211 were international and European standards transposed as national standards (as of 27.12.2017). In 2017, 1,439 national standards were adopted, of which 1,358 were international and European standards;
- 4,161 harmonised European standards were transposed as national standards with respect to all the technical regulations in Annex III (except for the standards for construction products). The application of these standards indicates that the products meet the requirements of the mentioned technical regulations (provides the presumption of conformity). The lists of national standards identical to the harmonised European standards were approved; thus, compliance with those national standards provides the presumption of conformity with the requirements of the technical regulations;
- all (14,475) the outdated interstate standards (GOST) developed before 1992 were withdrawn.

Furthermore, the creation of a new military standardisation system began, in the framework of which Ukraine will adopt NATO standards and standards in the field of defence of NATO Member States; more specifically, the Draft Law of Ukraine “On amending certain Laws of Ukraine concerning military standards”, which is to be submitted soon to the Government for consideration, was developed.

In the area of metrology, the work on four state primary reference standards was completed, and auditor certification was introduced in 2017.

A significant progress was reached in ensuring the participation of national authorities in the European and international organisations for standardisation, metrology, conformity assessment and accreditation. In 2017, Ukraine, in particular, acquired the new status of a Companion Standardization Body (CBN) at the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) and also signed the Memorandum of Understanding between the National Standardisation Body and the European Telecommunications Standards Institute (ETSI) (in early January 2018), which will enable faster approximation of the Ukrainian standardisation system to the European model. In August 2017, the NAAU received the status of a signatory to the IAF
Multilateral Recognition Arrangement (IAF MLA) on the mutual recognition of the results of conformity assessment activities in a variety of fields including products, management systems and personnel. The NAAU is also party to mutual recognition agreements with the European Accreditation Cooperation (EA) in all areas of accreditation and with the International Laboratory Accreditation Cooperation (ILAC). Membership of these international organisations means that the NAAU’s activities are recognised at the European Union level.

Preparation for signing the ACAA at the first stage.

Under the ACAA, the priority industrial product sectors at the first stage are: low-voltage electrical equipment; electromagnetic compatibility; safety of machinery. In relation to these three sectors, the technical regulations were brought into conformity with the applicable EU legal acts, the conformity assessment bodies were designated, the lists of national standards were updated, etc.

During 2017, within the framework of the High-Level Ukraine-EU Dialogue in the industrial area, two meetings of the Working Group for the Elimination of Technical Barriers to Trade and Standardisation were held where the preparation for signing the ACAA was considered.

The first phase of the formal assessment by the EU side of the horizontal and sectoral Ukrainian legislation in the three specified sectors began in 2017. The European side checked the progress of harmonising the Ukrainian legislative acts with the relevant EU legislation, provided comments and made requests for further clarifications. In general, the Ukrainian legislation was positively assessed; however, it was noted that full compliance of specific provisions of laws in the areas of technical regulations and conformity assessment, state market surveillance and control of non-food products (Draft Laws No. 6235 and No. 5054-1) with EU provisions still had to be ensured. The delay by the Verkhovna Rada in adopting the relevant legislative amendments was one of the main obstacles that prevented the completion of the preparation for signing the ACAA in 2017.

The European experts further pointed out the need to clarify specific provisions of the three technical regulations: on low-voltage electrical equipment, electromagnetic compatibility and safety of machinery (the amendments to these technical regulations are being drafted).

The adoption of these amendments to the laws and technical regulations in 2018 becomes a priority since the further progress of the formal assessment by the EU side will depend on their implementation.

The second phase of the formal assessment of the Ukrainian institutions’ readiness to work in accordance with the requirements of the updated harmonised Ukrainian legislation is also expected to begin in 2018 (it was previously planned for 2017). To optimise and accelerate the formal assessment process, the Ukrainian side suggested that the second phase of verifying specific elements of the Ukrainian quality infrastructure (such as standardisation, conformity assessment, accreditation, metrology and market surveillance), if such elements complied with the EU requirements, should begin before the completion of legal approximation in all the areas in general. As a result of both phases of the formal assessment, the EU side will decide on the progress made in aligning the Ukrainian technical regulation system with EU provisions in these sectors.

Overall, as of 1 January 2018, 62% of Ukraine’s five-year obligations regarding the harmonisation of its technical regulation legislation with EU law were fulfilled. The progress in fulfilling the 2017 obligations is 59%.

**KEY OBJECTIVES FOR THE NEXT YEAR:**

- Adopting amendments to certain laws to ensure the most accurate approximation of the national legislation to EU requirements and practice in the area of technical regulation and state market surveillance (Draft Laws No. 6235 and No. 5450-1).
- Adopting amendments to certain Ukrainian laws by reason of the adoption of the Laws of Ukraine “On standardisation” (Draft Law No. 7123) and “On metrology and metrological activity”.
- Reviewing the approved technical regulations and drafting new technical regulations pursuant to the schedule in Annex III to ensure the exact conformity with the applicable EU regulations and directives.
- Finalising the transition from the mandatory certification of products within the state certification system to the assessment of conformity with the requirements of technical regulations. Cancelling the list of products subject to mandatory certification in Ukraine.
- Conducting the second phase of the formal assessment of the Ukrainian quality infrastructure as part of the preparation for signing the ACAA for the first three priority sectors. The EU decision on the progress in harmonising the Ukrainian technical legislation, standards and infrastructure with EU provisions with a view to signing the ACAA.
- Meeting the conditions for Ukraine’s full membership of the International Organisation of Legal Metrology (OIML) and signing the Metre Convention to ensure the full participation in the Mutual Recognition Arrangement relating to the mutual recognition of national measurement standards and calibration and measurement certificates.
SANITARY AND PHYTOSANITARY MEASURES

Bringing Ukraine’s sanitary and phytosanitary (SPS) measures and Ukraine’s system of food product safety control in compliance with the European requirements and practices will contribute to increasing the protection of life and health of people, animals and plants in Ukraine, increasing consumer protection in respect of food products, as well as expanding the export of agri-food products to EU and third countries. According to Article 64 of the Association Agreement, Ukraine must harmonise its SPS legislation with that of the EU and submit to the SPS Sub-Committee a comprehensive strategy for the implementation of Chapter 4. The Sub-Committee must approve this strategy, which will then become part of the Association Agreement as Annex V to that Chapter.

According to the Comprehensive Strategy for the Implementation of Chapter 4 (the “SPS Strategy”) (Ordinance No. 228-p of the Cabinet of Ministers of Ukraine of 24 February 2016), Ukraine must, by the end of 2021, implement into the national legislation more than 250 EU acts relating to the state control in the field of SPS, safety of food and feed, animal and plant health, etc. The SPS Strategy is also included in the Association Agreement Implementation Action Plan approved by the Resolution of the Cabinet of Ministers of Ukraine of 25 October 2017, which designated the Ministry of Agrarian Policy and Food of Ukraine, the State Service for Food Product Safety and Consumer Protection, the Ministry of Health of Ukraine and, in certain cases, the Ministry of Ecology and Natural Resources of Ukraine as bodies responsible for performing the obligations in this area.

The Association Agreement sets out a mechanism for recognising equivalence of SPS measures in respect of individual measures or a system applicable to a sector, sub-sector or commodities. The recognition of equivalence will duly simplify access to the EU market for the Ukrainian agri-food producers and also help reduce physical inspections at the border, simplify the issuance of certificates and facilitate the pre-export approval procedure. Since the recognition of equivalence and the right to export products to the EU market is an advantage in other markets, it will also allow the Ukrainian producers to enter new international markets.

In 2017, the SPS Sub-Committee of the EU-Ukraine Association Committee in its Trade configuration was set up. The Sub-Committee met twice during the year. The Ukrainian side within the SPS Sub-Committee is chaired by the Head of the State Service of Ukraine for Food Safety and Consumer Protection, the Ministry of Health of Ukraine and, in certain cases, the Ministry of Ecology and Natural Resources of Ukraine as bodies responsible for performing the obligations in this area.

Since the recognition of equivalence and the right to export products to the EU market is an advantage in other markets, it will also allow the Ukrainian producers to enter new international markets.

In 2017, the SPS Sub-Committee of the EU-Ukraine Association Committee in its Trade configuration was set up. The Sub-Committee met twice during the year. The Ukrainian side within the SPS Sub-Committee is chaired by the Head of the State Service of Ukraine for Food Safety and Consumer Protection, the Ministry of Health of Ukraine and, in certain cases, the Ministry of Ecology and Natural Resources of Ukraine as bodies responsible for performing the obligations in this area.

Since the recognition of equivalence and the right to export products to the EU market is an advantage in other markets, it will also allow the Ukrainian producers to enter new international markets.

In 2017, the SPS Sub-Committee of the EU-Ukraine Association Committee in its Trade configuration was set up. The Sub-Committee met twice during the year. The Ukrainian side within the SPS Sub-Committee is chaired by the Head of the State Service of Ukraine for Food Safety and Consumer Protection, the Ministry of Health of Ukraine and, in certain cases, the Ministry of Ecology and Natural Resources of Ukraine as bodies responsible for performing the obligations in this area.

Since the recognition of equivalence and the right to export products to the EU market is an advantage in other markets, it will also allow the Ukrainian producers to enter new international markets.

In 2017, the SPS Sub-Committee of the EU-Ukraine Association Committee in its Trade configuration was set up. The Sub-Committee met twice during the year. The Ukrainian side within the SPS Sub-Committee is chaired by the Head of the State Service of Ukraine for Food Safety and Consumer Protection, the Ministry of Health of Ukraine and, in certain cases, the Ministry of Ecology and Natural Resources of Ukraine as bodies responsible for performing the obligations in this area.

Since the recognition of equivalence and the right to export products to the EU market is an advantage in other markets, it will also allow the Ukrainian producers to enter new international markets.

In 2017, the SPS Sub-Committee of the EU-Ukraine Association Committee in its Trade configuration was set up. The Sub-Committee met twice during the year. The Ukrainian side within the SPS Sub-Committee is chaired by the Head of the State Service of Ukraine for Food Safety and Consumer Protection, the Ministry of Health of Ukraine and, in certain cases, the Ministry of Ecology and Natural Resources of Ukraine as bodies responsible for performing the obligations in this area.

Since the recognition of equivalence and the right to export products to the EU market is an advantage in other markets, it will also allow the Ukrainian producers to enter new international markets.

In 2017, the SPS Sub-Committee of the EU-Ukraine Association Committee in its Trade configuration was set up. The Sub-Committee met twice during the year. The Ukrainian side within the SPS Sub-Committee is chaired by the Head of the State Service of Ukraine for Food Safety and Consumer Protection, the Ministry of Health of Ukraine and, in certain cases, the Ministry of Ecology and Natural Resources of Ukraine as bodies responsible for performing the obligations in this area.

Since the recognition of equivalence and the right to export products to the EU market is an advantage in other markets, it will also allow the Ukrainian producers to enter new international markets.

In 2017, the SPS Sub-Committee of the EU-Ukraine Association Committee in its Trade configuration was set up. The Sub-Committee met twice during the year. The Ukrainian side within the SPS Sub-Committee is chaired by the Head of the State Service of Ukraine for Food Safety and Consumer Protection, the Ministry of Health of Ukraine and, in certain cases, the Ministry of Ecology and Natural Resources of Ukraine as bodies responsible for performing the obligations in this area.

Since the recognition of equivalence and the right to export products to the EU market is an advantage in other markets, it will also allow the Ukrainian producers to enter new international markets.
decisions on approving the Annex to the Association Agreement to become effective (pursuant to Resolution No. 808 of the Cabinet of Ministers of Ukraine of 25 October 2017).

As part of carrying out the SPS Strategy, Ukraine has already adopted a number of legislative acts that provide the framework for reforming the food product safety system through implementing basic European principles and practices. In particular, the Law of Ukraine “On basic principles of, and requirements for, food product safety and quality” (No. 771, as amended by Law of Ukraine No. 1602 of 22.07.2014) introduces the European food product safety and quality model in Ukraine, which is based on the “farm to table” approach and the traceability requirements (in line with the provisions of Regulation (EC) No. 178/2002), and requires a gradual transition by market operators to the application of HACCP (Hazard Analysis and Critical Control Point) procedures. The laws concerning the introduction of mandatory identification and registration of all agricultural animals, management of animal by-products not intended for human consumption and harmonisation of the seed and planting material certification system with the EU requirements were also adopted.

The following two pivotal legislative acts, which had been considered by the Parliament for a long time, were passed in 2017:

- the Law of Ukraine “On state control aimed at verifying compliance with the legislation on food and feed and animal health and well-being” (No. 2042-VIII of 18.05.2017) implementing Regulation (EC) No. 854/2004, Regulation (EC) No. 669/2009, Regulation (EC) No. 882/2004, Directive 97/78/EC and Commission Decision 2006/778/EC. Most provisions of the Law will enter into force in April 2018. The Law provides for a comprehensive reform of the state control system in line with EU legislation. In particular, the Law: introduces an integrated state control system that covers the entire food supply chain “from farm to table”, including feed and food-producing animals; introduces the risk-oriented approach with respect to scheduled inspections; introduces inspections conducted without notice; establishes an exhaustive list of issues subject to inspections; increases producers’ liability for violating the legislation in this field; introduces a new procedure for carrying out state border control, etc.;

Over 40 regulations are being drafted to implement the adopted laws. The harmonisation and proper implementation of those laws and regulations will result in introducing an effective and well-balanced state food safety control system in Ukraine, which complies with EU requirements and is recognised worldwide, ensures the proper level of protection of life and health of Ukrainian consumers and allows duly operating food producers to develop.

Furthermore, the following regulations were passed by orders of the responsible central executive authorities in 2017:

- the Procedure for Approving Exporters’ Production Facilities and Entering Them in, and Removing Them from, the Register of Approved Exporters’ Production Facilities; the Procedure for the State Registration of Production Facilities, Maintenance of the State Register of Production Facilities of Market Operators and Provision of Information from It to Parties Concerned; the Procedure for the Maintenance of the Register of Market Operators and Production Facilities for Which an Operation Permit Was Issued;
- the Guidelines on Sampling Procedures Implementing the Action Plan for the State Monitoring of Residues of Veterinary Drugs and Pollutants in Live Animals and Unprocessed Food Products of Animal Origin;
- the Instruction on Preventing and Combating African Swine Fever;
- the Feed Materials Catalogue;
- the Procedure for Certifying, Issuing and Cancelling Certificates for Seed and/or Plant Material and Forms of Certificates for Seed and/or Plant Material; the Procedure for Labelling and Packaging Batches of Seed and the Label Format; the procedures for issuing certificates to agricultural inspectors, importing seed into Ukraine and maintaining registers in the field of seed production;
- the Instruction on Prevention and Eradication of Salmonellosis in Birds;
• the participation in the European Animal Disease Notification System (ADNS) was ensured;
• the orders of the Ministry of Agrarian Policy and Food of Ukraine relating to the introduction of identification and registration of horses, pigs and cattle.

According to the time schedule of the current SPS Strategy, only one obligation scheduled for 2017 remained unperformed, namely the harmonisation of requirements for honey with the provisions of Directive 2001/110/EC. The Ministry of Agrarian Policy and Food of Ukraine prepared the Draft Order “On approving the requirements for specific quality indicators relating to honey”, which was approved by the Ministry of Health of Ukraine subject to certain reservations. The Draft is now being discussed with the representatives of the beekeeping sector. As part of negotiating the wording of Annex V, the Ukrainian side submitted its proposal to the EU side to set the end of 2019 as the deadline for this task.

In 2018, Ukraine plans to implement an extensive range of obligations; more specifically, 144 legal approximation measures are to be adopted. Considering the large number of regulations to be passed, a need arises to speed up and optimise the procedure for the external approval by the concerned central executive authorities of draft regulations aimed at performing the European integration obligations. As a matter of practice, the biggest difficulties and delays usually arise during the approval of draft acts in the field of SPS by the State Regulatory Service of Ukraine and the Ministry of Justice of Ukraine.

KEY OBJECTIVES FOR THE NEXT YEAR:
• Approval by the SPS Sub-Committee of the Comprehensive Strategy for the Implementation of Chapter 4 (“Sanitary and phytosanitary measures”) as Annex V to the Association Agreement.
• Preparing and approving regulations implementing the Law of Ukraine “On state control aimed at verifying compliance with the legislation on food and feed and animal health and well-being” and the Law of Ukraine “On safety and hygiene of feed”.
• Adopting the following draft laws that are already registered in the Verkhovna Rada of Ukraine or are still being prepared:
• Preparing and adopting other regulations concerning:
  - Special hygiene requirements for the production and circulation of food products of animal origin.
  - Hygiene requirements for food additives, flavourings and enzymes.
  - The procedure for the state registration of new food products, food additives, flavourings, enzymes and natural mineral waters, maintenance of the register and provision of information from it.
  - Maximum residue levels of pesticides, pharmacologically active substances and individual pollutants in food products.
  - The rules for adding vitamins and minerals and some other substances to food products.
  - Approving the requirements for importing (sending) live animals, their reproductive material and products of animal origin to the customs territory of Ukraine.
  - The list of products subject to state control at the border inspection points.
  - Sampling methods and preparing samples in relation to identifying the maximum limit values of mycotoxins in food products for the purposes of state control.
  - The standards for keeping and treatment of animals and measures for control and eradication of animal diseases.
Introduction of transparent and simplified customs procedures and elimination of discriminatory requirements for import, export or transit of goods positively affects trade development. Chapter 5 “Customs and trade facilitation” of Title IV “Trade and Trade-related Matters” of the Association Agreement provides for cooperation between Ukraine and the EU in the field of exchange of information, development of joint initiatives, automation of customs and other trade procedures with a view to facilitating trade and, at the same time, striking a reasonable balance between trade facilitation and effective control and security.

The Association Agreement explicitly states that customs procedures must be proportionate, predictable, applied uniformly and effectively and must facilitate the protection of legitimate trade, avoidance of unnecessary or discriminatory burdens on economic operators, fraud prevention, as well as provision of further facilitation for economic operators having a high level of compliance.

Under Article 84 of the Association Agreement, Ukraine is required to gradually harmonise its customs legislation with the EU customs legislation over a period of three years as set out in Annex XV to the Agreement. Taking into account recent changes in EU law, the final list of the documents, the provisions of which are to be implemented, is as follows:

- Convention concerning the simplification of formalities in trade in goods and Convention on a common transit procedure;
- Regulation 952/2013 laying down the Union Customs Code;
- Regulation 1186/2009 setting up a Community system of reliefs from customs duty (Titles I and II);
- Regulation 608/2013 concerning customs enforcement of intellectual property rights.

To implement the provisions of the Convention concerning the simplification of formalities in trade in goods and the Convention on a common transit procedure, the Cabinet of Ministers of Ukraine submitted to the Verkhovna Rada of Ukraine Draft Law No. 4777 “On amending the Customs Code of Ukraine with respect to the authorised economic operator and simplification of customs formalities” and Draft Law No. 5627 “On amending the Customs Code of Ukraine with respect to aligning transit procedures with the Convention on a common transit procedure and the Convention concerning the simplification of formalities in trade in goods” for consideration.

Unfortunately, there was no progress in the adoption of the above mentioned Draft Laws by the Verkhovna Rada of Ukraine, which rendered it impossible to take actions to draft regulations and introduce other practical measures, in particular:

- approving the forms necessary for the transit under the provisions of the Convention;
- establishing the procedure for exchanging specimen impressions of special stamps;
- determining the mechanisms for mutual assistance in submitting claims under the provisions of the Convention;
CUSTOMS MATTERS

• establishing the procedure for completing customs formalities under the provisions of the Convention;
• defining the rules of use of the electronic transit system with a view to completing customs formalities, etc.

For this reason, the arrangements set out in the operational conclusions of the Customs Sub-Committee on cooperation between Ukraine and the EU of 15 June 2017 could not be performed fully in 2017; according to the arrangements, the EU encouraged Ukraine to quickly adopt and implement the legal provisions concerning authorised economic operators, and Ukraine also undertook to continue its preparations for the secondary legislation implementation measures in this field.

Taking this into account, it was decided to develop and submit to the Verkhovna Rada of Ukraine a draft law enabling commencement of Ukraine’s accession to the Convention concerning the simplification of formalities in trade in goods and the Convention on a common transit procedure and incorporating the provisions of Draft Laws Nos. 5627 and 4777. As a result, the Cabinet of Ministers of Ukraine submitted Draft Law No. 7473 “On amending the Customs Code of Ukraine with respect to certain matters of implementation of Chapter 5 of Title IV of the Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Community and their Member States, of the other part” to the Parliament on 29 December 2017. Furthermore, a number of regulations aimed at achieving a set of legal, organisational and information technology objectives for the purposes of appropriate communication with the EU’s New Customs Transit System (NCTS) and introduction of the single administrative document, in compliance with the above Conventions, were adopted in 2017. This is a very important step towards Ukraine’s accession to the Convention on a common transit procedure because the successful one-year operation of the national NCTS module in the test mode is a precondition for being invited to accede to the Convention, which will significantly facilitate international trade for business entities.

Further, the work on introducing the “Single Window” automated system in checkpoints and customs clearance offices, which is intended to significantly simplify customs procedures and reduce the time for completing them, was in progress in 2017; a number of anti-corruption measures relating to customs operations were also taken, in particular the photo and video recording of customs inspections was introduced and the customs declaration automated allocation system was put into operation. Such measures will facilitate business activities of properly operating business entities, enhance control over customs officers and leave less room for corrupt practices.

Overall, as of 1 January 2018, 29% of Ukraine's obligations regarding the approximation of its customs legislation to EU law were fulfilled. Under the Association Agreement Implementation Action Plan, it is in 2018 that a large part of Ukraine’s commitments in this field is to be performed, namely the provisions of Regulations 952/2013, 1186/2009, 608/2013 and 1352/2013 are to be implemented.

The Government Office has already completed many arrangements for implementing the provisions of Regulation 952/2013 laying down the Union Customs Code. The arrangements for a comparative analysis of the conformity of the Customs Code of Ukraine with Regulation 952/2013 have begun; the analysis is to determine the provisions to be implemented.

KEY OBJECTIVES FOR THE NEXT YEAR:

In 2018, the Verkhovna Rada of Ukraine is to consider the following draft laws submitted by the Cabinet of Ministers of Ukraine:

• “On amending the Customs Code of Ukraine with respect to certain matters of implementation of Chapter 5 of Title IV of the Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Community and their Member States, of the other part” (Reg. No. 7473), which is aimed at enabling commencement of Ukraine’s accession to the Convention concerning the simplification of formalities in trade in goods and the Convention on a common transit procedure. The Draft Law suggests, in particular, establishing an effective institution of the authorised economic operator identical to that existing in the EU, with a perspective of further mutual recognition as set forth in Article 80 of the Association Agreement, which is one of the key bases for the customs cooperation between Ukraine and the EU;
• “On amending the Customs Code of Ukraine (concerning implementation of the EU-Ukraine Association Agreement)” (Reg. No. 4615) aimed at implementing Titles I and II of Regulation 1186/2009. The adoption of the Draft Law will enable the fulfilment of Ukraine’s obligations under the EU-Ukraine Association Agreement.
with respect to harmonising its national law with the EU acquis in the area of customs duty, VAT and excise tax exemptions.

- “On amending the Customs Code of Ukraine with respect to protecting intellectual property rights in relation to the movement of goods over the customs border of Ukraine” (Reg. No. 4614) aimed at implementing Regulation 608/2013.

  The Draft Law will allow to bring the national system for protecting intellectual property rights in foreign economic activity in conformity with the respective EU regulations and help prevent the movement of goods infringing intellectual property rights over the customs border.

  The referred draft laws are at different stages of their consideration by the Verkhovna Rada of Ukraine and, unfortunately, do not fully implement the respective EU regulations in the customs field. Since EU regulations by their legal nature apply generally and are fully binding in all Member States, further legislation will need to be adopted to ensure Ukraine’s compliance with its obligations in the customs field even if the referred draft laws are passed.

  Moreover, the Ministry of Finance intends in 2018 to continue the systemic customs reform and develop a conceptually different procedure for the cooperation between customs and supervisory authorities, on one hand, and foreign economic activity entities, on the other.

  The Ministry defined the following key areas for the reform:

  - reorganising customs authorities;
  - auditing and regulating customs procedures and processes in line with international standards;
  - systematising legislation;
  - upgrading the customs IT system;
  - customs data security;
  - reforming the customs valuation system;
  - developing the international customs cooperation;
  - establishing the in-house monitoring centre;
  - developing the automated risk management system;
  - new HR policy, and others.
COMPANY LAW AND CORPORATE GOVERNANCE

Effective company law rules and practices are one of important areas in achieving an attractive investment climate and better market access mechanisms in Ukraine.

This area lies within the purview of the Ministry of Economic Development and Trade of Ukraine, the National Securities and Stock Market Commission of Ukraine, the Ministry of Finance of Ukraine, the Ministry of Justice of Ukraine and the Antimonopoly Committee of Ukraine, which are responsible for implementing the relevant provisions of the Association Agreement.

The provisions of the Association Agreement relating to company law are set out in Article 387 of Title V “Economic and Sector Cooperation”.

According to Annex XXXIV, Directive 2009/102/EC must be implemented in the national legislation of Ukraine. In pursuance of this provision, the Ministry of Economic Development and Trade of Ukraine prepared the Draft Law “On amending certain legislative acts of Ukraine concerning single-member companies”.

With a view to implementing Directive 2007/36/EC, the Verkhovna Rada of Ukraine passed Law of Ukraine No. 2210-VIII “On amending certain legislative acts of Ukraine concerning simplifying the conduct of business and attraction of investments by issuers of securities” on 16 November 2017. The Law also improves the rules governing the procedure for convening general meetings of joint stock companies and the participation of shareholders in such companies.

To bring Ukrainian takeover provisions in compliance with EU law (Directive 2004/25/EC), the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 1983-VIII “On amending certain legislative acts concerning improvement of corporate governance in joint stock companies” in March 2017, which entered into force on 4 June 2017. The Law also implements the provisions on the right of minority shareholders to demand that a majority shareholder purchase their securities at a fair price (sell-out) and the latter’s right to demand that minority shareholders sell their respective shares (squeeze-out).

KEY OBJECTIVES FOR THE NEXT YEAR:

The incorporation of the provisions of Directive 2004/25/EC with respect to penalties for violating takeover legislation into the Ukrainian legislation, improvement of the Ukrainian legislation with a view to bringing the terms, procedures and effects of a merger and split-up of joint stock companies in compliance with EU law, establishing civil responsibility for wrongful acts in the course of a split-up or merger of joint stock companies for members of administrative and governing bodies and independent experts involved and taking into account the provisions of Directives 89/666/EEC and 2009/101/EC with regard to ensuring disclosure of mandatory information by foreign affiliates are set as priority development activities for this area in 2018.
ACCOUNTING AND AUDITING

For the purpose of creating a fully-functioning market economy and facilitating trade between Ukraine and the EU, appropriate international accounting and auditing standards are being introduced at the national level. Relevant provisions are also set out in Article 387(1)(b) of the Association Agreement and detailed in Annex XXXV.

The Ministry of Finance of Ukraine, the Ministry of Economic Development and Trade of Ukraine, the Ministry of Justice of Ukraine and the National Securities and Stock Market Commission of Ukraine are bodies vested with responsibility for these matters.

In order to define in the accounting clear criteria for classifying enterprises as micro, small, medium and large enterprises according to EU law, the Verkhovna Rada of Ukraine passed Law of Ukraine No. 2164-VIII “On amending the Law of Ukraine “On accounting and financial reporting in Ukraine” on 5 October 2017, which also provides the criteria for discharging enterprises from financial reporting obligations.

To align the Ukrainian auditing legislation with EU law, in particular the provisions of Directive 2006/43/EC, Directive 2013/34/EC and Regulation 537/2014, Law of Ukraine No. 2258-VIII “On audit of financial statements and auditing”, which sets out the financial reporting principles in accordance with EU law, was passed on 21 December 2017. More specifically, the Law requires auditing of financial statements of enterprises of public interest, medium and large enterprises, as well as enterprises with state-owned equity. The Law establishes the requirements for the disclosure of financial statements by enterprises and introduces penalties for violating the requirements for the preparation and disclosure of financial statements.

KEY OBJECTIVES FOR THE NEXT YEAR:

Drafting and adopting the regulatory framework to create a single register of auditors and audit firms, defining the conditions and procedure for the admission of auditors to auditing activities and adopting a regulation on certification of auditors are set as priority activities for 2018. The work should focus on establishing single requirements for consolidated financial statements in line with EU law, in particular approving National Accounting Regulation (Standard) 2 “Consolidated financial statements” and amending National Accounting Regulation (Standard) 1 “General requirements for financial statements”.

COMPETITION

The Association Agreement provides that the legal regulation of competition, being one of the fundamental principles of the market economy, is one of the key conditions for establishing the free trade area between Ukraine and the EU. The competition issues are covered by Chapter 10 of Title IV “Trade and Trade-related Matters” of the Association Agreement (Articles 253–261). The responsibility for this particular area lies with the Antimonopoly Committee of Ukraine (AMCU).

In compliance with the obligations to ensure free and undistorted competition in trade relations, pursuant to Article 255(6) of the Association Agreement, the Antimonopoly Committee of Ukraine developed and adopted its Guidelines on the application of part one of Article 25 of the Law of Ukraine “On protection of economic competition” (concerning assessment of horizontal concentrations) (No. 49-pp of 27 December 2016).

The Antimonopoly Committee of Ukraine continues publishing its decisions on its official website. AMCU’s practice is based on acts already adopted in 2016 for the purpose of implementing the provisions of Article 256 of the Association Agreement, in particular relating to the increased threshold financial indicators for controlling concentrations. AMCU issues its guidelines to ensure the uniform application of the methodology for calculating penalties for competition law violations under its amended Resolution No. 6-pp of 16.02.2016.

Pursuant to Article 256(3) of the EU-Ukraine Association Agreement and with a view to improving the system of controlling concerted actions of business entities, the Antimonopoly Committee of Ukraine adopted Resolution No. 10-pn “On approving the Standard Requirements for Vertical Concerted Actions of Business Entities and amending the Standard Requirements for Concerted Actions of Business Entities for the general exemption from the requirement to obtain a prior authorisation from bodies of the Antimonopoly Committee of Ukraine” on 12 October 2017.

KEY OBJECTIVES FOR THE NEXT YEAR:

The ongoing alignment of the application of law by AMCU with EU law and the development of the legal framework to bring the rules and procedures for controlling concerted actions relating to technology transfer in compliance with EU law are the priority objectives for 2018. Establishing the mechanism for an independent review of decisions on imposing any sanctions or obligations under Article 255(3)(b) of the Association Agreement is also one of the priorities.

STATE AID

Under the conditions of sharpened competition in international trade, government subsidies become
ENTREPRENEURSHIP

an important policy tool that facilitates business development, helps resolve social issues and supports the market. State aid may serve a powerful policy tool and be used to address issues that the market alone cannot solve or to approach social targets. Indeed, it is the state that, by virtue of its sovereignty, exclusively decides where and when to grant subsidies. However, it is important to pragmatically acknowledge and prevent possible negative effects of such government activities by reason of possible distortion of competition in the market and minimise such costs.

The provisions on state aid are set out in Chapter 10 “Competition” of Title IV “Trade and Trade-related Matters” (Articles 262–267).

The responsibility for this particular area lies with AMCU.

The Law of Ukraine “On state aid to business entities”, which was drafted by AMCU in the light of the commitments set out in the EU-Ukraine Association Agreement, became effective on 2 August 2017. The implementation results include equal conditions for business entities on commodity markets and sound protectionism of Ukrainian business.

The Antimonopoly Committee of Ukraine approved the procedure for submitting and processing communications on new state aid, the applicable conditions for granting state aid were amended, and the procedure for repaying illegal state aid that is unacceptable for competition was approved.

Taking account of the EU law approach, in particular Regulation 651/2014/EC, the criteria for assessing acceptability of state aid to business entities for professional training of employees (Resolution No. 11 of the Cabinet of Ministers of Ukraine of 10 January 2018) and the criteria for assessing acceptability of state aid to business entities for employment of specific employee categories and creation of new jobs (Resolution No. 33 of the Cabinet of Ministers of Ukraine of 31 January 2018) were approved.

The criteria for assessing acceptability of state aid for restoring solvency and restructuring business entities (Resolution No. 36 of the Cabinet of Ministers of Ukraine of 31 January 2018) were also approved.

KEY OBJECTIVES FOR THE NEXT YEAR:

The Ukrainian legislation is being further harmonised with the EU acquis in relation to monitoring and control of state aid to enterprises (amendments to the Law of Ukraine “On state aid to business entities”).

Approving the criteria for assessing acceptability of state aid to business entities for scientific research, technical development and innovation, and environmental protection to ensure regional development and support small and medium business.

INDUSTRY AND ENTREPRENEURSHIP

Transparent and open environment for the development of industrial policy results in an enhanced administrative structure and legal framework for Ukrainian and European business entities in Ukraine. To this end, the Association Agreement provides for developing cooperation between Ukraine and the EU with regard to the development of small and medium business and industry, taking into account internationally recognised principles and practices in these fields.

The cooperation on industrial and enterprise policy is provided in Title V “Economic and Sector Cooperation”, Articles 378–380 of the Association Agreement.

The Ministry of Economic Development and Trade of Ukraine, the Ministry of Energy and Coal Industry of Ukraine, the Ministry of Infrastructure of Ukraine, the Ministry of Finance of Ukraine, the Ministry of Education and Science of Ukraine, the State Space Agency and the Ministry of Agrarian Policy and Food of Ukraine are bodies vested with responsibility for these matters.

The Cabinet of Ministers of Ukraine approved the Strategy for Developing Small and Medium Business in Ukraine 2020 (Ordinance of the Cabinet of Ministers of Ukraine No. 504-p of 24 May 2017). The Strategy enables the coordination of activities of other government authorities to implement sound and comprehensive enterprise policy considering the current needs.

KEY OBJECTIVES FOR THE NEXT YEAR:
The drafting of the Strategy for Developing the Industrial Complex of Ukraine 2025 is in progress. The cooperation within the framework of the Europe Enterprise Network (EEN), according to the Agreement on Ukraine’s accession to the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises, is enhancing in Ukraine.

MINING AND METALS

To promote mutual understanding, improvement of the business environment and exchange of information on non-energy issues of the mining and
The cooperation in the field of tourism focuses on the following aspects:
- exchange of information, best practices, experience and “know-how” transfer, including on innovative technologies;
- establishment of a strategic partnership between public, private and community interests in order to ensure the sustainable development of tourism;
- promotion and development of tourism products and markets, infrastructure, human resources and institutional structures;
- development and implementation of effective policies and strategies, including appropriate legal, administrative and financial aspects;
- tourism training and capacity building designed to improve service standards;
- development and promotion of community-based tourism.

The founding meeting of the National Tourism Organisation was held in December 2016 to establish a consolidated professional association of the tourism industry. Thus, a permanent networking platform of the association of regional, city and sector tourism organisations was launched.

The Cabinet of Ministers of Ukraine approved the Tourism and Resort Development Strategy 2026 (Ordinance of the Cabinet of Ministers of Ukraine No. 168-p of 16 March 2017).

KEY OBJECTIVES FOR THE NEXT YEAR:
The National Tourism Organisation is setting up and strengthening its operations. The work on improving the legislation and amending the Law of Ukraine “On tourism” is being performed. To develop inbound and domestic tourism and export tourism services, the Ministry of Economic Development and Trade of Ukraine prepared the Draft Law of Ukraine “On amending certain legislative acts of Ukraine in the field of tourism”, for which the public consultation procedure is underway.
The procurement of supplies, works and services to satisfy the most important public needs is a public function that should be exercised according to the principle of rational use of public funds. To implement this principle, it is necessary to create a clear and transparent public procurement system and a proper appeal and monitoring system in this area.

Ukraine’s obligations set out in Articles 148–156 of Chapter 8 "Public procurement" of Title IV "Trade and Trade-related Matters" of the Association Agreement are aimed specifically at implementing the principle of rational use of public funds; in particular, Ukraine must harmonise its public procurement legislation with EU law and establish the efficient system based on the principles governing public procurement in EU Member States.

In addition, harmonising the legislation in this area with EU law will allow Ukrainian businesses to access EU Member States’ public procurement markets at the national, regional and local levels.

The Ministry of Economic Development and Trade of Ukraine (the “Ministry of Economic Development”) is responsible for performing Ukraine’s obligations regarding the approximation of its public procurement legislation to EU law.

Under Article 153 of the Association Agreement, Ukraine is required to bring its public procurement legislation in compliance with EU law within eight years, according to the phases set out in Annex XXI to the Association Agreement.

The first phase, during which the Ministry of Economic Development took measures to enshrine the basic public procurement principles in the legislation and establish the foundation of the institutional structure in line with EU standards, was completed in 2016.

At the second phase, which will continue until the end of 2018, it is necessary to amend the legislation with respect to terminology and standard procedures and make the Ukrainian legislation conceptually compliant with the requirements of EU directives in the area of public procurement.

Under Article 152 of Chapter 8 of Title IV of the Association Agreement, Ukraine is to develop a comprehensive roadmap for implementing the provisions of Chapter 8 of Title IV of the Association Agreement, which will determine several phases of the public procurement reform in accordance with the time schedules set out in Annex XXI-A to the Association Agreement.

However, certain EU acts listed in Annex XXI to the Association Agreement were amended, repealed or replaced with new EU acts after the Association Agreement was initialled on 30 March 2012.

At the same time, Article 149 of Chapter 8 of Title IV stipulates that value thresholds for public contracts...
as set out in Annex XXI-P must be revised regularly, beginning in the first reporting year following the entry into force of the Association Agreement.

To comply with the provisions of Article 152 of Chapter 8 of Title IV of the Association Agreement, the Cabinet of Ministers of Ukraine by its Resolution No. 175 of 24 February 2016 approved the Public Procurement System Reform Strategy (Roadmap), which required the implementation of applicable EU acts.

In order to update accordingly Ukraine's obligations under the EU-Ukraine Association Agreement, a decision of the Association Committee in its Trade configuration was drafted to amend Annex XXI to the Association Agreement and a positive opinion was issued on the above Roadmap for the Public Procurement System Reform, which was approved by the Government in December 2017 and is to be finally approved by the Association Committee in its Trade configuration during the first half of 2018.

In 2017, the Ministry of Economic Development took steps to carry out Resolution No. 928 of the Cabinet of Ministers of Ukraine of 23.11.2016, which approved the procedure for implementing the pilot project to set up the centralised public procurement agency.

The Secretariat of the Cabinet of Ministers of Ukraine, ministries and other central executive authorities became the pilot project participants in whose behalf public procurement procedures and public procurement under framework agreements will be conducted. Based on the results of and experience gained in the pilot project, an extensive system of centralised public procurement agencies will be established, particularly at the regional level.

By Order No. 20 of the Ministry of Economic Development of 12.01.2017, the functions of a centralised public procurement agency were assigned to the State Agency Professional Procurement, and the list of supplies and services that may be purchased by a centralised public procurement agency was approved. The primary objective of such an agency is to increase public procurement efficiency by consolidating orders into big tenders and engaging qualified public procurement specialists. Further, Ukrainian delegates took part in the meeting of the WTO Committee on Government Procurement in Geneva in 2017 where they proposed to implement the pilot project regarding setting up an e-portal to aggregate data on international tenders of the WTO members who are parties to the Agreement on Government Procurement. Overall, as of 1 January 2018, 33% of Ukraine's eight-year obligations regarding the approximation of its public procurement legislation to EU law were fulfilled.

**KEY OBJECTIVES FOR THE NEXT YEAR:**

According to the Association Agreement Implementation Action Plan, it is in 2018 that a significant part of Ukraine's public procurement commitments is to be carried out, namely:

- introduction of key concepts as set forth in Directives 2014/24/EC and 2014/25/EC to the Ukrainian legislation;
- establishment of a support service based on the Ministry of Economic Development;
- introduction of a Code of Conduct for all public procurement entities;
- creation of a module to conduct public procurement under framework agreements in the e-procurement system;
- development of a specification for integrating technical solutions into a single information and analytical system to ensure switching public procurement to e-format, in particular public procurement planning and keeping within respective budgets in order to exchange data on identification and verification of information on business entities, provide the possibility of free access to information (documents) on public procurement procedures and reliable communication between customers and participants during the procedures set forth in the Law of Ukraine "On public procurement", including the possibility of submitting and accepting proposals in electronic form (based on the standards for the use of electronic catalogues), and support the selection by customers of the most economically viable proposals (in particular, electronic auctions).

It should be emphasised that Draft Law No. 7206 “Buy Ukrainian, pay Ukrainians” is likely to have extremely negative effect on the performance of
Ukraine’s obligations under the Association Agreement and within the framework of the WTO. The requirement of this Draft Law regarding the local content grossly violates the principle of national treatment/non-discrimination and contravenes the WTO Agreement on Government Procurement (GPA) (Article III) and the Association Agreement between Ukraine and the EU (Chapter 8, Articles 148 and 151), as well as relevant EU Directives.

For reference:
In the first quarter of 2017, according to the results of successful (competitive and non-competitive) above-threshold procedures, 45,351 contracts were concluded for a total amount of UAH 94.026 billion. At the same time, 162,468 contracts were concluded in below-threshold procurement (for a total amount of UAH 21.660 billion).

The level of saving is: UAH 3.55 billion for above-threshold procurement and UAH 0.83 billion for below-threshold procurement.

In the second quarter of 2017, 202,403 contracts were concluded for a total amount of UAH 113.9 billion, of which 31,607 contracts were above-threshold procurement and 170,796 contracts were below-threshold procurement.

Savings in the second quarter of 2017 totalled about UAH 9.3 billion: UAH 1.7 billion in below-threshold procurement and UAH 7.7 billion in above-threshold procurement. Compared to the first quarter of 2017, the level of saving more than doubled in the second quarter.
Chapter 9 of the Association Agreement has the objective to facilitate the production and commercialisation of innovative and creative products in the Parties and achieve an adequate and effective level of protection and enforcement of intellectual property rights.

The Association Agreement also defines standards relating to intellectual property rights. Pursuant to the Agreement, the obligations to implement EU law provisions governing the protection of intellectual property rights are to be fulfilled by 2023. At the same time, there are no implementation obligations in 2017.

That being said, the overall progress in fulfilling intellectual property obligations as of 2017 totalled 40% on a ten-year basis.

This progress is associated with the comprehensive draft legislative acts, which were developed by the Cabinet of Ministers of Ukraine, on copyright and related rights, protection of geographical indications, industrial property, inventions and utility models and management of property right holders’ copyrights and/or related rights.

The adoption of these legislative initiatives will provide a proper basis for the timely fulfilment of the obligations under the Agreement in this field. After all, as soon as such legislation is adopted, a long process of its institutional and methodological implementation will begin.

Obligations under the Association Agreement and Their Fulfilment Progress


- “On amending certain legislative acts of Ukraine concerning improving the protection of semiconductor topography rights” (Reg. No. 5694);
- “On amending certain legislative acts of Ukraine concerning improving the legal protection of intellectual (industrial) property” (Reg. No. 5699);
- “On amending certain legislative acts of Ukraine concerning improving the legal protection of inventions and utility models” (Reg. No. 7538);
- “On amending certain legislative acts of Ukraine concerning regulating matters of copyrights and related rights” (Reg. No. 7539);
- “On efficient management of property right holders’ copyrights and/or related rights” (Reg. No. 7466).

PROTECTION OF GEOGRAPHICAL INDICATIONS

In order to achieve the European level of protection of intellectual property rights, perform the obligations assumed by Ukraine under the Association Agreement, in particular its Articles 204–207, and the provisions of Regulation (EC) No. 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs and improve the intellectual property legal framework with regard to the legal protection of geographical indications, the Government submitted
the Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning improving the legal protection of geographical indications” (No. 6023) to the Verkhovna Rada of Ukraine for consideration in February 2017.

In May 2017, the constituent meeting of the EU-Ukraine Sub-Committee on Geographical Indications was held, during which the European side provided updated information on the EU’s geographical indications to allow Ukraine, in accordance with its national legislation, to initiate the opposition procedure for new names and for any other procedures necessary to subsequently modify Annexes XXII-C and XXII-D to the Association Agreement. This information is being processed now by the State Enterprise Ukrainian Intellectual Property Institute, and a joint workshop will be held thereafter to determine the format for publishing the information provided by the European side.

In pursuance of the Sub-Committee’s 1st meeting’s Operational Conclusions, the Ukrainian side provided the EU side with relevant information on the protection of Ukrainian geographical indications within the framework of the Association Agreement, in particular on exhibiting products labelled with Ukrainian geographical indications in Russian booths at trade fairs held in EU Member States (through Sub-Committee Secretary of the EU side), and information on new institutional, legislative and administrative changes regarding geographical indications (sent by letter to the EU Delegation in Ukraine).

**KEY OBJECTIVES FOR THE NEXT YEAR:**

For 2018, Articles 201–211 and Annex XXII to Chapter 9 of Title IV of the Association Agreement provide for ensuring the exchange of information on geographical indications to define their protection under the Agreement, ensuring the exchange of information, experience and data between public and private institutions with respect to developing geographical indication legislation, policy and practice, informing business representatives of the application and protection of geographical indications, assisting producers and their associations in conducting rebranding of the products concerned to comply with the provisions on transitional periods under Article 208 of the Agreement and promoting new product names in Ukrainian, EU and third-country markets. The Ministry of Economic Development, the State Intellectual Property Service, the State Fiscal Service and the Ministry of Agrarian Policy and Food were assigned responsible for developing and implementing laws and regulations.

The Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning improving the government control of intellectual property” is planned to be sent to central executive authorities for approval, published on the website of the Ministry of Economic Development and Trade for its public discussion and submitted to the Government for consideration in the first quarter of 2018.
ENERGY EFFICIENCY AND HOUSING AND UTILITY SECTOR

The Association Agreement enables Ukraine to cooperate with the EU in enhancing energy efficiency, in particular through policy development and improvement of the legal framework for introducing appropriate EU standards. In addition, the commitments include enhancing energy efficiency in the production, transportation, distribution and use of energy, introducing efficient cogeneration and establishing market mechanisms to support energy efficiency. The approximation to EU standards in the housing and utility sector should be achieved through the efficient energy use in buildings and in the public consumption of heat and energy and through the introduction of energy metering and energy management.

In 2017, Ukraine made significant progress towards implementing EU energy efficiency directives. As a result of the collaborative work of the legislative and executive branches of government, with the expert support of the Energy Community Secretariat, the European Commission and of the technical assistance projects, a number of framework laws regulating the energy efficiency market, which implement the requirements for energy efficiency and certification of buildings, the system for organising commercial metering of different energy types, the requirements for public procurement of energy services, the organisation of the utility service market and the basic law necessary to launch the Energy Efficiency Fund, which will provide financial support to residential building energy rehabilitation projects, were adopted.

A number of fundamental energy efficiency laws were adopted in 2017:

Law of Ukraine No. 2095-VIII “On the Energy Efficiency Fund”, which provides for establishing an innovative financial instrument that will allow for faster development of the energy efficiency sector. The establishment of such Fund will help attract significant investments in energy efficiency, namely about EUR 100 million of grant funds from the German government, as well as resources from the Ukrainian state budget.

Law of Ukraine No. 2119-VIII “On commercial metering of heat and water supply”, which allows individuals to pay only for energy resources and utility services they actually consume. Since it is impossible to save what is not recorded, ensuring the commercial metering of utility services is a proper standard of energy efficiency.

Law of Ukraine No. 1707-VIII “On energy efficiency in buildings”, which is aimed at reducing energy consumption in buildings and improving residential energy efficiency. The Ukrainian residential energy saving potential is 34%. After utility service fees in Ukraine rose, energy-efficient residential property appreciated. No specific legislation had existed in this field before then. The Law introduced residential energy efficiency labelling, an energy efficiency certification of
construction projects and existing buildings necessary to determine actual energy efficiency characteristics.


In December 2016, the Member States of the International Renewable Energy Agency (IRENA) authorised Ukraine’s accession. Ukraine’s membership in IRENA will contribute to the fulfilment of international commitments with respect to increasing the share of renewable energy in the energy balance to 11% by 2020. In particular, such membership will make it possible to:

- apply to the Abu Dhabi Fund for Development (#ADFD, http://www.adfd.ae) for up to 20-year concessional loans for green projects bearing interest at 1–2% (http://www.irena.org/ADFD);
- receive further guarantees for investors interested in investing in Ukrainian renewable energy projects;
- attract renewable energy innovations from across the world;
- receive IRENA’s recommendations for improving renewable energy legislation.

By its Resolution No. 605-p of 18 August 2017, the Cabinet of Ministers of Ukraine approved the Energy Strategy of Ukraine 2035 “Security, energy efficiency and competitiveness”. This is a policy paper fully describing large-scale reforms in the country’s energy sector. The new energy policy of Ukraine is based on the objectives to reduce energy consumption by its economy by half until 2030 and increase the domestic production of both traditional and alternative energy sources, in particular reach a target renewable energy share of 25% by 2035.

On the other hand, to fully comply with Ukraine’s energy efficiency commitments, it is necessary to adopt a number of regulations and develop methodological guidelines on energy efficiency, without which it is impossible to implement properly EU rules and standards in this field. For example, in relation to ecodesign requirements, ten regulations are being drafted and approved; nine regulations have been drafted to launch the Energy Efficiency Fund, two of which have been approved already by the Government; and the Financing Agreement to build the Fund’s financial capacity was prepared and negotiated with the European side.

The energy efficiency laws introduced by the Government and adopted by the Verkhovna Rada of Ukraine are intended to reduce energy consumption by increasing energy efficiency, namely putting into practice energy-saving technologies and smart use of energy resources. The adopted laws provided effective ways, practically verified in EU countries, to struggle for Ukraine’s energy self-sufficiency.

The institutions responsible for fulfilling the assumed commitments are: the Ministry of Regional Development, Construction and Housing of Ukraine, the State Agency for Energy Efficiency and Energy Saving of Ukraine, the Ministry of Energy and Coal Industry of Ukraine, the Ministry of Ecology and Natural Resources of Ukraine, the Ministry of Agrarian Policy and Food of Ukraine, the State Service of Ukraine for Food Safety and Consumer Protection and the National Energy and Utilities Regulatory Commission.

**FULFILLMENT PROGRESS OF OTHER OBLIGATIONS**

According to Articles 56 and 57 of the Association Agreement, Ukraine is obligated to gradually achieve conformity with EU technical regulations and standardisation, metrology, accreditation, conformity assessment and market surveillance systems and adhere to the principles and practices set forth in applicable EU decisions and regulations.

To comply with those obligations, the following regulations approving the energy efficiency technical regulations were adopted in 2017:


- Resolution No. 360 of the Cabinet of Ministers of Ukraine “On approving the Technical Regulation on Energy Labelling of Televisions” of 24.05.2017, which implements the provisions of Commission Delegated
Energy Efficiency and Housing and Utility Sector


In the context of the European integration commitments and to improve energy and environmental characteristics of goods, the Ukrainian central executive authorities developed a number of technical regulations on ecodesign. Ecodesign helps remove goods with the worst energy and environmental characteristics from the market and sets minimum energy and environmental parameters applicable to all products within a specific category and intended to protect people and the environment.

Thus, first technical regulations on ecodesign were developed in 2017, in particular “On approving the Technical Regulation on Ecodesign Requirements for Fans Driven by Motors with Nominal Electrical Power of 125 W to 500 kW” and “On approving the Technical Regulation on Ecodesign Requirements for Water Pumps”, which are being considered by the Ukrainian Government.

The approval of the technical regulations on ecodesign will allow for gradual removal from the market of goods having the most negative effect on the environment since they regulate all environmental impacts throughout the life cycle of a product, from its concept, design, production and use to its disposal. However, those regulations now usually set minimum energy efficiency standards, thus requiring that all products within a category meet mandatory energy efficiency requirements.

The approximation of the national legislation to the EU technical regulations as referred to in the EU-Ukraine Association Agreement will ensure:

- adopting technical regulations on energy labelling;
- effective functioning of the system of technical regulation and supervision of the market circulation of energy-consuming devices;
- developing national standards compliant with the European harmonised standards.

**KEY OBJECTIVES FOR THE NEXT YEAR:**

Further harmonisation of the Ukrainian energy labelling legislation with EU law will contribute to:

- trade exchange between Ukraine and the EU;
- increasing Ukrainian businesses’ competitiveness and the overall improvement of the competitive environment as a key economic factor;
- raising product quality requirements and standards;
- enhancing consumer protection;
- fulfilment by Ukraine of its international commitments.

To this end, the focus in 2018 will be on drafting and enforcing a number of legislative acts aimed at implementing EU provisions relating to this area into the national legislation, in particular: “On approving the Technical Regulation on Establishing a System for Determining Ecodesign Requirements for Energy-Related Products”, “On approving the Technical Regulation on Ecodesign Requirements for New Hot-Water Boilers Fired with Liquid or Gaseous Fuels” and “On approving the Technical Regulation on Ecodesign Requirements for Electric Motors”. A total of about 16 regulatory acts are expected to be approved in this field.
The Association Agreement envisages large-scale reforms in the gas, oil and electricity sectors with a view to introducing market mechanisms, ensuring equal opportunities, protecting consumer rights and reducing impact on the environment. Furthermore, considerable attention is devoted to the issues of energy security and development of interstate cooperation.

2017 was marked by a number of important achievements in the domestic energy sectors, in particular:

- the Draft Law of Ukraine “On the electricity market of Ukraine” was adopted;
- the Agreement on the Conditions for the Future Interconnection of the Power System of Ukraine and Moldova with the Power System of Continental Europe was signed;
- the Stockholm tribunal rendered its award concerning gas supply to Ukraine;
- the Ukrainian Government approved the Energy Strategy of Ukraine 2035;
- the Action Plan for implementing the Memorandum on the EU-Ukraine Strategic Energy Partnership was adopted.

However, there was a slowdown in reforms due to the delay in appointing independent members of the National Energy and Utilities Regulatory Commission and the delay in developing and approving implementation action plans for framework sectoral strategies, such as the Energy Strategy and the National Plan for Reducing Emissions from Large Combustion Plants.

During 2017, Ukraine did not advance much in fulfilling its commitments to continue the reform of the natural gas market. The legislative process, which occurs through the Committee for Fuel and Energy Complex in the Verkhovna Rada of Ukraine, remains critically important.

The Verkhovna Rada of Ukraine currently considers draft laws that are of major priority and important for the implementation of the Association Agreement. These are, in particular:

- The Draft Law of Ukraine “On ensuring transparency in mining industries” (Reg. No. 6229). The Draft Law is aimed at enhancing the transparency of economic activities in mining industries and at implementing EU Directives 2013/34/EU, 2013/50/EU and 2007/14/EC.
- The Draft Law of Ukraine “On amending certain laws of Ukraine in the field of nuclear energy use” (Reg. No. 5550). The Draft Law implements Directive 2013/59/Euratom with respect to the regulation of the issues of uranium ore mining and processing, introduction of licensing for uranium ore processing, radiation protection and reduction of radiation risks;
- The Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning the
simplification of certain aspects of the oil and gas industry” (Reg. No. 3096-д);  
- The Draft Law of Ukraine “On amending certain legislative acts of Ukraine (concerning their alignment with the Law of Ukraine “On natural gas market”)” (Reg. No. 4868);  

ENERGY SECURITY

Pursuant to Article 338 of the Association Agreement, the mutual cooperation shall cover the development and implementation of energy strategies and policies, the elaboration of forecasts and scenarios, as well as the improvement of the statistical recording system in the energy sector based on timely exchange of information on the energy balances.

One of the main tasks related to implementing the Energy Strategy 2035, which is approved by Resolution No. 605-p of the Cabinet of Ministers of Ukraine of 18 August 2017, is to solve energy security problems under the conditions of the urgent need to ensure the sovereignty of the state in the face of external aggression. The solution to these problems should be achieved by using transformational mechanisms during the period until 2020 and defining strategic development benchmarks for the period until 2035. During 2017, Ukraine adopted an active position with respect to defending its interests and the inadmissibility of carrying out Russia’s North Stream II and Turkish Stream projects, whose gas pipelines bypass Ukraine.

The joint efforts of Ukraine, Central European and some Northern European countries could slow down the implementation of North Stream II through the Baltic Sea. Major efforts now aim at calling the international partners’ attention to the importance of observing the solidarity principle and the terms of Article 274 of the Association Agreement with regard to joint consultations and taking into account the partners’ interests in considering the issues of the further construction of the Turkish Stream gas pipeline.

The award of the Stockholm tribunal concerning the contract for the supply of natural gas to Ukraine of 19 January 2009 between Naftogaz and Gazprom gives Ukraine an opportunity to harmonise its Russian gas import practices with the realities of the European gas market.

For instance, Naftogaz and Gazprom started negotiations on the price aspects of the Stockholm tribunal’s award in 2017 and should continue them with the participation of the European side.

ENERGY REGULATION

It was planned to refresh the composition of the National Energy and Utilities Regulatory Commission (NEURC) during 2017 in accordance with the procedures and provisions of Law of Ukraine No. 1540-19 “On the National Energy and Utilities Regulatory Commission” of 22 September 2016, which came into effect on 26 November 2016.

Because of the delayed appointment by the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine and the Presidential Administration of the members of the Competition Commission for selection of candidates for the positions of NEURC members, the rotation of the current composition of the regulatory authority failed in 2017.

To this end, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 7342-1 “On amending the Law of Ukraine “On the National Energy and Utilities Regulatory Commission”, by which the President of Ukraine is authorised to appoint, out of competition, several members of the regulatory authority for a short period until its new members will be appointed through an open competitive selection process. Thus, the process of selecting five members of the National Energy and Utilities Regulatory Commission began on 29 December.

The delays in NEURC’s activities also resulted in the untimely adoption of all regulations aimed at implementing the Law of Ukraine “On the electricity market”.

In 2017, NEURC managed, however, to ensure the development and adoption of a number of regulations to fulfil the commitments to reform the natural gas and electricity markets and finalise the Draft Distribution Systems Code.

For example, NEURC developed and approved a number of resolutions, in particular:

- the Resolution “On approving the Amendments to the Methodology for Determining and Calculating Natural Gas Distribution Service Tariffs” of 19.01.2017;  
- Resolution No. 201 “On approving the Licensing terms for Business Activities in the Natural Gas Market” of 16.02.2017;  
- Resolution No. 202 “On approving the Licensing Terms for Business Activities Related to Transporting Oil and Oil Products by Main Gas Pipeline” of 16.02.2017;  
- Resolution No. 690 “On approving the Procedure for Determining Tariffs for Transporting Oil and Oil Products by Main Gas Pipeline” of 25.05.2017;  
- In pursuance of the Law of Ukraine “On the
energy market”, the following NEURC’s resolutions were passed at its open meetings:
- Resolution No. 309 “On approving the Licensing Terms for Business Activities Related to Electricity Generation” of 22.03.2017;
- Resolution No. 441 “On approving the Amendments to the Rules for Connection of Electrical Installations to Electricity Networks” of 30.03.2017;
- Resolution No. 492 “On approving the Amendments to the Rules for Electricity Use” of 06.04.2017;
- Resolution No. 504 “On approving the Licensing Terms for Business Activities Related to Electricity Supply” of 13.04.2017;
- Resolution No. 932 “On approving the Licensing Terms for Business Activities Related to Electricity Distribution” of 25.07.2017;
- Resolution No. 989 “On approving the Methodology for Determining, Calculating and Setting the Tariff for Electricity Generated by Hydroelectric Power Plants” of 01.08.2017;
- Resolution No. 990 “On approving the Methodology for Determining, Calculating and Setting the Tariff for Electricity and Heat Generated by Nuclear Power Plants, Thermal Power Plants and Cogeneration Units” of 01.08.2017;
- Resolution No. 1144 “On approving the Methodology for Determining, Calculating and Setting the Tariff for Electricity and (or) Heat Generated by Combined Heat and Power Plants, Thermal Power Plants and Cogeneration Units” of 01.08.2017;
- Resolution No. 1469 “On approving the Licensing Terms for Business Activities Related to Electricity Supply to Consumers” of 27.12.2017;
- Resolution No. 1470 “On approving the Licensing Terms for Business Activities Related to Electricity Distribution” of 27.12.2017;
- Resolution No. 1466 “On approving the Licensing Terms for Business Activities of a Market Operator” of 27.12.2017;
- Resolution No. 1467 “On approving the Licensing Terms for Business Activities Related to Electricity Generation” of 27.12.2017;
- Resolution No. 1468 “On approving the Licensing Terms for Business Activities Related to Electricity Resale (Trading Activities)” of 27.12.2017;
- Resolution No. 1471 “On approving the Licensing Terms for Business Activities of a Guaranteed Buyer” of 27.12.2017;

On 27 December 2017, the following NEURC’s draft resolutions were approved at its open meeting: “On approving the Market Rules”; “On approving the Rules for the Day-Ahead Market and Intraday Market”; “On approving the Distribution Systems Code”; “On approving the Electricity Commercial Metering Code”; “On approving the Methodology (Procedure) for Determining Fees for the Connection to the Transmission System and Distribution Systems”.

NATURAL GAS MARKET

During 2017, the Verkhovna Rada of Ukraine was considering Draft Law of Ukraine No. 6229 “On ensuring transparency in mining industries”.

The delay in adopting the aforementioned legislative act prevents the creation of transparent environment with clear accountability in the mining industries, in particular in gas production.

The Ministry of Energy and Coal Industry of Ukraine has already prepared the Draft Resolution of the Cabinet of Ministers of Ukraine “On amending the Procedure for Ensuring Transparency in Mining Industries”, which will contribute to fulfilling Ukraine’s obligations to prepare the 2016 report within the framework of the Extracting Industries Transparency Initiative by strengthening liability for the failure to provide data.

ELECTRICITY MARKET

The signing of the Agreement on the Conditions for the Future Interconnection of the Power System of Ukraine and Moldova with the Power System of Continental Europe and its entry into force on 7 July 2017 are an important step towards the further integration of Ukraine’s power system with the European electricity market. To ensure the successful connection of the Unified Energy System of Ukraine to the synchronous zone of Continental Europe, the Draft Action Plan for Synchronisation of the Unified Energy System of Ukraine with ENTSO-E, which offers ways of solving organisational, technical and legal issues in line with ENTSO-E’s requirements, was developed. The key areas provided by the Plan include:
- modernisation/reconstruction of generating capacities (power generating units of power plants);
- modernisation/reconstruction and new construction of transmission and distribution network facilities;
modernisation/reconstruction and new construction of the power management system facilities;
harmonisation (development/review) of regulatory and technical requirements for the power system operation.

On 13 April 2017, the Law of Ukraine “On the electricity market” was passed. The Law defines the mechanisms for fulfilling Ukraine’s obligations under Article 338 of the Association Agreement with respect to the modernisation and enhancement of existing energy infrastructures of common interests, including energy generating capacities and the integrity, safety and security of the energy networks, and progressive integration of the Ukrainian electricity network into the European electricity network.

With a view to implementing the Law, a number of regulations aimed at establishing basic conditions for reforming the electricity market of Ukraine for the purpose of its further integration and expansion were adopted in 2017, in particular NEURC’s Resolutions “On approving the Rules for Managing Restrictions and the Procedure for Allocating Interstate Crossing Capacity”; “On approving the Model Agreement on Access to Interstate Crossing Capacity (Interstate Electricity Networks of Ukraine)”; “On approving the Methodology for Determining the Available Interstate Crossing Capacity (Interstate Electricity Networks of Ukraine)”.

During the first half of 2018, it is necessary to intensify work on creating technical and regulatory preconditions for importing electricity from EU Member States.


By its Order No. 752 of 18.12.2017, the Ministry of Energy and Coal Industry of Ukraine made the decision to announce a competitive selection of candidates for filling four vacant posts of independent members of the Supervisory Board of SE NPC Ukrenergo.

On 21 June 2017 in Kyiv, SE NPC Ukrenergo and SEPS signed the Memorandum of Understanding and Cooperation on Increasing the Transfer Capacity Between the Energy Systems of Ukraine and Slovakia.

**OIL AND OIL PRODUCT MARKET**

Pursuant to Resolution No. 503-p of the Cabinet of Ministers of Ukraine of 21.06.2017, the State Reserve Agency of Ukraine was designated responsible for the formation of the minimum reserves of oil and oil products (MROOP) in Ukraine, in accordance with the requirements of Directive 2009/119/EC.

In November 2017, the working group discussed and approved the EC Advisory Group’s recommendations on the draft MROOP model, which in particular provide for the preparation and adoption of a separate law on the MROOP, establishment of an independent non-profit Agency for the formation and management of the MROOP system, conclusion by the Agency of long-term contracts on economically sound grounds with the MROOP storage operators, as well as the leading role of the enterprises of the State Reserve system and PJSC Ukrtransnafta in the storage of oil products and oil within the MROOP system.

On 20 June 2017, the amendments to Resolution No. 1069 of the Cabinet of Ministers of Ukraine of 28.12.2016 “On approving the list of products in respect of which the state market surveillance is carried out by the state market surveillance authorities” entered into force; pursuant to the amendments, the State Ecological Inspection of Ukraine is authorised to carry out the state market surveillance of such types of products as “motor gasoline and diesel, marine and boiler fuels”.

For the purpose of fulfilling the taxation obligations as set out in Chapter 4 of Title V relating to economic and sector cooperation, and respective Annex XX-VIII relating to indirect taxation, Ukraine and the EU cooperate to enhance good governance in this field and further improve the economic relations, trade, investments, fair tax competition, as well as to facilitate the collection of legitimate tax revenues in our country (according to Articles 349–350 of the Agreement).

Further, the improvement of Ukraine’s tax system will contribute to ensuring the efficient tax collection and reinforcing the fight against tax fraud and smuggling of excisable products (in accordance with Articles 351–352 of the Agreement), which also means a gradual increase in excise rates.

The increase in excise rates on tobacco products to the EU level may, however, result in the decline of tobacco production in Ukraine.

Among other consequences, the implementation of provisions in this field will mean the development of Ukraine’s tax system, including its tax administration system, and the reduction in the level of shadow economy and smuggling of excisable products will cause an increase in budget revenues.

The government authorities responsible for this area include: the Ministry of Finance of Ukraine, the State Fiscal Service of Ukraine, the Ministry of Economic Development and Trade of Ukraine, the Ministry of Justice of Ukraine, the Ministry of Foreign Affairs of Ukraine, as well as the Ministry of Internal Affairs of Ukraine, the Ministry of Health of Ukraine, the National Bank of Ukraine, the National Commission for State Regulation of Financial Services Markets, the National Securities and Stock Market Commission of Ukraine.

It should be noted that the Ministry of Finance and the State Fiscal Service are involved the most in implementing the obligations. The Verkhovna Rada of Ukraine plays an equally important role.

In particular, certain progress as to the implementation of Directive 2011/64/EU on the structure and rates of excise duty applied to manufactured tobacco was achieved during 2017. It should be noted that the Tax Code of Ukraine (hereinafter referred to as the “Tax Code”) in its current version of 2018 and Order No. 401 of the State Fiscal Service of Ukraine “On approving the Notes to the Ukrainian Classification of Goods for Foreign Economic Activity” of 2015 already take into account part of the respective provisions of Directive 2011/64/EU, which are to be implemented within two years after the effective date of the Agreement.

The Cabinet of Ministers of Ukraine further approved and submitted to the Verkhovna Rada of Ukraine for consideration the Draft Law of Ukraine “On
amending the Tax Code of Ukraine with respect to the approximation of excise rates on manufactured tobacco to the minimum level applicable in the EU” (Reg. No. 7110-1), which generally takes into account the provisions of Directive 2011/64/EU.

The special Law on amending the Tax Code (which was passed at the end of 2016) with respect to ensuring the balance of the budget revenues in 2017 updated the national classification of respective products in accordance with specific provisions of Directive 92/83/EEC on the harmonisation of the structures of excise duties on alcohol and alcoholic beverages; in relation to excise rates on alcoholic beverages, the excise rates were in particular increased by 20%, and the excise tax provisions were thus aligned with EU requirements.

The Verkhovna Rada of Ukraine adopted the Law of Ukraine “On amending the Tax Code of Ukraine and certain legislative acts of Ukraine with respect to ensuring the balance of the budget revenues in 2018”, which provides that excise rates on manufactured tobacco will gradually approximate the minimum applicable EU level by 2025.

The Law stipulates in particular that the minimum excise tax obligation will increase gradually by 2025 to a minimum EU level of no less than the equivalent of EUR 90 per 1,000 pieces. More specifically, the minimum excise tax is to increase in 2018 by a consumer price index of 11.2% and then additionally by 16.7%; thereafter, it is to increase by 20% each year until 2025; specific excise rates are to increase gradually in proportion to the minimum excise duty obligation until 2025; as of 2025, the share of the total tax obligations in the weighted average retail sale price of cigarettes will amount to at least 60%.

Therefore, all the measures as described above should ensure the highest level of excise tax revenues to the budget.

Further, specific provisions are being implemented in accordance with the timetable established until 2019 with respect to Directive 2006/112/EC on the common system of value added tax, which is already partially reflected in the effective Tax Code.

The progressive implementation of the provisions of Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity has also continued since 2016; now the application of certain provisions was rescheduled for 2019 pursuant to the special Law.

According to the obligations, in particular Article 352 of the Association Agreement, the Cabinet of Ministers of Ukraine adopted Resolution No. 570-p “On approving the Strategy for Prevention of Illicit Tobacco Production and Trafficking 2021”, which is aimed at eliminating illicit trade in cigarettes and other manufactured tobacco, their illicit production and counterfeiting.

However, specific provisions of EU directives were implemented only in part in 2016; in particular, the issues of the introduction of the provision concerning non-standard size cigarettes and of the excise tax exemption mechanism for denatured tobacco products modified by the manufacturer and for products intended exclusively for research trials, according to EU provisions, and bringing the Ukrainian legislation on tobacco in conformity with the EU acquis (with regard to definitions and exemptions) are still to be resolved.

Therefore, in taking further steps towards harmonising the provisions of the Tax Code and other regulations with the requirements of EU directives, if any discrepancies are identified, EU experts should be engaged to carry out the preliminary analysis.

At the same time, the implementation of the Directive 2007/74/EC on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries was behind schedule in 2017. The Draft Law “On amending the Customs Code of Ukraine” (Reg. No. 4615) submitted in 2016 by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine for consideration, which provides for quantitative restrictions on import of excisable goods exempt from VAT and excise tax, in line with Directive 2007/74/EC, was not considered by the Verkhovna Rada of Ukraine during the reporting period.

Ukraine, thus, still must make the necessary amendments to the Customs Code to take fully into account the quantitative restrictions on import of excisable goods, namely alcoholic beverages and manufactured tobacco, and on import of certain quantities of fuel exempt of VAT and excise tax, in accordance with EU requirements.

The timetable for aligning the excise duties on manufactured tobacco and alcoholic beverages with EU requirements remains to be approved by the EU-Ukraine Association Council.

As part of fulfilling the obligations relating to exchanging tax information, the Ministry of Finance of Ukraine reviews conventions for the avoidance of double taxation and the prevention of fiscal evasion with a view to bringing them in conformity with the requirements of the OECD Model Convention, which in particular significantly enhances the possibilities for the exchange of tax information. The national procedures necessary for signing the Protocols amending the
double taxation conventions with the Kingdom of the Netherlands and the Republic of Austria are to be completed at the beginning of 2018.

The Ministry of Finance of Ukraine further developed and, in May 2017, submitted for discussion the detailed Roadmap for Implementation of Base Erosion and Profit Shifting (BEPS) Action Plan, under which Ukraine assumed the obligations to implement the so-called BEPS minimum standard, namely the four mandatory actions of the package consisting of 15 actions. Namely, increasing the effectiveness of actions against harmful tax practices, preventing the abuse of benefits provided under double taxation treaties, introducing obligatory documentation of transfer pricing and reporting by multinational companies based on the countries of operation, as well as increasing the effectiveness of mechanisms for resolving disputes between countries regarding double taxation treaties.

The regulations on the administration of excise tax on oil products and regulations on excise duty are scheduled to be adopted in 2018 to harmonise those acts with EU provisions.
STATISTICS AND EXCHANGE OF INFORMATION

In order to implement the Association Agreement, the following was developed and approved in 2017:


• Guidelines on the Typology of Agricultural Producers Taking into Account the Requirements of European Statistics Legislation. The document was developed in accordance with EC and Eurostat requirements for the harmonised typology of agrarian households. 

• Methodology for Applying the Sampling Method in the State Statistical Observation “Use of fuel and fuel reserves”.  

The following step towards harmonising legislation with the EU acquis in the field of statistics should be the adoption of the Draft Law of Ukraine “On amending certain laws of Ukraine that regulate state statistics activity” (Reg. No. 4584).

KEY OBJECTIVES FOR THE NEXT YEAR:

• Developing and implementing the Single Official Statistical Information Web Portal, with the support of the EU, for creating a powerful and convenient web-based toolkit to provide users with necessary statistical information in accordance with European standards;

• Developing, in cooperation with TAIEX experts, the Guidelines on Professional Education and Life-Long Learning Statistics;

• Continuing working on a toolkit for state statistical observation of businesses’ fishery activities;

• Developing a methodology for estimating end-use energy consumption by households according to its intended purpose using mathematical modelling methods.
The implementation of the European standards in the field of resource-saving, environmental protection, subsoil use, environmental management systems and environmental criteria for goods and services will allow domestic manufacturers to improve environmental aspects of production and products and their competitive capacity in the global market.

The central executive authorities in charge of implementing the environmental aspects of the Association Agreement are the Ministry of Ecology and Natural Resources of Ukraine, the Ministry of Energy and Coal Industry of Ukraine, the Ministry of Infrastructure of Ukraine, the Ministry of Regional Development, Construction, Housing and Utilities of Ukraine, the Ministry of Education and Science of Ukraine and the State Emergency Service of Ukraine.

Under Annex XXX to the Association Agreement, Ukraine undertook to implement into its legislation the provisions of 26 EU directives and three EU regulations in such sectors as environment management and integration of environmental policy into other sectoral policies, air quality, waste and resources management, water quality and management of water resources, including marine environment, nature protection, industrial pollution and technological hazards, climate change and ozone layer protection and genetically modified organisms.

In 2017, the Verkhovna Rada continued to adopt and review horizontal legislation with a view to performing those obligations.

Specifically, at the beginning of 2017, the Law of Ukraine “On environmental impact assessment” was passed, which allows to implement a progressive, updated and pro-European model of environmental impact assessment in compliance with the requirements of Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment (codification). In pursuance of the above Law, a number of implementing regulations were adopted.

The Draft Law of Ukraine “On strategic environmental assessment” (Reg. No. 6106), which takes into account the requirements of the Protocol on Strategic Environmental Assessment and of Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment, was submitted for another second reading.

The results of the comparative analysis of the Ukrainian legislation on access to public information indicate a high level of its compliance with the requirements of Directive 2003/4/EC. After certain clarifying amendments to the legislation are made, the Ukrainian side will be able to initiate the joint assessment, to be carried out together with the EU side, of the implementation progress of that Directive.
KEY OBJECTIVES FOR THE NEXT YEAR:

- Submitting to the Verkhovna Rada of Ukraine for consideration and adopting the Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning access to environmental information”.
- Approving the Environmental Policy Strategy 2030.

WATER QUALITY AND MANAGEMENT OF WATER RESOURCES

In pursuance of the Law of Ukraine “On amending certain legislative acts of Ukraine concerning the introduction of the integrated water resources management on a river-basin basis”, Resolution No. 336 of the Cabinet of Ministers of Ukraine, “On approving the Procedure for Developing a River Basin Management Plan” of 18 May 2017 and a number of orders of the Ministry of Ecology and Natural Resources of Ukraine were adopted, which basically should ensure the proper implementation of that Law.


The proper implementation of that Law requires a number of regulations, specifically the rules for waste-water acceptance into the centralised water supply systems, the procedure for calculating the fee charged for waste-water discharge into the centralised water supply systems above the permitted threshold and the procedure for the reuse of purified waste water and sludge subject to compliance with the limit values of pollutants, all of which are being further drafted.

As part of cooperation in the field of protection and sustainable development of the Dniester River basin, on 7 June 2017, the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On ratifying the agreement 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”. This is the first cross-border river-basin agreement intended to facilitate the partnership between the states in relation to implementing the integrated water resources management.

A new modern geo-portal Water Resources of Ukraine was presented, which includes data on over 3,000 rivers. The portal is expected to be part of the Open Environment information system.

WASTE MANAGEMENT

Ordinance No. 820-p of the Cabinet of Ministers of 8 November 2017 approved the National Strategy of Waste Management in Ukraine 2030, which sets out the objectives and policy principles in this field in accordance with Ukraine’s obligations under the Association Agreement. The preparation of the National Waste Management Action Plan is currently in progress. The Resolution of the Cabinet of Ministers of Ukraine “On approving the national waste list” is being finalised based on the proposals from the central executive authorities. The electronic service Ecomapa.gov.ua that includes an interactive map of Ukrainian executive authorities. The electronic service Ecomapa.gov.ua that includes an interactive map of Ukrainian landfills and a mobile application enabling online notification of detected landfills was presented.

To set up a system for treating cell batteries, batteries and accumulators and waste batteries and accumulators by introducing extended responsibility of manufacturers of batteries and accumulators, the Ministry of Regional Development, Construction, Housing and Utilities of Ukraine prepared the Draft Law of Ukraine “On cell batteries, batteries and accumulators” facilitating the reduction of the quantities of cell batteries and accumulators deposited at municipal waste landfills.

Furthermore, the Ministry of Regional Development, Construction, Housing and Utilities of Ukraine, together with the European experts from the Twinning project “Introduction of a Management System of Waste Electrical and Electronic Equipment (WEEE) in Ukraine”, with a view to establishing an effective management system of waste of electrical and electronic equipment by enhancing producers’ liability, developed the Draft
ENVIRONMENT

Law of Ukraine “On waste electrical and electronic equipment”.

The aforementioned Draft Laws are intended to implement the provisions of Directive 2006/66/EC on batteries and accumulators and waste batteries and accumulators containing certain dangerous substances and Directive 2012/19/EU on waste electrical and electronic equipment.

At the same time, in order to introduce an integrated approach in waste management, it appears necessary to implement the provisions of Directive 1994/62/EC on packaging and packaging waste, as amended, which is specifically covered by the Draft Law of Ukraine “On packaging and packaging waste” (Reg. No. 4028).

NATURE PROTECTION

The Verkhovna Rada of Ukraine adopted the Law of Ukraine “On amending certain legislative acts of Ukraine concerning wildlife protection”, which specifically provides for the introduction by municipal authorities of the so-called “quiet season” for animal breeding sites in May and June, enhanced protection of animal habitats within the nature reserve fund and a ban on the use of electrical devices, snares, automatic traps and self-firing weapons for hunting.

The Verkhovna Rada further passed the Law of Ukraine “On amending certain legislative acts of Ukraine concerning the protection of habitats of rare animal and plant species”, which is designed to protect habitats of the animal and plant species listed in the Red Book of Ukraine.

In pursuance of the Framework Convention on the Protection and Sustainable Development of the Carpathians, the Verkhovna Rada adopted the Law of Ukraine “On amending certain legislative acts of Ukraine concerning the protection of virgin forests”, which prohibits logging of virgin forests and introduces administrative responsibility for the destruction of, and damage to, virgin forests.

The Drafts Laws amending the Laws of Ukraine “On the Red Book of Ukraine”, “On the nature reserve fund of Ukraine” and “On environmental network of Ukraine” were prepared.

271 sites were identified in Ukraine to be included into the European Emerald network for the purpose of conservation of rare and endangered habitats, flora and fauna species, including birds within the sites subject to conservation under the Bern Convention.

The Draft Law “On conservation of habitats and wild flora and fauna species [of European importance]” was prepared (is being finalised with the parties concerned).

The list of the birds in Annexes I, II and III to Directive 2009/147/EC on the conservation of wild birds was analysed to identify whether those species were present in Ukraine and the nature of their presence and whether those species should be included in the Red Book of Ukraine based on the available scientific data.

KEY OBJECTIVES FOR THE NEXT YEAR:

The list of potential Emerald network sites is being finalised based on the available materials and assessment thereof under the procedures approved by the Bern Convention and based on the practical experience and methodology under the Habitats Directive.

INDUSTRIAL POLLUTION AND INDUSTRIAL HAZARDS

On 8 November 2017, Ordinance No. 796-р of the Cabinet of Ministers of Ukraine “On the National Plan for Reduction of Emissions from Large Combustion Installations” was passed; it is intended to gradually and steadily reduce the emissions of sulphur dioxide (SO2), nitrogen oxides (NOx) and suspended solids from large combustion installations with a rated thermal capacity of 50 MW and above.

Ordinance No. 616-р of the Cabinet Ministers of Ukraine “On approving the Concept of Reforming the State Supervision (Control) over Ukraine’s Environment” of 31 May 2017 was also adopted. To this effect, the State Ecological Inspection is being reformed by liquidating it and setting up a new authority, namely the State Environmental Service of Ukraine (the sole environmental regulatory authority), which is to exercise all the supervisory functions, in line with Directive 2010/75/EU on industrial emissions and Directive 2008/50/EC, and the environmental monitoring function.

To implement the provisions of Directive 2010/75/EC on industrial emissions (integrated pollution prevention and control), the preparation of the Draft Law of Ukraine “On environmental permits system” is in progress.

CLIMATE CHANGE AND OZONE LAYER PROTECTION

The first step towards Ukraine’s implementation of the Paris Agreement was the approval of the Concept of Implementing the Public Policy on Climate Change 2030, which is designed to improve the public policy on climate change in order to achieve sustainable development of the state and create legal and institutional prerequisites for the gradual switch to low-carbon development subject to ensuring economic, energy and environmental safety and promoting public well-being.
Ordinance No. 878-p of the Cabinet of Ministers of Ukraine of 6 December 2017 approved the Action Plan for Implementing the Concept of Implementing the Public Policy on Climate Change 2030.

The Draft Law of Ukraine “On the system of monitoring, verification and reporting concerning greenhouse gas emissions” (in line with Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community) and the Draft Low-Carbon Development Strategy of Ukraine 2050 are being finalised.

KEY OBJECTIVES FOR THE NEXT YEAR:
To achieve compliance with the international obligations assumed by Ukraine under the Montreal Protocol on Substances that Deplete the Ozone Layer and implement the provisions of Regulation (EC) 2037/2000 on substances that deplete the ozone layer and the provisions of Regulation (EC) 842/2006 on certain fluorinated greenhouse gases, the preparation of the Draft Law of Ukraine “On ozone-depleting substances and fluorinated greenhouse gases” is in progress. Ozone-depleting substances and fluorinated greenhouse gases are used in Ukraine, such as foam blowing agents, solvents and refrigerants used in the production of construction materials, defence industry, nuclear industry, aviation, medicine, automotive industry, etc. Since these substances are not produced within the country, the import, use and disposal of such substances, including goods containing them, need to be regulated by law.

AIR QUALITY
The analysis of compliance of the existing observation network with the requirements of Directive 2008/50/EC and Directive 2004/107/EC was carried out; the work on improving the procedure for positioning of air quality observation points commenced.

The Draft Ordinances of the Cabinet of Ministers of Ukraine “On the state system of air monitoring” and “On approving the Concept of reforming the state system of environment monitoring” are being developed.

The Draft Orders of the Ministry of Internal Affairs of Ukraine “On approving the Procedure for Monitoring the Content of Arsenic, Cadmium, Mercury, Nickel and Polycyclic Aromatic Substances in Ambient Air” and “On approving the Procedure for Establishing Zones and Agglomerations Based on the Level of Ambient Air Pollution and Their Classification” were prepared.

GENETICALLY MODIFIED ORGANISMS
The Ministry of Ecology and Natural Resources of Ukraine developed the new version of the Law of Ukraine “On the state system of biosafety in creating, testing, transporting and using genetically modified organisms”. The Draft Law is being reviewed by the EU Delegation to Ukraine and the Better Regulation Delivery Office.

The implementation of the Association Agreement in the area of transport envisages more opportunities for Ukraine’s interaction with the EU, which will be of fundamental importance for the integration of Ukraine's transport sector into the European supply chain and passenger transportation.

Therefore, the Ministry of Infrastructure of Ukraine identified the following priorities for the implementation of the Agreement for 2017:

- approving the roadmaps in the area of international maritime transport and postal services;
- establishing new bodies in accordance with the Association Agreement;
- developing national registers as provided by EU legislative acts;
- integrating the national transport network into the European transport network;
- approving the updated transport strategy 2030;
- adopting basic European integration laws and developing regulations.

The approval of roadmaps in the area of international maritime transport and postal services, establishment of new bodies in accordance with the Association Agreement, development of national registers as provided by EU legislative acts, integration of the national transport network into the European transport network, approval of the updated transport strategy 2030, adoption of basic European integration laws and developing regulations.

In accordance with the specified tasks, the Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning safety of operation of wheeled vehicles in accordance with the requirements of the Association Agreement, development of national registers as provided by EU legislative acts, integration of the national transport network into the European transport network, approval of the updated transport strategy 2030, adoption of basic European integration laws and development of regulations.

The approval of roadmaps in the area of international maritime transport and postal services, establishment of new bodies in accordance with the Association Agreement, development of national registers as provided by EU legislative acts, integration of the national transport network into the European transport network, approval of the updated transport strategy 2030, adoption of basic European integration laws and development of regulations.

The mentioned Draft Law covers a range of obligations stipulated by Article 368 and Annex XXXII of the Association Agreement. More specifically:

- the installation and use of speed limitation devices on vehicles in the field of international freight traffic is being introduced and an appropriate regulatory framework is being developed; a mechanism for periodic reporting on checks of periods of work and rest of drivers is being established;
- the provisions governing the periodic checks of roadworthiness of wheeled vehicles are being adopted — the regulatory framework for the system of checking the technical condition of wheeled vehicles and their roadworthiness was developed;
- the mandatory control of wheeled vehicles is being ensured, and a database of control results is being established;
• the system for issuing certificates of roadworthiness based on the results of mandatory technical control of the condition of wheeled vehicles is being introduced;
• the development of the regulatory framework for the state control of road transport relating to the exchange of information, establishment of control and enforcement of sanctions is being introduced;
• the system for ensuring the necessary professional qualification level of international transport managers is being introduced. With regard to this issue, the Draft Resolution of the Cabinet of Ministers of Ukraine “On approving the Procedure for Specific Professional Training of Transport Directors and Managers (Managing Directors) and of Drivers” was developed;
• the licensing in the field of international road transport is being introduced. This issue is also covered by the prepared Draft Resolution “On amending the Licensing Terms for Business Activities Related to the Carriage of Passengers, Dangerous Goods and Hazardous Wastes by Road Transport and the International Carriage of Passengers and Goods by Road Transport”;
• the Unified State Electronic Register of Road Hauliers is being created.

Law of Ukraine No. 222-VIII “On licensing of business activities” requires that the national electronic register be maintained in the form of the Unified State Register of Legal Entities and Individual Entrepreneurs (until the regulation on making entries in the Unified State Register enters into force, the licensing authorities continue to compile and keep their own licence registers and provide information from them).

The Unified Information System (UIS) is already operating in the State Service of Ukraine for Transport Safety; the information on licensees and their means of business activities (transport means) is entered in the UIS, according to the minimum requirements for the national electronic register as set forth in Regulation (EC) No. 1071/2009. At the same time, other measures are being taken to expand the capabilities of the Register, such as access to hauliers and EU Member States and entries of information on specialists (transport managers).

Further, the electronic system Haulier’s Cabinet is being established as part of the measures to implement Resolution No. 363 of the Cabinet of Ministers of Ukraine of 24.05.2017 “On approving the Procedure for Submitting Documents to a Licensing Authority in Electronic Form”:
• the periods of work and rest of mobile workers (drivers) in the field of international transportation is being coordinated in accordance with the European legislation, and the relevant regulatory framework was developed;
• the requirements for special training (the procedures for confirming the initial qualification or training and retraining) of vehicle drivers for rendering international passenger and cargo transportation services are being improved;
• a system for confirming professional qualification of drivers providing international passenger and cargo transportation services is being introduced.

At the same time, the Draft Order of the Ministry of Infrastructure of Ukraine “On approving the Procedure for Professional Development of Vehicle Drivers for the Provision of Passenger and Cargo Transportation Services Using Such Vehicles” was developed and is pending internal approval by the units of the Ministry of Infrastructure.

Further, Draft Law of Ukraine No. 7318 “On amending certain legislative acts of Ukraine concerning certain matters of dimensional and weight control” was registered in the Verkhovna Rada of Ukraine. The referred amendments set out the possibility of recording violations related to the absence of documents (permits) approving the transportation terms and procedures in the case of exceeding weight or dimensional restrictions or to the absence of automatically issued payment receipts for the transit of heavy (large) vehicles as prescribed by the Cabinet of Ministers of Ukraine.

Another step towards the approximation of the European and Ukrainian legislation is the Draft Law of Ukraine “On amending the Law of Ukraine “On motor roads” with regard to the road safety audit” (Reg. No. 7320), which establishes certain legal and organisational principles for road safety checks.

In the area of railway transport, the Draft Law of Ukraine “On amending the Law of Ukraine “On railway transport of Ukraine” (Reg. No. 7316) was developed to implement seven EU directives and four EU regulations. This Draft Law envisages a comprehensive reform of railway transport management and the demonopolisation of the railway transportation market.

In the area of safety during the transportation of dangerous goods by road, railway and inland waterway transport, the following steps were taken:
• the level of safety during the transportation of dangerous goods by road, railway and inland waterway transport was strengthened and the requirements for special training of employees
of operators transporting dangerous goods by railway and inland waterway transport were brought into compliance with the requirements for safety officers and other participants of the transport process.

These aspects are covered by the Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning their harmonisation with the European Union legislation in the field of transportation of dangerous goods” (Reg. No. 7387), which is currently being revised based on the observations received from the central executive authorities concerned.

- the regulatory framework for ensuring the European level of safety during the transportation of dangerous goods by road, railway and inland waterway transport was developed.

The following orders were adopted:

1. Order No. 126 of the Ministry of Infrastructure “On approving the Rules of Transportation of Dangerous Goods by Inland Waterways of Ukraine” of 04.04.2017, which is registered with the Ministry of Justice of Ukraine on 28.04.2017 under No. 556/30424;
3. Order No. 166/550 of the Ministry of Infrastructure of Ukraine and the Ministry of Internal Affairs of Ukraine “On approving the Procedure for Inspection of Tanks for the Transportation of Dangerous Goods” of 12.05.2015 registered with the Ministry of Justice of Ukraine on 05.06.2015 under No. 663/27108;
4. Amendments to the Rules of Transportation of Bulk Cargoes approved by Order No. 156 of the Ministry of Infrastructure of Ukraine of 25.04.2017 registered with the Ministry of Justice of Ukraine on 17.07.2017 under No. 865/30733;

In the area of inland maritime transport, the Draft Order of the Ministry of Infrastructure of Ukraine “On approving the requirements for double hull or equivalent design for single-hull bulk oil tankers” was developed to implement Regulation (EC) No. 417/2002. The Draft Order is currently being approved by the units of the Ministry of Infrastructure of Ukraine.

The revised Draft Law of Ukraine “On inland waterways transport” (Reg. No. 2475a) was submitted to the Verkhovna Rada of Ukraine for consideration and recommended by the Transport Committee of the Verkhovna Rada of Ukraine to be adopted in the first reading. The Draft Law covers the following matters:

- the minimum level of seafarers’ training was specified, and the electronic record keeping of seafarers’ documents with a possibility of real-time checking their validity online was introduced;
- the Ukrainian legislation was amended with respect to strengthening the safety of craft and port facilities and the training of personnel in this field;
- the Ukrainian legislation concerning carriers’ professional qualification for navigation by inland water transport and the mutual recognition of diplomas, certificates and other official qualification documents necessary for conducting such activity was approved, and arrangements for the issuance of certificates in the established form were made.

In the area of maritime transport, the Verkhovna Rada of Ukraine is considering the Draft Law of Ukraine “On amending certain laws of Ukraine concerning mandatory insurance of carriers’ liability for damage caused to life and health of passengers and third parties” (Reg. No. 4642, re-submitted for first reading on 04.04.2017). The adoption of this Draft Law will ensure, among other things:

- compliance of the liability and insurance provisions relating to the carriage of passengers by sea with EU law (Regulation (EC) No. 392/2009);
- the harmonised procedure for the issuance, control and cancellation of vessel insurance certificates.

Pursuant to the recommendations of the first consultative mission of experts of the International Maritime Organisation (IMO) to Ukraine and the obligations under the Association Agreement, the Cabinet of Ministers of Ukraine adopted Resolution No. 1095 “On establishing the State Marine and
Report on Implementation of the Association Agreement Between Ukraine and the European Union in 2017

As part of the cooperation within the framework of the Eastern Partnership Transport Panel, with a view to developing the Eastern Partnership’s regional transport network connected to TEN-T network, the Ukrainian side jointly with the EU side and international financial institutions identified the priority infrastructure projects aimed at addressing the transport bottlenecks in Ukraine, which are expected to be financed by the NIF technical assistance and from the EIB loan proceeds, namely:

- the development of the intelligent transportation system (ITS) at the national roads of Ukraine;
- the construction of the missing northern bypass road near Ternopil;
- the reconstruction and electrification of 1435 mm rail tracks in the Kovel-Yahodyn section (the Ukrainian-Polish border);
- the reconstruction and electrification of 1435 mm rail tracks in the Mukachevo-Chop-Záhony section (the Ukrainian-Hungarian border);
- the construction and reconstruction of the road Krakovets – Lviv – Uman – Odesa (Gdańsk-Odesa HIGHWAY PROJECT connecting the Baltic Sea and the Black Sea);
- the electrification of the Berdychiv – Korosten – Berezhest section.

Further, the Strategy for Improving Road Safety in Ukraine 2020 was approved by Ordinance No. 481 of the Cabinet of Ministers of Ukraine of 14 June 2017.

The Draft Resolution of the Cabinet of Ministers of Ukraine “On approving the State Programme for Improving Road Safety in Ukraine 2020” (published on the official website of the Ministry of Infrastructure of Ukraine on 31.08.2017 and submitted to the central executive authorities for approval).

Key Objectives for the Next Year:

In compliance with Article 369 of the Association Agreement, a research testing centre for advanced technologies for safe, environmentally friendly and energy-efficient road transport is being created on the basis of SE State Road Transport Research and Design Institute.

The Memorandum of Understanding was signed between the Ministry of Infrastructure of Ukraine, SE State Road Transport Research and Design Institute and AVL List GmbH (Austria) on cooperation in the field of reduction and control of environmental pollution from road transport and the introduction of European standards and technologies in the field of emissions, fuel

In the area of postal and courier services, the harmonisation of the national legislation with EU legislation continues in relation to the postal services. The Ministry of Infrastructure of Ukraine in particular developed the Draft Law of Ukraine “On amending the Law of Ukraine “On postal service”, which is being finalised after the consultations were conducted and the proposal from private postal operators was received. The Draft Resolution of the Cabinet of Ministers of Ukraine “On approving the Strategy for Implementing the Provisions of the European Union Directives Concerning Postal and Courier Services (“Roadmap”)” was also developed. As of the end of 2017, the Draft was not approved.
consumption and energy efficiency of wheeled vehicles in Ukraine. The Memorandum in particular addresses the issue of providing the testing centre with appropriate equipment.

The cooperation with the European Union Agency for Railways (ERA) on the matters of interoperability of railways (1520 rail system) also continues.

The OSJD/ERA Contact Group, having collected the data, exchanged information and performed the preliminary analysis with respect to the track structure, energy supply, signalling control, passenger cars, locomotives, motor car rolling stock and hauling equipment, freight cars, operation and movement of trains control, repair enterprises, licensing of locomotive drivers, etc., identified a high degree of compatibility and integration of the 1520 mm rail tracks in EU Member States and non-EU states. The Contact Group also stated that the basic parameters of the 1520 mm interoperability system may be outlined in accordance with the structure used in the EU TSI.

The information is exchanged at regular meetings of the OSJD/ERA Contact Group and through the participation of ERA representatives in the meetings of the OSJD commissions.

In 2017, the specialists of PJSC Ukrzaliznytsia attended four meetings of the OSJD/ERA Contact Group. The work on analysing the subsystem “Safety in railway tunnels” is complete. The analysis of the subsystem “Telematic applications for passenger transport” is in progress, and the analysis of the subsystem “Noise at railway transport” began.

The development of the Draft Law of Ukraine “On multi-modal transport” is also in progress. A series of working meetings attended by representatives of the Ministry of Infrastructure of Ukraine, the Delegation of the European Union to Ukraine and non-governmental organisations were held in order to identify the issues that need to be resolved at the legislative level and discuss individual provisions of the Draft Law. The Draft Law developed as a result of such meetings was published on the official website of the Ministry of Infrastructure of Ukraine on 11 December 2017 for public consultations.
COOPERATION IN THE FIELD OF SCIENCE, TECHNOLOGIES AND INNOVATIONS

In 2017, the work on legal and organisational support for the implementation of the Agreement on the participation of Ukraine in Horizon 2020 – the European Union Framework Programme for Research and Innovation (hereinafter referred to as the “EU Programme Horizon 2020”) went on. More specifically:

- the Procedure for Conducting the Competitive Selection of Representatives and Experts to the Committees of the EU Programme Horizon 2020 and the composition of the selection commission were approved;
- the representatives and experts for the majority of the Programme’s committees were selected, and an additional competition was announced for specific vacancies;
- an annual contribution to the Programme’s budget of EUR 6,450 million was paid;
- the effective work of the network of national and regional contact points of the EU Programme Horizon 2020 in 19 subject areas was ensured;
- about 50 promotion events for the EU Programme Horizon 2020 were held;
- as of the end of 2017 (starting 2014), 1,190 national institutions and organisations have prepared and submitted 915 project proposals within the framework of the EU Programme Horizon 2020. Based on the selection results, 117 Ukrainian organisations participating in the Programme received funding of more than EUR 17 million for the implementation of 90 projects, nine of which are coordinated by Ukrainian organisations. The total budget of the projects involving Ukrainian organisations exceeds EUR 465 million.

The Law of Ukraine “On scientific and technical research”, which is intended to completely “reset” the entire system of management and financing of the Ukrainian science, is being implemented. For example, pursuant to the provisions of the Law, the National Council of Ukraine for Development of Science and Technology was established in April 2017 (the Government approved its composition in August 2017). The National Council is chaired by the Prime Minister of Ukraine. The National Council is established to ensure the effective interaction between the scientific community, executive authorities and the real sector of the economy in developing and implementing the common public policy on scientific and technical research. At the moment, the Scientific Committee and the Administrative Committee of the National Council have been organised. The adopted decision is the final phase of establishing the legal framework necessary for the National Council for Development of Science and Technology to begin its work.

The Government approved the Procedure defining the common standards to be used by independent experts and expert groups for conducting the effective interaction between the scientific community, executive authorities and the real sector of the economy in developing and implementing the common public policy on scientific and technical research. At the moment, the Scientific Committee and the Administrative Committee of the National Council have been organised. The adopted decision is the final phase of establishing the legal framework necessary for the National Council for Development of Science and Technology to begin its work.
certification intended to appraise performance of scientific/technical research institutions (Resolution No. 540 of the Cabinet of Ministers of Ukraine of 19.07.2017).

Based on the results of the audit of the Ukrainian system of scientific research and innovation, which was conducted by the European Commission within the framework of the Policy Support Facility of the EU Programme Horizon 2020, the development of the operational action plan for reforming the national science is underway.

The work on the Draft Roadmap for the Integration of Ukraine into the European Research Area (ERA-UA) was carried out during 2017. This document describes the current situation, goals of the integration and measures to achieve them, change indicators, etc. The Roadmap eventually aims to change radically the existing approaches to science and ensure its effectiveness, taking into account the best European practices and experiences.

In 2017, the representatives to Euratom–Fission and Euratom–Fusion committees of the Euratom Programme were selected, which will help facilitate the participation by Ukrainian research institutions and organisations in future projects of the Euratom Programme.

With a view to creating favourable conditions for innovation activities, a package of four draft laws on promotion of innovation is being finalised. They include in particular drafting Law of Ukraine “On support and development of innovation activities” and amendments to the Tax Code and the Budget Codes of Ukraine and to some legislative acts concerning promotion of innovations.

KEY OBJECTIVES FOR THE NEXT YEAR:

• Continuing the legal and organisational support for Ukraine’s participation in the EU Programme Horizon 2020.
• Ensuring approval of the operational priority action plan for reforming the national science and beginning its implementation.
• Ensuring approval of the Roadmap for the Integration of Ukrainian Scientific and Innovation System into the European Research Area and beginning its practical implementation.
• Ensuring adoption of a package of laws to promote innovation activities.

SPACE

During the year, the Ukrainian enterprises SE Design Bureau Pivdenne and SE Pivdennyi Machine-Building Plant continued performing the contract concluded with the Italian company Avio S.p.A. for the manufacture and delivery of 4th degree marching engine RD-868P for Vega launcher (within the framework of the European Space Agency programme). In general, three successful launches of this rocket were performed in 2017.

The functioning of the national contact point of the EU Framework Programme for Research and Innovation Horizon 2020, which was established as a part of the State Space Agency, was ensured. The Ukrainian space industry enterprises were involved in four projects carried out within the framework of the Programme. In 2018, the Ukrainian NCP is expected to join COSMOS2020 consortium, which should encourage Ukrainian organisations to participate in the Programme’s projects, in particular by conducting informational events for organisations with the participation of European experts.

Work was also undertaken to expand EGNOS functional satellite-based augmentation systems to the territory of Ukraine. In particular, meetings with the European partners concerning the positioning of ground monitoring stations were held and the related research was conducted.

The work on the draft Agreement between the European Commission and the State Space Agency on cooperation in the field of access to and use of data from the Sentinel satellites of the Copernicus programme is in progress. The Agreement will enable receiving information from the European Sentinel satellites via a separate high-speed data transmission channel. The draft Agreement is currently being internally approved by the European Commission’s departments.

KEY OBJECTIVES FOR THE NEXT YEAR:

• Maintaining a regular dialogue with the European Space Agency concerning intensification of cooperation, Ukraine’s participation in new projects and prospective membership of ESA.
• Ensuring adoption of the Laws of Ukraine “On state regulation of remote sensing of the Earth” and “On state regulation of satellite navigation”, as well as regulations necessary for their implementation.
• Signing the Agreement with the European Commission on cooperation in the field of access to and use of data from the Sentinel satellites of the Copernicus programme and ensuring its implementation.
• Completing the work on expanding EGNOS functional satellite-based augmentation systems to the territory of Ukraine.
• Developing and approving Ukraine’s five-year National Targeted Scientific and Space Programme.
The Law of Ukraine “On access to the infrastructure of construction, transport and electric power facilities for developing telecommunication networks” (No. 1834-VIII of 02.07.2017), which is aimed at establishing equal business conditions for all participants of the telecommunications market, was adopted. The Law in particular sets out:

- the common procedure for accessing the infrastructure of construction, transport and electric power facilities for the purpose of developing the telecommunication network;
- the rights and obligations of legal entities and individuals who own (hold) the infrastructure, as well as of telecommunication service providers;
- the fee types that may apply in relation to accessing the infrastructure.

The aforementioned provisions of the Law are intended to overcome the existing issues of frequent unjustified denials of access to the infrastructure by its holders and eliminate the possibility of charging excessive fees for the provision of access or imposing unreasonable additional obligations on telecommunication operators and providers.

For the purpose of reforming the legislation on electronic digital signature and ensuring Ukraine’s integration into the EU's digital single market, the Law of Ukraine “On electronic trust services” (No. 2155-VIII of 05.10.2017) was adopted. The provisions of the Law implement Regulation (EU) No. 910/2014 on electronic identification and trust services for electronic transactions in the internal market and are aimed at:

- creating conditions for the development and functioning of electronic trust services;
- ensuring free circulation of electronic trust services in Ukraine;
- increasing public trust in electronic services, including cross-border electronic services;
- ensuring compliance of the electronic trust services system with the European standards;
- ensuring technological interoperability and neutrality of national technical solutions, as well as their non-discrimination.

The Law will become effective in November 2018; therefore, the regulations necessary to ensure the compliance of the requirements for electronic trust services with the European and international standards, as well as the technological compatibility (interoperability) of electronic signatures, including cross-border interoperability, are being developed.

In 2017, the Ministry of Economic Development and Trade of Ukraine prepared the Concept of Developing Digital Economy and Society of Ukraine for 2018–2020, which, along with the corresponding Action Plan, was approved by the Ordinance of the Cabinet of Ministers of Ukraine on 17 January 2018.

The Concept takes into account the provisions of the Digital Agenda for Europe 2020 and envisages a shift from the resource-based economy to high-tech industries and efficient processes involving IT and communications. The document also addresses the problem of the “digital divide” and is intended to make digital technologies more publicly accessible, including by ensuring public access to the broadband Internet, especially in villages and small cities.

**KEY OBJECTIVES FOR THE NEXT YEAR:**

- Developing and adopting the Roadmap for the Approximation of Ukrainian Legislation to EU Telecommunications Law and Integration into the EU Digital Single Market.
- For the purpose of implementation of Directive 98/84/EC, amending the legislation on the prohibition of manufacture, sale and use of devices for unauthorised access to services that are based on, or consist of, conditional access, as well as the sanctions for its violation.
- Developing and adopting a set of regulations with a view to properly implementing the Laws of Ukraine “On access to the infrastructure of construction, transport and electric power facilities for developing telecommunication networks” and “On electronic trust services”; creating effective mechanisms for monitoring compliance with the new legislation.
- Drafting and adopting the Law of Ukraine “On public electronic information resources”.
- Amending the e-commerce legislation, taking into account the provisions of Directive 2000/31/EC.
- Adopting the comprehensive Law of Ukraine “On electronic communications” aimed at strengthening the independence and administrative capacity of the national regulator, introducing mandatory public consultations for new regulatory measures and effective mechanisms for appealing against the regulator’s decisions, and setting forth the rights and obligations of users and providers of universal telecommunication services in accordance with EU law.
FINANCIAL SECTOR

ANTI-MONEY LAUNDERING AND TERRORISM FINANCING

The Association Agreement provides for cooperation between Ukraine and the European Union in the field of anti-money laundering and terrorism financing, as well as implementation of relevant international standards, in particular those of the Financial Action Task Force on Money Laundering and Terrorism Financing (FATF) and standards equivalent to those adopted by the EU (Article 20 of the Agreement).

To comply with these commitments, the State Financial Monitoring Service of Ukraine took the following measures in 2017:

- sanctions for non-compliance with the rules on providing payer and payee information in relation to money transfers were imposed;
- the anti-money laundering legislation was updated to reflect changes in EU legal acts;
- the technical aspect of the term “political actors” was introduced in line with EU law;
- the financial intelligence units for anti-money laundering and terrorism financing were set up pursuant to EU requirements;
- the maintenance and storage of statistical data was ensured in compliance with EU provisions;
- further customer due diligence measures were introduced for cases representing increased money laundering and terrorism financing risk;
- common rules on providing payer and payee information in relation to money transfers were approved;
- the requirements for verifying customer data with regard to using bank accounts or passbooks were improved according to EU law.

COMPANY LAW, CORPORATE GOVERNANCE, ACCOUNTING AND AUDITING

Under Article 387 of Chapter 13 of Title V of the EU-Ukraine Association Agreement, Ukraine must harmonise its legislation with EU standards governing the protection of rights of shareholders, creditors and other stakeholders, accounting and auditing and the corporate governance policy.

To fulfil these obligations, the Verkhovna Rada of Ukraine passed Law of Ukraine No. 1983-VIII "On amending certain legislative acts of Ukraine concerning improving corporate governance in joint stock companies" on 23 March 2017. The referred Law is aimed at implementing the provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids and grants minority shareholders the right to demand that a holder of 95% of company stock purchase such minority shareholders’ shares at a fair price (sell-out), and grants a holder of 95% of company stock the right to demand that minority shareholders sell their respective shares (squeeze-out).

Further, in compliance with Ukraine’s obligations under Articles 387 and 388 and Annex XXXIV of the Association Agreement, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 2210-VIII "On amending certain legislative acts of Ukraine concerning simplifying

The draft regulations implementing the Law of Ukraine “On amending certain legislative acts of Ukraine concerning simplifying the conduct of business and attraction of investments by issuers of securities” are scheduled to be developed and submitted for public consultations at the beginning of 2018.


The National Commission for State Regulation of Financial Services Markets further adopted Resolution No. 2864 “On approving the Requirements for Credit Intermediaries and Their Consumer Lending Operations in the Non-Banking Financial Institutions Market” of 27.06.2017 registered with the Ministry of Justice of Ukraine on 12 September 2017 under No. 1119/30987.

The Verkhovna Rada of Ukraine also passed Law of Ukraine No. 2164-VIII “On amending the Law of Ukraine “On accounting and financial reporting in Ukraine” on 5 October 2017. The Government developed the above Law in accordance with the obligations under the Association Agreement relating to the approximation of the Ukrainian accounting legislation to the EU acquis, in particular to the provisions of Directive 2013/34/EU.

With a view to implementing the provisions of Directive 2006/43/EC of 21 December 2017, the Verkhovna Rada of Ukraine adopted Law of Ukraine No. 2258-VIII “On audit of financial statements and auditing”. The Law in particular establishes the public monitoring of auditing and the audit quality assurance system with relevant penalties, requires that the international auditing standards be directly applicable and determines the categories of enterprises of public interest that are subject to a mandatory audit.

IMPLEMENTATION OF STANDARDS:
BASEL COMMITTEE’S CORE PRINCIPLES
FOR EFFECTIVE BANKING SUPERVISION

Under Article 127 of Chapter 6 of Title IV of the EU-Ukraine Association Agreement, Ukraine must make its best endeavours to ensure that internationally agreed standards for regulation and supervision in the financial services sector, which include, inter alia, the Basel Committee’s Core Principles for Effective Banking Supervision, are implemented.

In 2017, the National Bank of Ukraine (hereinafter referred to as the “National Bank”) continued to improve the legal framework on banking regulation and supervision, taking into account the Basel Committee’s Core Principles for Effective Banking Supervision. In particular, the following regulations were adopted in 2017:

- Resolution No. 75 of the Board of the National Bank of Ukraine “On approving the Amendments to the Regulation on Credit Risk Assessment by Ukrainian Banks Based on Active Banking Operations” of 04.08.2017, which entitled banks to compile a debtor’s credit documentation (file) from electronic documents created and signed by a bank and a debtor using the electronic digital signature;
- Resolution No. 84 “On approving the Amendments to the Regulation on the Application of Enforcement Measures by the National Bank of Ukraine” of 31.08.2017, which improved the mechanism for the application by the National Bank of enforcement measures in the form of a fine for violating the financial monitoring requirements as provided by law, expanded the list of grounds for the application by the National Bank of enforcement measures in the form of a fine (for recording transactions and agreements not supported by documentary evidence or recording transactions carried out under agreements that have not been properly executed), specified the definition of the term “inaccurate information”, etc.;
- Resolution No. 94 “On approving the Amendments to the Rules on Statistical Reporting Submitted to the National Bank
of Ukraine” of 27.09.2017, which, as part of the arrangements for launching the Credit Register of the National Bank, introduced a new statistical reporting form for banks to report on their lending operations with debtors (both individuals and legal entities) and expanded the statistical reporting form used by banks to report on risk concentration for active operations with counterparties and persons related to a bank;

• Resolution No. 105 “On approving and amending certain regulatory acts of the National Bank relating to auditing banks” of 24.10.2017, which, inter alia, introduced a differentiated approach to the annual audit of banks;

• Resolution No. 109 “On approving amendments to the Regulation on the Procedure for Providing Information on a Bank’s Ownership Structure” of 10.11.2017, which sets out the following: the National Bank’s right to recognise a bank’s ownership structure as non-transparent where it is impossible to identify a person or persons who have considerable control over management or business of a bank; the possibility of submitting information on a bank’s ownership structure to the National Bank only in electronic form;

• Resolution No. 110 “On approving amendments to the Regulation on Keeping the Register of Audit Firms Authorised to Audit Banks” of 10.11.2017, which established the following requirements: the minimum term of an auditing service contract between an audit firm and a bank was increased to two years; the minimum number of certified bank auditors was increased, and the qualification requirements for an audit firm’s staff were strengthened; entry of an audit firm in the Register of Audit Firms and Auditors maintained by the Audit Chamber of Ukraine, which includes a section listing audit firms that meet the criteria for a mandatory audit, etc.;

• Resolution No. 126 “On amending the Regulation on the Procedure for Conducting On-Site and Off-Site Inspections to Verify Compliance by Banks, Other Financial Institutions and the National Postal Operator with Ukrainian Foreign Exchange Legislation and Inspections of Currency Exchange Offices in Ukraine” of 11.12.2017, by which the National Bank cancelled the requirement to conduct scheduled inspections at least every 36 months and expanded the list of information sources based on which extraordinary inspections may be conducted;

• Resolution No. 131 “On approving amendments to the Regulation on the Rules Governing Activities of Banking Groups” of 15.12.2017, which specified the elements used in calculating a banking group’s regulatory and authorised capital and the names of specific asset items factored in the calculation of prudential ratios;

• Resolution No. 141 “On approving the Regulation on Assessing Resilience of Ukrainian Banks and Banking System” of 22.12.2017, by which the National Bank introduced an annual assessment of banks’ resilience;

• Resolution No. 145 “On amending the Regulation on Planning and Conducting Inspections” of 28.12.2017, by which the National Bank updated the requirements for organising and conducting inspections of banks and other persons subject to the National Bank’s supervision;

• Resolution No. 146 “On approving amendments to the Regulation on the Procedure for Registration and Licensing of Banks and Establishment of Stand-Alone Subsidiaries” of 28.12.2017, which changed the requirements for acquiring or increasing a material interest, establishing new stand-alone subsidiaries, commencing new business activities by banks whose business operations have been restricted, using seals for documents to be registered, etc.

With a view to implementing the provisions of Directive 2013/36/EU and Regulation (EU) No. 575/2013, the National Bank:

• prepared the proposals for amending the Law of Ukraine “On banks and banking” with respect to improving the rules for checking the financial/property status of founders/owners of material interest, reviewing the period for approving the acquisition/increase of a material interest in a bank, placing information concerning issued banking licences on the National Bank’s website, improving qualification requirements for managers and settling administrative penalties for violations of licensing requirements;

• for the purpose of introducing the requirements for the internal capital adequacy assessment process (ICAAP) for banks, considered the concept of, and approaches to, organising the ICAAP with due regard to the local conditions, whereby international experts of the technical assistance project EU-FINSTAR were involved;

• drafted and considered, taking into account the banking community’s proposals, the Regulation “On organisation of risk management system in Ukrainian banks” to introduce the requirements
for the risk management system in banks;
• discussed the Concept of Improving Requirements for the Regulatory Capital Structure at the meeting of the Financial Stability Committee on 28.12.2017 to develop new requirements for the capital structure. The respective draft legal act is being developed jointly with the World Bank’s experts;
• discussed the Concept of Introducing LCR (Liquidity Coverage Ratio) at the meeting of the Financial Stability Committee of the National Bank on 2 October 2017 to introduce new liquidity ratios. Currently, the Draft Resolution “On introducing liquidity coverage ratio (LCR)” and the Draft Decision “On approving the Methodology for Calculating the Liquidity Coverage Ratio (LCR)” are ready to be considered by the Board of the National Bank;
• for the purpose of improving corporate governance in banks, prepared and submitted to the Board the proposals for amending the Law of Ukraine “On banks and banking”, which set out, inter alia: additional requirements for a bank’s Council and Board, including the requirement to set up committees within a bank’s Council; additional functions of a bank’s Council; the requirement that the common qualification level of members of a bank’s Council and Board must be adequate in view of a bank’s size, structure complexity and risk profile; the right of the National Bank to determine that a bank’s Council and Board have a common qualification level. The Draft Law was sent to the International Monetary Fund, the World Bank, the National Anti-Corruption Bureau of Ukraine and assistants of Members of Parliament.

To implement Directive 2002/87/EC, the work on developing statistical reporting forms for risk concentration and on intra-group operations is in progress.

To implement the provisions of Directive 98/26/EC relating to defining, in rules of payment systems, the time of entering a money transfer document in a system, the amendments to the Regulation on the Procedure for Registering Payment Systems, Payment System Participants and Payment Infrastructure Service Operators (Resolution No. 139 of the Board of the National Bank of 21.12.2017) were approved. The Resolution also stipulates that rules of payment systems must contain the provisions ensuring that, with respect to each money transfer within a given payment system, the information on an initiator and payee is available at all phases of the money transfer; this requirement helps implement the provisions of Regulation (EU) 2015/847.

CURRENT PAYMENTS AND MOVEMENT OF CAPITAL

According to Articles 144 and 145 of Chapter 7 of Title IV of the EU-Ukraine Association Agreement, Ukraine undertook to impose no restrictions and allow, in freely convertible currency, in accordance with the provisions of Article VIII of the Articles of the Agreement of the IMF, any payments and transfers on the current account of balance of payments. Without prejudice to other provisions of the EU-Ukraine Association Agreement, Ukraine also undertook to impose no new restrictions on the free movement of capital and on current payments between residents of Ukraine and the EU, and not to make the existing arrangements more restrictive.

In 2017, while gradually liberalising the foreign exchange legislation, the National Bank continued to relax temporary foreign exchange restrictions. In particular, during the reporting period:
• both banks and non-banking financial institutions were authorised to purchase and transfer foreign currency, based on an individual licence issued by the National Bank, to make security deposits into accounts of international payment systems outside of Ukraine;
• the procedure for applying exceptions to the prohibition on early repayment of foreign currency credits and loans received by residents from non-residents was specified. Such exceptions cover all types of payments under those credit or loan agreements, i.e. principal, interest and other payments stipulated under an agreement;
• customers of authorised banks who intend to make a foreign exchange transaction were permitted not to affix seals to documents submitted for the purposes of such transactions. Affixing seals to documents submitted to the National Bank also will not be required. At the same time, in a number of cases, it is no longer required to notarise original documents or document copies relating to foreign exchange transactions;
• Ukrainian companies were permitted to
distribute dividends to foreign investors for the period through to 2013, not only for 2014–2016 as was the case before. The monthly limit on such operations will be up to USD 2 million per legal entity (issuer, depositary institution or foreign investor);

- resident borrowers undergoing liquidation were permitted to prepay their borrowings from non-resident creditors (under a credit/loan agreement and according to the priority of creditors as determined by Ukrainian law);

- banks are no longer required to pay foreign currency advance fees only by letter of credit for goods imported under a foreign economic agreement if their total value exceeds the equivalent of USD 5 million. It will be now possible to make advance payments without letter of credits in such cases;

- the procedure under which residents may bring foreign currency cash into Ukraine was simplified. For example, individual residents may bring cash into Ukraine in an amount exceeding the equivalent of EUR 10,000 if it is fully declared in writing to a customs body;

- the procedure under which residents may bring foreign currency cash out of Ukraine was specified. Individual residents may now bring cash out of Ukraine in an amount exceeding the equivalent of EUR 10,000 if they provide documents confirming that they have withdrawn the cash from their bank accounts and receipts confirming the foreign exchange transaction (if any) involving that cash in an amount exceeding the equivalent of EUR 10,000;

- the list of business operations the proceeds from which are not subject to the surrender requirement was expanded. The requirement does not apply now to bank transfers of a customer’s own (non-purchased) funds repaid by a foreign bank;

- the restrictions on the maximum amount of foreign currency transfers for authorised banks’ transactions conducted under individual NBU licences were lifted. Previously, the maximum limit for such transactions was the equivalent of USD 50,000 per calendar month. Banks will be allowed in the future to make foreign currency transfers within the amount specified in their individual licences;

- the list of transactions involving foreign currency transfers abroad for which resident business entities are not required to obtain an individual licence from the National Bank was specified. The amendments now clearly state that a resident borrower may transfer a compensation to a non-resident guarantor (surety), provided that such guarantor (surety) has settled, according to the guarantee (suretyship) agreement, the resident borrower’s obligations under the relevant loan agreement with the authorised lending bank;

- the list of grounds for cancelling individual licences issued by the National Bank to resident business entities for transferring foreign currency abroad was specified.

Further, the work on the Draft Law of Ukraine “On foreign exchange” is in progress. In particular, the Draft Law was discussed in 2017 with key stakeholders, including the European Commission, the International Monetary Fund, the European Bank for Reconstruction and Development and others. Currently, the Draft Law of Ukraine “On foreign exchange” and the related presentation materials were submitted to the Administration of the President of Ukraine and prepared for their review at a meeting of the National Council for Reforms.
Article 346 of Chapter 3 of Title V of the Association Agreement provides for cooperation between Ukraine and the European Union in the field of public finance management. Regular dialogue on these matters is aimed at improving budget policy and developing sound systems of public internal control and external audit based on international standards and fundamental principles of public finance, such as accountability, transparency, efficiency and effectiveness.

With a view to implementing these provisions of the Association Agreement, the Ministry of Finance of Ukraine has developed a medium-term budget planning model intended to increase efficiency and effectiveness of budget expenditures and strengthen the relationship between public policy priorities, state budget expenditures and performance of main budget holders. The key components of the developed model were incorporated into the Public Finance Management Reform Strategy 2017–2020 approved by Resolution No. 142-p of the Cabinet of Ministers of Ukraine of 8 February 2017 (hereinafter referred to as the “Strategy”).

As part of the transition to medium-term budget planning, according to the Strategy, the Budget Policy Focus Areas 2018-2020 were drafted for the first time. The document sets out strategic public objectives in the context of the budget policy that are defined according to policy (strategic) documents relating to economic and social development and, for the first time, expenditure ceilings for main state budget holders to be observed in achieving such objectives for the next three years. By its Resolution No. 411-p of 14.06.2017, the Cabinet of Ministers of Ukraine approved the Draft Budget Policy Focus Areas 2018-2020 and submitted them to the Verkhovna Rada of Ukraine “On the Budget Policy Focus Areas 2018-2020” (Reg. No 6591).

The state budget of Ukraine for 2018 was drafted based on the Draft Budget Policy Focus Areas 2018-2020 and public strategic documents, including the Government’s Medium-Term Priority Action Plan 2020.

Further, as of the end of 2017, the Ministry of Finance of Ukraine completed the following basic tasks as set out in the Strategy:

- the estimate of fiscal risks and government debt was included in the medium-term budget declaration;
- the organisational measures targeted at establishing the centre of reforming internal control in the Ministry of Finance of Ukraine were completed;
- the taxation strategy and the customs reform strategy were developed, and the international supervisory board was established to monitor the State Fiscal Service reform.

**BUDGET REFORM**

In pursuance of the obligations to develop a medium-term budget forecast/planning system (as set forth in Article 347(1)(a) of the Association Agreement), the amendments to the Budget Code with respect to the full introduction of medium-term budget planning are being drafted. They will include:

- formalising medium-term budget declaration with expenditure ceilings;
- additional powers and responsibility of line ministries with regard to managing upper expenditure ceiling allocations, reporting on strategic objectives and results and optimising the number of main budget holders;
- fiscal rules establishing restrictions on budget...
deficits (3% of GDP) and issuance of new government guarantees (3% of budget revenues for the corresponding year);

fiscal risk management framework.

The Ministry of Finance of Ukraine also cooperates with the Ministry of Economic Development and Trade of Ukraine to draft the law on national strategic planning in order to ensure a close relationship between the strategic and budget planning. The Draft Law suggests introducing medium-term strategic plans for line ministries, which are crucial for the efficient budget planning, and independent review of the forecast of macroeconomic and budget revenues.

Further, the Ministry of Finance of Ukraine developed a comprehensive approach to reviewing expenditures of the five pilot ministries (sectoral review) and five inter-agency expenditure items (horizontal review). In reviewing expenditures, the focus will be on identifying unusual and inefficient expenditures and on reallocating funds according to the reform priorities. The pilot project is likely to cover the ministries already involved in the public administration reform, with a view to ensuring synergy.

For these changes to be better put into practice, the Ministry of Finance of Ukraine supported by the EU-WB Trust Fund undertook relevant software market research for budget planning. The technical specifications for functional requirements and further setting of existing products are being prepared. The average cost of setting up such systems is approximately EUR 1.5 million, and the set-up period is from 12 to 18 months.

FULFILMENT OF INTERNAL FINANCIAL CONTROL OBLIGATIONS

According to Article 347 of Chapter 3 of Title V of the Association Agreement between Ukraine and the European Union, in the area of public internal financial control (hereinafter referred to as “PIFC”), further developing the PIFC system through harmonisation with internationally agreed standards and methodologies, as well as EU best practice for internal control and internal audit in government authorities, including functionally independent internal audit in government authorities, is provided for.

During 2017, coherent measures were taken to develop PIFC as an integral part of systemic public finance management reform, in particular:

- since 1 January 2017, the powers to harmonise PIFC were transferred from the State Audit Service to the Ministry of Finance of Ukraine (according to Resolution No. 951 of the Cabinet of Ministers of Ukraine of 14.12.2016); now that the central harmonisation unit operates within the Ministry of Finance of Ukraine, this is fully in line with the European practice;
- the operation of the Department for PIFC Harmonisation, the central harmonisation unit within the Ministry of Finance of Ukraine, was ensured (its functions were determined, the staff was recruited, etc.);
- areas of further cooperation with international partners (in particular, the National Academy for Finance and Economics of the Ministry of Finance of the Netherlands) in the filed of PIFC were determined. The Bilateral Cooperation Program and the Roadmap for further development of PIFC were prepared;
- the PIFC legal framework was improved, in particular by amending four acts of the Government (including the internal audit procedure) and four orders of the Ministry of Finance of Ukraine relating to internal control and internal audit (the Guidelines on Organisation of Internal Control, the Code of Ethics for Internal Audit Department Staff, the Internal Auditing Standards and the Report on Results of the Internal Audit Department Activities), and the Procedure for the Assessment by the Ministry of Finance of Ukraine of the Internal Audit System Performance was adopted;

Throughout 2017, the information on PIFC was made public on the official website of the Ministry of Finance of Ukraine. In particular, the official website contains a section on PIFC development where PIFC regulatory framework, respective guidelines and explanatory notes of the Ministry of Finance of Ukraine are available.

KEY OBJECTIVES FOR THE NEXT YEAR:

- Assessing the functioning of internal control in ministries and other central executive authorities in cooperation with Dutch experts;
- Implementing the pilot project on internal audit and preparing the pilot project on internal control;
- Monitoring the practical application of the PIFC legal framework and drafting amendments to the Internal Audit Procedure;
- Improving the methodological framework for internal control and internal audit;
- Updating and implementing the professional training programme for internal auditors;
- Carrying out training activities on PIFC (training sessions on internal control and internal audit for internal auditors of ministries, other central executive authorities, oblast state administrations
and the Kyiv City State Administration; “training for trainers” designed for staff of the central harmonisation unit; “round table” designed for heads of internal audit units; the workshop on financial management and control;• Ongoing guidance and methodological support for internal control and internal audit.

PUBLIC DEBT MANAGEMENT
According to Article 347 of Chapter 3 of Title V of the EU-Ukraine Association Agreement, Ukraine undertook to improve the exchange of experience and information on public debt.

As part of the public debt management, the Ministry of Finance of Ukraine drafted the Medium-Term Debt Management Strategy 2017–2019 approved by Resolution No. 905 of the Cabinet of Ministers of Ukraine of 01.12.2017. As a result of adopting the referred Strategy, medium-term objectives, tasks and measures for public debt management were defined at the legislative level, which is expected to directly increase transparency of the public debt management policy and overall contribute to greater efficiency of public debt management.


In addition, information, experience and best practices with respect to improving public debt management in line with international standards are being exchanged. Subject workshops and training sessions for the staff of the Ministry of Finance of Ukraine are being held as part of international technical assistance projects. Advice is being provided and negotiations with the EU, foreign experts and consultants are being held, which help the staff of the Ministry of Finance of Ukraine acquire new knowledge and practical skills and apply them in their work.

VAT REFUND PROCEDURES AND PROGRESS OF THE STATE FISCAL SERVICE REFORM
Article 351 of the EU-Ukraine Association Agreement provides for cooperation aimed at the improvement and development of Ukraine’s tax system and tax authorities, including the enhancement of collection and control capacity, with a specific focus on VAT refund procedures, to avoid accumulation of arrears, ensure effective tax collection and reinforce the fight against tax fraud and tax avoidance.

To implement these provisions of the Association Agreement, VAT is refunded since 1 April 2017 based on the Register of Applications for Budgetary Refund (hereinafter referred to as the “Register”), which is maintained by the State Fiscal Service of Ukraine and the Treasury.

Key features of the Register:
• The Register differs significantly from the Register in force before 01.01.2017;
• The Register operates automatically and in a transparent manner using data provided by the State Fiscal Service and the Treasury;
• The Ministry of Finance of Ukraine administers the Register as a separate information resource and ensures the protection of information;
• Applications of VAT payers are entered into the Register automatically on the business day of their receipt and in the order as they are received;
• The agreed amounts of budgetary refund are also repaid in the same order as the applications are entered in the Register;
• A body of the State Fiscal Service of Ukraine enters the information on authorisation of the budgetary refund and its amount in the Register on the next business day after such case occurs;
• If the information on verifying a VAT amount specified in the payer’s application is not entered in the Register in due time, such VAT amount is automatically authorised and entered in the Register for its budgetary refund;
• The Treasury makes the budgetary refund within five business days based on the Register data available on the information resource of the Ministry of Finance of Ukraine.

Further, in 2017, the Government adopted the Concept of Reforming the System of Authorities Responsible for Implementing Public Tax and Customs Policy, which was developed by the Ministry of Finance of Ukraine considering recommendations of international partners such as the International Monetary Fund, U.S. Customs and Border Protection, U.S. Department of the Treasury and the European Commission. The Concept aims at reforming the State Fiscal Service of Ukraine based on a long-term and comprehensive development plan, which provides for:
• the introduction of the world’s best practices, both in the form of innovative procedures and by updating the existing ones, into operations of the State Fiscal Service of Ukraine;
• the enhanced role of the bodies of the State Fiscal Service of Ukraine in carrying out the reform;
• stable financing of the transformation and development processes.
The Concept aims at reforming the bodies of the State Fiscal Service of Ukraine in the following areas:
- optimising the organisational and functional structure;
- improving the system for managing processes in the State Fiscal Service of Ukraine;
- managing information systems and technologies;
- ensuring integrity and taking anti-corruption measures;
- assuring and improving internal audit quality.

On 19 July 2017, the Government also adopted its Resolution “On reforming certain territorial bodies of the State Fiscal Service of Ukraine”. The Resolution sets out measures to be taken to optimise processes in the State Fiscal Service of Ukraine, which will enable improving its performance, minimising contacts between the Service’s staff and business representatives to reduce corruption, as well as ensuring appropriate coordination of activities of the State Fiscal Service of Ukraine.
HUMANITARIAN POLICY

CULTURE

The cooperation in the cultural area under the Association Agreement aims at establishing a closer cooperation between the EU and Ukraine in order to enhance mutual understanding and foster cultural exchanges, as well as boost mobility of pieces of art and artists.

To comply with these provisions in 2017, the Ukrainian side continues to actively participate in the EU’s Creative Europe programme.

The National Bureau of the Creative Europe programme in Ukraine, supported by the Ministry of Culture of Ukraine, held approximately 70 events in 2017; a draft design of the web database of Ukrainian cultural and creative industries was developed; the work on establishing cooperation with partners in Ukraine was carried out.

The success in 2017 was that four Ukrainian organisations became partners of European cooperation projects; they were selected to provide support within the framework of the Creative Europe programme.

The terms of Ukraine’s participation in the programme in 2017 were agreed with the EU side. The European Commission informed the Ministry of Culture of Ukraine of its decision to extend the preferential terms of Ukraine’s participation in the Creative Europe programme into 2017 (EUR 1), while noting that it was the last year during which those terms would apply to Ukraine. The Ministry of Culture of Ukraine included the fee for Ukraine’s participation in the Creative Europe programme in 2018 in the draft budget request for the following period (UAH 15 million) with further UAH 1.5 million to cover the needs of the Ukrainian Centre for Cultural Studies in relation to supporting the activities of the Creative Europe programme’s bureau in Ukraine.

- The Ukrainian Cultural Fund was established (Law of Ukraine No. 1976-VIII); its key objectives are to promote the development of Ukrainian culture and arts, support cultural diversity and integrate Ukrainian culture into the global cultural space.

- The Ukrainian Book Institute was established as a single decision-making centre designed to transform the national publishing industry into a European-like cultural industry, and its activity was maintained.

- The Law of Ukraine "On government support for cinematography in Ukraine", which takes into account the mechanisms and tools for supporting cinematography already tested in the European countries, was adopted.

Under the auspices of the Ministry of Culture, the Ukrainian cinematography was presented at more than 30 international events in 2017. 21 Ukrainian films were released in 2017.

To implement the provisions of the Association Agreement on the development of cultural diversity
and preservation and evaluation of cultural and historical heritage:
• The Draft Law of Ukraine "On Ukraine’s accession to the Second Protocol to the 1954 Hague Convention for the Protection of Cultural Property in the Event of Armed Conflict" was developed and submitted to the President of Ukraine for consideration.

At the moment, the package of documents on Ukraine’s accession to the Second Protocol is being finalised in relation to developing the implementation draft law aimed at criminalising the acts described in Article 15 of the Second Protocol and supplementing the charters of the Armed Forces of Ukraine with guidelines and instructions on the protection of cultural property in accordance with Article 30 of the Protocol.
• The Concept of Introducing Electronic Records and Presentations of Items of Cultural Heritage and Cultural Property (Order No. 1161 of the Ministry of Culture of 07.11.2017) was approved.
• The UNESCO World Heritage Site Management Plan was prepared and, on 18.12.2017, sent to the UNESCO World Heritage Committee for preliminary review.
• The Prize for Conservation and Protection of Intangible Cultural Heritage was introduced in 2017.
• In accordance with the provisions of the Convention on the Protection of Intangible Cultural Heritage, the Procedure for Maintaining the National List of Elements of Intangible Cultural Heritage of Ukraine was developed and approved.

As part of implementing the provisions of the Association Agreement on facilitating the development of cultural and creative industries in Ukraine:
• The Draft Law of Ukraine "On amending the Law of Ukraine "On culture" (Reg. No. 6738) was developed.

The Draft Law was developed to legally define the term "creative industries", which will allow to clearly identify the types of activities that generate creative services and products and need appropriate public support to ensure their further sustainable development.
• In April 2017, the International Scientific and Practical Conference "Cultural and Creative Industries: History, Theory and Modern Practices" was held.
• In October 2017, the International Forum "Creative Ukraine" was held, which became the platform for nationwide discussion on the formation of public policy in the field of cultural and creative industries at the political, international and expert levels.

Furthermore, during the first half of 2017, EU experts conducted a functional audit of the Ministry of Culture of Ukraine using the methodological research based on the example of European countries. In the course of their analysis, the experts focused on the strategic areas of cultural policy and on introducing new communication forms, using new technologies in the implementation of cultural policy, promoting and implementing creative industries as part of the country’s economy and introducing new cultural practices in the context of decentralisation. The experts provided a number of recommendations to improve the operational efficiency of the Ministry of Culture of Ukraine and review its powers.

**KEY OBJECTIVES FOR THE NEXT YEAR:**
• Supporting Ukraine’s participation in the EU’s Creative Europe programme.
• Taking measures to improve the effectiveness of the protection, preservation and management of cultural heritage.
• Establishing the legal framework for the development of creative industries in Ukraine.

**PHYSICAL CULTURE AND SPORTS**

The Association Agreement provides for the promotion of physical culture and sports, healthy lifestyle, enhanced national competencies in sports and integration of disadvantaged people through sport. To implement those provisions of the Association Agreement:
• The National Targeted Social Programme to Develop Physical Culture and Sports 2020 was approved (Resolution No. 115 of the Cabinet of Ministers of Ukraine of 01.03.2017). The Programme is based on a comprehensive approach to addressing the issues of public health and physical activity.
• In order to align the legislation with the European requirements and standards, the amendments
to the Law of Ukraine “On physical culture and sports” were adopted on 18.01.2018 (to clarify certain provisions). The Law defines the term "sporting weapons" and regulates the issues of the acquisition, storage, transportation and use of sporting weapons and ammunition. As part of implementing the Association Agreement’s provisions on the protection of sports against such threatening events as doping, match-fixing, racism and violence:

- the Law of Ukraine "On anti-doping control in sport" (No. 1835-VIII) was adopted. The Law takes into account the provisions of the International Convention Against Doping in Sport and establishes the legal and organisational foundations for accrediting an anti-doping control laboratory in accordance with the requirements of the World Anti-Doping Agency.

KEY OBJECTIVES FOR THE NEXT YEAR:
- Strengthening cooperation on the exchange of information and experience between the National Anti-Doping Centre and anti-doping organisations of EU Member States.

AUDIOVISUAL POLICY
With a view to introducing the European standards into the Ukrainian media environment and in compliance with EU documents, as part of implementing the joint projects of the Council of Europe and the EU in the media field:
- The National Television Company of Ukraine was transformed into Public Joint Stock Company National Public Broadcasting Company of Ukraine on 19.01.2017. Thereafter, the Supervisory Board of the National Public Broadcasting Company of Ukraine, which approved the Key Areas of Activity of PJSC NPBCU for 2017 on 23.01.2017, became fully functional.

The state budget of Ukraine for 2018 provides support for the national public broadcaster in an amount of almost UAH 776.6 million.
- The Draft Law of Ukraine "On amending the Law of Ukraine "On television and radio broadcasting” (Reg. No. 7397, introduced by MPs) was registered in the Verkhovna Rada of Ukraine.

The Draft Law restates the Law of Ukraine "On television and radio broadcasting" as the Law of Ukraine "On audiovisual media services".
- The Draft Law of Ukraine “On audiovisual services” is under development.

COOPERATION ON CIVIL SOCIETY
The Association Agreement provides for regular contacts between the Association Committee and representatives of the Civil Society Platform (CSP) with a view to holding consultations with them regarding achieving the objectives of the Agreement. For instance, six meetings on implementing the Agreement were held with the Ukrainian side of the CSP during 2017.

The Ukrainian side of the CSP in particular presented its assessment of the implementation by Ukraine of certain provisions of the Association Agreement "From Goals to Results: Implementation of the Association Agreement Through the Eyes of Stakeholders", as well as its reports delivered and approved at the 5th meeting of the EU-Ukraine Civil Society Platform (on 15 November 2017), which were devoted to carrying out the European integration reforms in the field of science and technology and to public policy on internally displaced persons.

In turn, at the quarterly meetings, Vice Prime Minister for European and Euro-Atlantic Integration Ivanna Kylymush-Tsintsadze and the Government Office for Coordination of European and Euro-Atlantic Integration informed the Ukrainian side of the CSP of the results achieved in implementing the Agreement, in particular in the context of meetings of the EU-Ukraine bilateral association bodies, and outlined their joint plans.

In addition, to improve public access to information on the European integration, the Government approved the European Integration Communication Strategy for 2018–2021 on 25 October 2017. The Strategy should ensure public support in Ukraine for the public policy on European integration. At the same time, the respective Draft Strategy Implementation Action Plan for 2018, which is to be approved by the Government, was developed and analysed.
**AGRICULTURE**

In order to facilitate the development of domestic agriculture through approximation of national laws and regulations to EU rules and standards, Chapter 17 "Agriculture and rural development" is included in Title V "Economic and Sector Cooperation" of the Association Agreement, which enables Ukraine, in accordance with the provisions of Annex XXXVIII, to consider provisions of EU regulations as part of the legal standards during gradual approximation of the domestic legislation in a specific agricultural sector to EU law.

It should be noted that both the Agreement and the respective Annex specify no deadlines for its implementation in this regard, allowing for gradual approximation of the national agricultural legislation within a time-frame acceptable for Ukraine.

At the same time, the implementation of the Association Agreement, in particular Articles 403–406, contributes to Ukraine’s cooperation with the EU by facilitating the mutual understanding of agrarian policy and policy on development of agrarian regions and to the development of modern and sustainable agricultural production, the spread of organic production methods and biotechnologies through the introduction of best practices in these areas and the exchange of knowledge and best practices to improve the economic well-being of rural communities and increase the competitiveness of the agricultural sector, efficiency and transparency of markets, investment climate and standardisation of the requirements for the quality of domestic products. Agricultural development will have a positive effect on the growth of employment and community well-being in the country’s agrarian regions, while the state will be capable of modernising the agrarian policy in line with the requirements of EU law and improving planning and implementation of appropriate support policies at different levels.

The government authorities with responsibility for this area include: the Ministry of Agrarian Policy and Food of Ukraine, the State Service of Ukraine Food Safety and Consumer Protection, the Ministry of Economic Development and Trade of Ukraine, the Ministry of Foreign Affairs of Ukraine, the State Agency for Fisheries of Ukraine, the Ministry of Justice of Ukraine, the Ministry of Ecology and Natural Resources of Ukraine, the Ministry of Health of Ukraine, the Ministry of Finance of Ukraine, the State Fiscal Service of Ukraine and the State Agency for Forest Resources of Ukraine. It should be noted that the Ministry of Agrarian Policy and Food of Ukraine and the State Service of Ukraine Food Safety and Consumer Protection are most involved in implementing those obligations. The Verkhovna Rada of Ukraine plays an equally important role.

In 2017, the following progress was made in implementing the provisions of the Agreement:

- By Order No. 705 of the Ministry of Agrarian Policy and Food of Ukraine of 28.12.2017, amendments were made to Order No. 157 of the Ministry of Agrarian Policy and Food of Ukraine "Requirements for cocoa and chocolate products" of 13.07.2016 (registered with the Ministry of Justice of Ukraine under No. 688/28818), which implemented Directive 2000/36/EU on cocoa and chocolate products intended for human consumption;
- Council Directive 2001/111/EC on certain types of sugar intended for consumption was implemented (Order No. 592 of the Ministry of Agrarian Policy and Food of Ukraine "Requirements for types of sugar intended for human consumption" (registered with the Ministry of Justice of Ukraine under No. 1434/31302)).
On 21 December 2017, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On safety and hygiene of feed", which was signed by the President on 16.01.2018 and will enter into force two years after its publication. Among other things, the Law implements the provisions of Regulation (EC) No. 382/2005 laying down detailed rules for the application of Council Regulation (EC) No. 1786/2003 on the common organisation of the market in dried fodder. The Law determines the legal and organisational principles of production and circulation of feed, regulates relations between executive authorities and feed market operators and defines the powers of government authorities and basic principles of state control, requirements for the production and circulation of feed and production capacities with respect to feed imported (brought) into the customs territory of Ukraine, liability for violating the feed legislation, etc. The implementation of the Law will help create the conditions for the development of the Ukrainian feed market; in turn, this will contribute to the growth of quality feed production and reduce the financial and administrative burden on market operators.

On 18 May 2018, the Verkhovna Rada of Ukraine passed the Law of Ukraine "On state control exercised to ensure verification of compliance with legislation on safety and quality of food and feed, animal health and well-being", which was signed by the President on 30 June 2017. According to Section X, the Law enters into force nine months after the date of its publication, that is, in April 2018.

At the same time, to implement Council Regulation (EC) No. 834/2007, the Draft Law “On the main principles of, and requirements for, organic production, circulation and labelling of organic products” (Reg. No. 5448) was developed. The Draft Law is now under consideration by the Committee of the Verkhovna Rada of Ukraine for Agrarian Policy and Land Relations.

For the purposes of implementing EU directives concerning juices, coffee extracts and chicory extracts, draft legal acts of the Ministry of Agrarian Policy and Food of Ukraine were developed, which are currently being finalised to take into account the proposals of sectoral associations and central executive authorities.

Further, to implement Directive 2001/110/EC relating to honey, the Draft Order of the Ministry of Agrarian Policy and Food of Ukraine “On approving the requirements for certain honey quality indicators” was prepared and is pending agreement with representatives of the industry.

In order to implement the provisions of Regulation (EC) No. 1830/2003 concerning the traceability and labelling of genetically modified organisms and the traceability of food and feed products produced from genetically modified organisms and amending Directive 2001/18/EC, the Draft Law of Ukraine “On amending certain laws of Ukraine concerning the traceability and labelling of genetically modified organisms and circulation, traceability and labelling of food, feed and/or feed additives and veterinary medicinal products produced from genetically modified organisms”, which is being reviewed by the Committee for Agrarian Policy and Land Relations, was developed and registered in the Verkhovna Rada of Ukraine (Reg. No. 7210).

To implement Law of Ukraine No. 864-VIII "On amending certain laws of Ukraine concerning bringing the Ukrainian legislation in the field of seed and plant production in accordance with the European and international rules and standards” of 08.12.2015, the Ministry of Agrarian Policy and Food of Ukraine developed and adopted nine resolutions of the Cabinet of Ministers of Ukraine and six acts of the Ministry of Agrarian Policy and Food of Ukraine in 2017, which regulate the issues of maintaining seed production registers, importing seed to Ukraine, issuing certificates to agri inspectors and the procedure for certification and labelling of seed and planting material.

The Cabinet of Ministers of Ukraine, by its Resolution No. 489 of 19 July 2017, also approved the Action Plan for Implementing the Concept of Rural Development. The Action Plan covers the period until 2025 and should ensure the facilitation of entrepreneurial activity, diversified employment of rural residents and improvement of public and regional self-government mechanisms of influence on social and economic life of communities and rural areas.

To create the necessary organisational, legal and financial preconditions for developing farms and agricultural cooperatives and improving the financial situation of rural residents, the Ministry of Agrarian Policy and Food of Ukraine adopted the Concept of Development of Farms and Agricultural Cooperatives for 2018–2020 (Resolution No. 664-p of the Cabinet of Ministers of Ukraine of 13.09.2017).

With a view to strengthening cooperation on sustainable fisheries in the Black Sea, both in bilateral and multilateral frameworks, based on the ecosystemic approach to fisheries management, the work on the Draft Resolution "On amending the Procedure for Issuing Confirmation of the Legality of Removing Aquatic Bioresources from Their Habitat and Processing Catch Products (Where Needed for a Business Entity to Carry out Foreign Economic Operations)" is in progress.
Thus, Ukraine fulfilled a number of obligations in 2017 with regard to:

- establishing rules for packaging of basic certified seed for sale and terms of its marketing;
- deregulating certification of feed crops;
- approving the procedure for processing raw fruits for the production of juices and certain similar products intended for human consumption.

The introduction of European rules allowed the domestic business entities to obtain permits for the supply of poultry, fish and fish products, honey, eggs and egg products, milk and dairy products, collagen, intestinal raw materials, snails and non-food products of animal origin, for example down, feathers and raw leather, technical casein, etc. to the EU. Currently, 290 Ukrainian producers of animal products, including 110 producers of food of animal origin, have already passed the inspections and received the right to export animal products to the EU.

In the future, as part of Ukraine’s implementation of the provisions of Chapter 17 "Agriculture and rural development", further work in such areas as quality policy, organic farming, plant trade standards, genetically modified cereals and agriculture and fisheries should be gradually and consistently continued in 2018.
Chapter 20 “Consumer protection” of the Association Agreement and Annex XXXIX to the Agreement provide for cooperation aimed at ensuring a high level of consumer protection and achieving compatibility between the Parties’ systems of consumer protection. Ukraine demonstrated 48% progress in the approximation of the Ukrainian consumer protection legislation to EU law in 2017.

In particular, the Draft Law of Ukraine “On amending certain legislative acts of Ukraine (concerning consumer protection)” (Reg. No. 5548) was prepared and is being reviewed by the Verkhovna Rada’s Committees. The Draft Law covers the requirements of Directive 1999/44/EC establishing the minimum guarantees for consumer protection in the internal market, Directive 97/7/EC establishing requirements and guarantees for the protection of consumers in respect of distance contracts and Directive 2009/22/EC (replacing Directive 98/27/EC) regulating judicial remedies for the protection of consumers’ collective interests under EU law.

The Cabinet of Ministers of Ukraine passed Resolution No. 136 “On amending the Procedure for Conducting Trade Activity and the Rules of Trade in the Consumer Goods Market” of 10.03.2017 (implementing Directive 87/357/EEC), which introduced a ban on the sale of food-imitating products that endanger the safety or health of consumers, specifically children who can confuse them with food products and thus cause damage to their health.

Further, in order to establish and introduce an effective system of consumer protection in Ukraine, the Government approved the Concept of Public Consumer Protection Policy 2020 (Ordinance No. 217 of the Cabinet of Ministers of Ukraine of 29.03.2017) and the Concept Implementation Action Plan (Ordinance No. 983 of the Cabinet of Ministers of Ukraine of 27.12.2017).

For the purpose of implementing Commission Decision 2006/502/EC of 11.05.2006 requiring Member States to take measures to ensure that only lighters which are child-resistant are placed on the market and to prohibit the placing on the market of novelty lighters, the Draft Order “On approving amendments to the Rules of Retail Trade in Non-Food Products” (currently undergoing registration with the Ministry of Justice of Ukraine) was prepared.

In the context of implementing Directive 2001/95/EC with respect to setting up and ensuring the operation of information systems for the state market surveillance, the work on setting up a national information system for market surveillance and a system for prompt mutual notification of products that pose serious risk is in progress. In 2017, the state audit of the comprehensive information protection system was ensured and conformity certificates confirming its compliance with the requirements of regulatory
documents on technical protection of information were obtained; additional tests were completed.

The documents now being implemented are also:

- Directive 2005/29/EC with regard to prohibiting unfair commercial practices and identifying such practices, as well as introducing penalties for unfair commercial practices;
- Directive 2008/122/EC with regard to determining guarantees and remedies for the protection of consumers in cases of marketing, sale and resale of timeshare, long-term holiday product and exchange contracts;
- Directive 90/314/EEC with regard to introducing mechanisms of responsibility for a failure to perform or failure to properly perform obligations under a tourist service agreement, establishing minimum requirements for descriptive matter concerning tourist service packages and determining the parties’ rights and obligations and the terms of providing or replacing a tourist service package, in accordance with EU law;
- Directive 2002/65/EC with regard to enhancing guarantees and remedies for consumer protection in cases of distance marketing of financial services.

At the same time, despite positive progress in performing arrangements in this field, a number of measures scheduled for 2017 remained unaccomplished, in particular such as:

- determining guarantees and remedies for consumer protection in cases of marketing, sale and resale of timeshare contracts, long-term holiday products and exchange contracts;
- enhancing guarantees and remedies for consumer protection in cases of distance marketing of financial services;
- establishing requirements and guarantees for consumer protection with respect to distance contracts.

In 2018, the work on the preparation and implementation of the state market surveillance information system project is scheduled to be completed, and the test operation of such information systems is scheduled to be launched.

Furthermore, 2018 priorities include carrying out the Implementation Action Plan for the Concept of Public Consumer Protection Policy 2020 approved by the Cabinet of Ministers of Ukraine (Ordinance No. 983-p of 27 December 2017) and further work on coordinating and adopting the following Draft Laws:

- on amending the Law of Ukraine “On tourism”;
- on amending certain legislative acts concerning the improvement of consumer protection in respect of consumer financial services;
- on cooperation in the field of consumer protection;
- on amending certain legislative acts of Ukraine (concerning consumer protection).
In accordance with the Association Agreement, Ukraine undertook to harmonise its national legislation with EU standards and practices in the area of employment, social policy and equal opportunities.

In pursuance of these commitments, the Draft Labour Code of Ukraine (Reg. No. 1658) was adopted in the first reading back in November 2015. The provisions of specific EU legal acts (namely, Directives 91/533/EEC, 1999/70/EC, 97/81/EC and 2001/23/EC) are required to be implemented under the Code. On 11 April 2017, the Committee of the Verkhovna Rada of Ukraine for Social Policy, Employment and Pension Provision recommended the Parliament to adopt the Code in its second reading and in general.


The work on developing other laws and regulations aiming to implement the respective EU legal acts referred to in the Association Agreement is in progress. In particular, at present:

- with regard to health and safety issues:
  - to implement the provisions of Directive 92/104/EEC, the Draft Order of the Ministry of Social Policy of Ukraine “On approving the requirements for the safety and health of employees of extractive undertakings using underground and open mining methods” is being reviewed;
  - to implement the provisions of Directive 92/91/EEC, the Draft Order of the Ministry of Social Policy of Ukraine “On minimum requirements for improving the safety and health of employees in extractive industries using drilling” was developed and is being refined;
  - with regard to the revision of the public policy on labour safety intended to implement the provisions of Directive 89/391/EEC, the Draft Concept of Reforming the System of Labour Safety Management in Ukraine is being reviewed. The document is sent to the ILO to check compliance with EU directives.
  - a working group that includes the sides of the social dialogue and concerned bodies is set up to draft amendments to the legislation required for the final implementation of
SOCIAL POLICY AND EMPLOYMENT RELATIONS

Directive 89/654/EEC with regard to bringing the minimum safety and health requirements for working areas into compliance with EU standards;

• with regard to employment relations:
  - to implement the provisions of Directive 2001/23/EC, a new version of the Draft Law "On collective contracts and collective agreements" was developed. The Draft Law sets out the rules for concluding collective contracts by individuals who hire employees and the mechanism for expanding the scope of a sectoral (intersectoral) agreement.

• with regard issues of anti-discrimination and gender equality:
  - with a view to complying with the obligations to ensure protection against sex discrimination, in particular the provisions of Directives 2000/43/EC and 2000/78/EC, the Verkhovna Rada is considering the Draft Law of Ukraine "On amending certain legislative acts of Ukraine (concerning harmonisation of anti-discrimination legislation with EU law)" (Reg. No. 3501).
  - the work on the Draft State Social Programme for Ensuring Equal Rights and Opportunities for Women and Men 2021 is nearing its end. The document was approved by the Council of Europe and is aimed at implementing the provisions of Council Directives 2004/113/EC and 79/7/EEC.
  - to implement the provisions of Council Directive 2010/18/EC, the Draft Law of Ukraine "On amending certain legislative acts of Ukraine (concerning additional guarantees in relation to combining family and job responsibilities)" was developed. The Draft Law suggests ensuring equal conditions and opportunities to enable parents to carry out their child-rearing and child-care responsibilities and support motherhood and fatherhood.

Significant work was accomplished to practically implement the principle of gender equality in all areas of societal life.

- As of 1 March 2017, the issues of gender equality and coordinating interaction between central executive authorities on gender equality issues fall within the purview of Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration I. Klympush-Tsintsa (Resolution No. 296 of the Cabinet of Ministers of Ukraine of 18.04.2016).

- The Government introduced the post of Government Commissioner for Gender Policy (Resolution No. 390 of the Cabinet of Ministers of Ukraine of 07.06.2017). The competition for this position was held and the winner selected.
- In 2017, almost all restrictions on women's labour (except for mining work) were lifted, which gives women access to entire industries.
- The new Law of Ukraine "On education" stipulates the requirement for students to acquire gender competence, namely the ability to realise equal rights and opportunities. Non-discrimination, equality and respect for human rights begin with education and should be fostered while students receive secondary education.

• In 2017, gender budgeting was for the first time integrated into the strategic documents of the Ministry of Finance, namely the Public Finance Management Strategy 2017–2021, of which gender-oriented budgeting is part.

• The Draft Strategy for Implementing Gender Equality and Non-Discrimination in Education "Education: Gender Dimension – 2020" was developed.

• The following projects are being carried out to facilitate gender equality in Ukraine:
  - CEDAW in Action (supported by the Government of Canada);
  - Gender Equality at the Heart of Reforms (supported by the Government of Sweden).

Gender-Oriented Budgeting in Ukraine (funded by the Swedish International Development Agency). As part of this project, a school of gender budgeting trainers for oblast state administrations' employees was opened in 2017.

In compliance with Ukraine's obligations under the Association Agreement with respect to ensuring social dialogue, social protection and social inclusion, the Ministry of Social Policy of Ukraine:

• administers in the Verkhovna Rada the Draft Law of Ukraine “On social services” (Reg. No. 4607) aimed at reforming the social service provision system. The work on introducing the standardisation of social services is also in progress. 20 state standards of social services were approved by orders of the Ministry of Social Policy of Ukraine. Currently, seven more draft standards are being developed.

• The Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning...
employment of disabled persons” (Reg. No. 4578) is administered in the Verkhovna Rada. The Draft Law suggests introducing incentives for employers to encourage them to employ people with disabilities.

**KEY OBJECTIVES FOR THE NEXT YEAR:**

- Ensuring support and adoption by the Verkhovna Rada of Ukraine of:
  - the Draft Labour Code of Ukraine (Reg. No. 1658);
  - the Draft Law of Ukraine “On amending certain legislative acts of Ukraine (concerning harmonisation of anti-discrimination legislation with EU law)” (Reg. No. 3501);
  - the Draft Law of Ukraine “On social services” (Reg. No. 4607);

- Ensuring finalisation and submission to the Government, for further submission to the Verkhovna Rada, of:
  - the Draft Law of Ukraine "On collective contracts and collective agreements" (as amended);
  - the Draft Law of Ukraine "On amending certain legislative acts of Ukraine (concerning the provision of additional guarantees in relation to combining family and job responsibilities)".

- Ensuring finalisation and approval by the Government of:
  - the Draft Concept of Reforming the System of Labour Safety Management in Ukraine;

- Ensuring finalisation and approval by orders of the Ministry of Social Policy of Ukraine of:
  - requirements for safety and health of employees of extractive undertakings using underground and open mining methods;
  - minimum requirements for improving the safety and health of employees in extractive industries using drilling;
  - minimum safety and health requirements for working areas.
By signing the Association Agreement, Ukraine undertook to strengthen the Ukrainian healthcare system and its potential. In 2017, Ukraine paved the way for the healthcare system reform with a view to completely reorganising the whole system.

In particular, the Verkhovna Rada of Ukraine adopted the following framework laws proposed by the Government:

- The Law of Ukraine “On state financial guarantees of providing healthcare services and medicinal products” (No. 2168-VIII). The Law introduces the new healthcare financing system and permits healthcare institutions of all ownership types and individual entrepreneurs to participate in providing healthcare services.
- The Law of Ukraine “On amending the Budget Code of Ukraine” (No. 2233-VIII), which grants further subsidies to local budgets to fund expenditures transferred from the state budget for educational and healthcare institutions and reallocates powers to manage primary healthcare costs.

In order to implement the provisions of the Law of Ukraine “On state financial guarantees of providing healthcare services and medicinal products”, the Government by its decisions adopted the Action Plan for Reforming Healthcare Financing 2020 (Ordinance of the Cabinet of Ministers of Ukraine No. 821 of 15.11.2017). The Action Plan establishes the legal framework for the new healthcare financing system, the single national public healthcare service consumer, the single electronic medical information sharing system and for hospital districts. It is also planned to make budgetary healthcare institutions autonomous, review the unified clinical protocols for the list of the most common medical conditions and simplify the paper reporting requirements. Furthermore, a new financing model for primary, secondary (specialised) and tertiary (highly specialised) healthcare will be introduced.

Individual components of the electronic medical information sharing system (eHealth) were launched in the test mode. As of 25 January 2018, 706 medical institutions, 4961 doctors and more than 26 thousand patients joined eHealth.

- The Regulation on the National Health Service of Ukraine was approved (Resolution of the Cabinet of Ministers of Ukraine No. 1101 of 27.12.2017).

The National Health Service of Ukraine is the central executive body responsible for implementing the state policy in the field of state financial guarantees of providing public healthcare services and the national insurer that will conclude contracts with healthcare institutions and purchase public healthcare services from them. The National Health Service will not hold the funds allocated from the state budget to cover public healthcare costs as those funds will be kept in treasury accounts, while the newly established body will only monitor compliance with contractual terms. The National Health Service is expected to start functioning in late June 2018.

Under the Association Agreement, Ukraine must gradually harmonise its legislation and practice with the principles of EU acquis; the list of the relevant EU acts is set out in Annex XLI to the Association Agreement.
To implement the applicable EU acquis provisions regarding the transplantation of tissues, cells and organs and the distribution of human tissues and cells, the Verkhovna Rada of Ukraine is currently considering the Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning healthcare and transplantation of organs and other anatomic materials to humans” (Reg. No. 2386а-1).

State Institution Public Health Centre is currently operating to carry out the obligations with respect to fighting infectious diseases. The Centre is responsible for coordinating and adopting epidemiological supervision and control measures.

A number of government agencies, including laboratory centres, amalgamated with the Public Health Centre in 2017 to enable it to exercise its major functions in public health.

The development of the Roadmap for Implementing the Global Health Security Agenda is in progress.

Furthermore, State Institution Public Health Centre of the Ministry of Health of Ukraine (established in 2015) became a national member of the International Association of National Public Health Institutes (IANPHI) in the reporting period. The Centre is responsible for coordinating and adopting epidemiological supervision and control measures.

The Association Agreement provides for implementing directives relating to the production, advertising, marketing and control of tobacco. The Verkhovna Rada of Ukraine is currently considering the Draft Law of Ukraine “On amending certain laws of Ukraine concerning the protection of public health against harmful effect of tobacco” (Reg. No. 2820), which is aimed at implementing Directive 2003/33/EC, pursuant to the Association Agreement, and Directive 2014/40/EU repealing Directive 2001/37/EC referred to in the Association Agreement.

Further, the Draft Law of Ukraine “On accession of Ukraine to the Protocol to Eliminate Illicit Trade in Tobacco Products” was developed in 2017. The Draft Law was submitted to the President of Ukraine for consideration in September 2017.

Back in 2006, Ukraine ratified the WHO Framework Convention on Tobacco Control. According to Article 15 of the Framework Convention, all Parties to the Convention, including Ukraine, drafted and agreed the text of the Protocol to Eliminate Illicit Trade in Tobacco Products.

The Association Agreement sets out the obligations regarding the quality and safety of human blood and its components.

The work in this direction is currently delayed. In particular, the development of the following drafts has been underway for the second year in a row:

- The National Blood System Development Strategy, which is to be approved by a respective Government decision.
- Amendments to the Law of Ukraine “On donated blood and its components” with respect to determining powers, responsibility and reporting levels, as well as creating appropriate conditions for business activities. Their adoption will allow establishing an effective system to control compliance with legal requirements for donated blood and its components and for blood safety.
- The National Blood System Development Strategy, which is to be approved by a respective Government decision.
- Acts of the Ministry of Health relating to this area.

In 2018, it is necessary to put big effort into overcoming the delay in implementing the obligations under the Association Agreement with regard to public health.

KEY OBJECTIVES FOR THE NEXT YEAR:

- Ensuring the adoption of the Draft Law of Ukraine “On amending certain legislative acts of Ukraine concerning healthcare and transplantation of organs and other anatomic materials to humans” (Reg. No. 2386а-1).
- Developing the Draft Resolution of the Cabinet of Ministers of Ukraine “On establishing the National Organisational and Methodological Transplantation Centre”.
- Approving the Regulation on the National Transplantation System.
- Finalising the Public Health Centre’s organisational structure and ensuring its proper operation.
- Finalising the Roadmap for Implementing the Global Health Security Agenda.
- Ensuring the adoption of the Draft Law of Ukraine “On amending certain laws of Ukraine concerning the protection of public health against harmful effect of tobacco” (Reg. No. 2820).
- Ensuring the revision and subsequent adoption of the Draft Law of Ukraine “On accession of Ukraine to the Protocol to Eliminate Illicit Trade in Tobacco Products”.
- Ensuring drafting and subsequent adoption of amendments to the Law of Ukraine “On donated blood and its components”.
- Ensuring drafting and adoption of laws and regulations in order to implement the European legislation regarding donated blood and its components.
The Agreement does not contain clear commitments in the fields of education, training and youth but establishes the general principles of cooperation. The education reform in Ukraine was recognised in 2017 as one of the Government’s key priorities. The reform entails radical changes at all levels of education. Owing to the EU’s support, in particular its Erasmus+ and eTwinning projects, and the extensive cooperation with the European Foundation for Education, Ukraine is able to carry out systemic reforms in secondary, vocational and higher education.

New Law of Ukraine No. 2145-VIII "On education" of 05.09.2017 was adopted to modernise the education system. The implementation of the Law should result in a comprehensive educational reform that will improve the quality of education and competitiveness of the younger generation in the labour market and make Ukraine part of the European educational space.

The Law also introduces new approaches to using the national language and other languages in the educational process at educational institutions. Article 7 "Language of Education" is aimed at ensuring the proper national language proficiency of all students. This should allow for equal opportunities for Ukrainian citizens regardless of their nationality in exercising their constitutional rights in Ukraine both with regard to access to higher education on a competitive basis and to labour market access. The flexibility enshrined in this Article is due to the multiethnicity of the Ukrainian society and is intended to take into account the languages and capabilities of indigenous peoples and ethnic minorities in Ukraine in order to apply the most appropriate language learning models to different ethnic minorities in secondary educational institutions.

At the same time, the Law of Ukraine "On education" provides for a transition period for the implementation of Article 7 for persons belonging to indigenous peoples and ethnic minorities. During that period, Ukrainian will be gradually introduced as the language of teaching, in addition to the languages of ethnic minorities, which will render students more prepared for studying in the national language at secondary school. According to the international obligations, the opportunity to receive education in languages of ethnic minorities must be provided without prejudice to learning the national language or teaching in the national language.

The provisions of Article 7 were considered by the European Commission for Democracy through Law (the Venice Commission). In its opinion issued on 11 December 2017, the Venice Commission recommended that the provisions of that Article should be balanced out, particularly through other legislative acts. The Ministry of Education and Science proposed three models for implementing the Article on the language of teaching in Ukraine; the models would be reflected in the Draft Law of Ukraine "On secondary general education", which is currently being developed. Moreover, taking into account the recommendations of the Venice Commission, the Ministry of Education and Science will initiate an extension, from 2020 to 2023, of the transition period for implementing the language Article of the Law of Ukraine "On education" for persons belonging to indigenous peoples and ethnic minorities.
Pursuant to the Law of Ukraine "On education", the Government established the State Service for Education Quality, a body that will have centralised responsibility for observing the education quality and educational standards and will be represented locally through special departments.

The development of new specialised laws relating to education and the amendment of those currently in effect was commenced. For example, the development of the Draft Law "On vocational education" is in progress. The ideas expressed in it – such as flexible content of vocational education while maintaining high standards of training, the possibility for employers to influence the content of education, life-long learning, multichannel financing of vocational education and possibility of requesting training of locally required human resources – make it innovative, European-oriented and abreast of the times.

As of 1 September 2017, elements of the dual form of education were introduced in 49 vocational educational institutions for 54 blue-collar occupations. Over 300 employers were involved in the training. Moreover, 61 educational standards for vocational education were developed and approved in the reporting period; 32 of them are based on professional standards.

The Association Agreement provides for cooperation on the issues of life-long learning. For the purpose of implementing the relevant provisions of the Agreement and the Law of Ukraine "On education", the Ministry of Education and Science of Ukraine began developing the Draft Law of Ukraine "On adult education" in 2017, which focuses on implementing the right of every adult to continuous learning with due regard to their personal needs, social development priorities and economic needs.

Under the Association Agreement, the Parties undertook to promote convergence in the field of higher education within the framework of the Bologna Process. To this end, in accordance with the European Qualifications Framework, the Action Plan for Implementing the National Qualifications Framework for 2017–2020 of the Ministry of Education and Science of Ukraine was approved.

The work on the Draft Resolution of the Cabinet of Ministers of Ukraine “On establishing the National Qualifications Agency” continues. That National Agency will ensure coordinating stakeholders’ positions and making consolidated decisions on implementing the National Qualifications Framework, developing professional standards, forming the legislative framework for the functioning of qualification centres, recognising professional qualifications in other countries, etc.

A number of legal acts were passed in 2017 to allow higher educational institutions more academic, organisational and financial freedom pursuant to the Law of Ukraine "On higher education".

In particular, the Government repealed the procedure for job placement of graduates from higher educational institutions whose training was funded by the state, which would enable the graduates from higher educational institutions to freely choose their place of employment (Resolution No. 376 of the Cabinet of Ministers of Ukraine of 31 May 2017).

The issue of quotas for state-funded training for prospective students from the Crimea and certain territories of Donetsk and Luhansk Oblasts was regulated (Resolution No. 1084 of the Cabinet of Ministers of Ukraine of 27 December 2017).

Further, as part of increasing the autonomy of higher educational institutions, the list of paid services that may be provided by state and municipally owned educational institutions and establishments was expanded (Resolution No. 301 of the Cabinet of Ministers of Ukraine of 26.04.2017).

The Regulation on the National Repository of Academic Texts (Resolution No. 541 of the Cabinet of Ministers of Ukraine of 19.07.2017) was approved. The Repository is a nationwide distributed electronic database where academic texts are accumulated, stored and systematised. The main purpose of the Repository is to facilitate the development of educational, scientific, technical and innovation activities by improving access to academic texts and promote academic integrity.

In 2017, maintaining its leadership among the Eastern Partnership countries, Ukraine actively participated in the EU’s Erasmus+ programme for the academic exchange of students, teachers and researchers, in particular in academic mobility and youth mobility projects. The number of projects in which Ukrainian higher educational institutions participate significantly increased during the reporting period.

For instance, according to the results of three 2017 Erasmus+ International Credit Mobility competitions, 398 individual mobility bilateral projects for students and teachers between higher educational institutions of Ukraine and the EU were selected to receive financing for a total amount of EUR 24.215 million (643 projects were selected in 2015–2017 altogether). Owing to the EU’s financial support, 7,181 mobility cases are in progress. In particular, 5,228 students and teachers from Ukraine were given the opportunity to study, teach or train at universities in EU Member States. In turn, 1,953 students and employees from European universities were invited to come to Ukraine as part of the academic exchange.
As a result of three Developing Higher Education Potential contests in 2015–2017, 24 projects, with 68 Ukrainian higher educational institutions as partners and co-actors, were awarded a total funding of over EUR 15 million.

410 Ukrainian project applications were submitted in four Erasmus+ Jean Monnet contests in 2014–2017, and 41 of them were awarded funding. 24 Ukrainian higher educational institutions and six non-governmental organisations are carrying out activities in 31 modules and in four academic departments as part of their participation in two joint projects and four Jean Monnet Support to Associations projects with a total funding of over EUR 1.2 million.

**KEY OBJECTIVES FOR THE NEXT YEAR:**
- Completing the development and ensuring the adoption of the Law of Ukraine "On secondary general education".
- Completing the development and ensuring the adoption of the Law of Ukraine "On vocational education".
- Completing the development and ensuring the adoption of the Law of Ukraine "On adult education".
- Developing requirements for the accreditation of higher education curricula in order to establish a system of higher education quality assurance based on European standards and recommendations for higher education quality assurance.

Under the Association Agreement, the Parties agree to encourage closer cooperation and exchange of experience in the field of youth policy and non-formal education for young people.

In order to achieve the objectives of the Association Agreement and develop bilateral cooperation, bilateral documents on cooperation in the field of youth, physical culture and sports with Malta, Croatia, Latvia and Portugal were signed with in 2017.

The Draft Law of Ukraine "On youth" (Reg. No. 3621, of 10.11.2017; MPs introduced a revised version of the Draft Law) is being considered by the Verkhovna Rada of Ukraine to reform the youth policy based on EU Member States’ practices and experiences. The Draft Law provides for creating a new system of public youth policy and methods and instruments for its implementation, as well as establishing a new type of relationship between the state and youth.

In 2017, as part of carrying out the training programme Youth Worker, which had been developed jointly with UNDP Ukraine and UNICEF, 45 basic trainings and seven specialised trainings attended by approximately 900 young people were conducted in the regions of Ukraine for government officials dealing with youth matters and for representatives of non-governmental youth organisations.

As part of implementing the European Pact for Youth, the Ministry of Youth and Sport of Ukraine jointly with the United Nations Population Fund in Ukraine continues implementing the Ukrainian Pact for Youth 2020 (interaction between business, the state and civil society). 57 companies joined the Pact in 2017. During the two years since the start of this initiative (from 2016 to 2017), 89 companies from 11 Ukrainian cities signed the Pact, thus creating 385 partnerships with the educational sector and 13,184 places for internships and first employment. The Ukrainian initiative is one of those most active in Europe.

To ensure the international mobility of youth and establish direct contacts between Ukrainian and EU Member States’ youth organisations:
- eight Polish-Ukrainian youth exchange projects with 226 participants, and 70 projects in Poland with 2,278 participants were carried out within the framework of the Polish-Ukrainian Youth Exchange Council;
- six Lithuanian-Ukrainian youth exchange projects with 86 participants, and six projects in Lithuania with 134 young people taking part were carried out within the framework of the Lithuanian-Ukrainian Youth Exchange Council.

The support for the Erasmus+ Youth Information Centre in Ukraine is ensured.

**KEY OBJECTIVES FOR THE NEXT YEAR:**
- Continuing implementing the Youth Worker training programme and the Ukrainian Pact for Youth 2020 initiative; carrying out international youth exchange programmes.
- Developing and ensuring the adoption of amendments to the Law of Ukraine "On promoting social development and youth development in Ukraine" with a view to transforming youth labour centres into youth centres.
- Improving the Procedure for Conducting the Competition to Select Programmes (Projects, Events) Developed by Civil Society Institutions for the Implementation of Which Financial Support is Provided (by amending point 2 of the Procedure approved by Resolution No. 1049 of the Cabinet of Ministers of Ukraine of 12.10.2011).
One of the areas of cooperation between Ukraine and the European Union is protection of the Parties’ financial interests in utilising the assistance provided to Ukraine by the European Union in accordance with the principles of good financial governance to achieve the purposes of the Agreement through respective financing mechanisms and instruments.

Cooperation in this area is envisaged in Title VI “Financial Cooperation, with Anti-fraud Provisions”, Articles 453–459 and Annexes XLIII and XLIV.

Under the referred provisions, the Parties shall endeavour to have EU assistance implemented in close cooperation and coordination with other donor countries, donor organisations and international financial institutions, and in line with international principles of aid effectiveness. The framework of the cooperation mechanism is set out in Annex XLIII to the Association Agreement, which provides for framework conditions under which the Parties must take efficient measures with a view to preventing and combating fraud, corruption and other illegal practices that may arise with regard to the improper use of the EU’s financial assistance.

Ukraine’s competent authorities are the Ministry of Internal Affairs of Ukraine, the Ministry of Economic Development and Trade of Ukraine, the Ministry of Finance of Ukraine, the Ministry of Justice of Ukraine, the National Anti-Corruption Bureau of Ukraine, the State Fiscal Service of Ukraine, the State Audit Service of Ukraine, the State Financial Monitoring Service, the National Agency for Public Service, the National Police, the State Security Service of Ukraine, the General Prosecutor’s Office of Ukraine, the Foreign Intelligence Service and the National Agency of Ukraine for Finding, Tracing and Managing Assets Derived from Corruption and Other Crimes (ARMA) and, on the part of the EU, the European Anti-Fraud Office (OLAF) and the European Court of Auditors.

To this end, the European Anti-Fraud Office (OLAF) may agree with its Ukrainian counterparts on further cooperation in the field of anti-fraud, including joint operational arrangements with the Ukrainian authorities for specific investigations.

In 2017, Ukraine defined the priority areas of cooperation, in particular set out targeted actions in the revised Association Agreement Implementation Action Plan. For the purpose of establishing cooperation and coordination with OLAF, the mechanism for interaction with Ukrainian government anti-fraud institutions participating in EU technical cooperation projects/programmes is being considered.

The 2018 priorities in this area of cooperation are establishing the mechanism and timetable for regular consultations and exchange of information and working out the procedure for operational cooperation between OLAF and the Ukrainian government authorities.
Owing to the Deep and Comprehensive Free Trade Area (DCFTA) between Ukraine and the EU, the EU strengthened its position as Ukraine’s strategic trading partner in 2017. Based on the results of 11 months of 2017, the EU’s share in Ukraine’s foreign trade turnover of goods reached 41.3% (the EU’s share in the total exports of Ukrainian goods amounted to 40.3%, in the imports of goods – 42.1%).

In 2017, trade between Ukraine and the EU was rapidly growing both in terms of exports and imports. In particular, from January through November 2017, the exports of goods to the EU increased by 30.4% year-over-year totalling USD 15.9 billion, and the imports of goods from the EU increased by 22.8% totalling USD 18.8 billion.

Agricultural products and food industry accounted for approximately one third of the exports of goods from Ukraine to the EU (31.8% of the total exports to the EU). The exports of ferrous metals and their products ranked second (21.4%); they were followed by machine-building products (15.2%) (see Chart 1). Mineral products (13.2%), wood processing products (5.5%), consumer goods (5.1%) and various industrial products (4.6%) were also an important share in the exports of goods to the EU.

The following sectors demonstrated the highest rate of growth of exports to the EU (data for 11 months of 2017): agricultural sector and food industry (+38.2%), machine-building industry (+23.6%), mineral products (+62.7%), various industrial goods (+47.5%) and metallurgical industry (+21.4%).

At the same time, the basis of the imports of goods from the EU to Ukraine consisted of machine-building (mechanical, electric and transport vehicles), chemical and mineral products.

Trade in services between Ukraine and the EU also grew in 2017. In particular, the exports of services from Ukraine to the EU increased by 10.8% year-over-year totalling USD 3.3 billion. Transportation services, material resources processing services, as well as telecommunication, computer and information services were the top exported services to the EU. The imports of services from the EU in 2017 totalled USD 2.5 billion, which is 3.4% more compared to last year. Transportation services, business services and finance-related services have the biggest share in the overall imports of services from EU countries.

Ukrainian exports to the EU demonstrate a positive trend towards expansion of the range of goods supplied to the EU market (362 new items in 2017), i.e. the exports of goods to the EU is becoming more diversified. The exports of highly processed products with higher added value is increasing. This is specifically the case for machine-building and food products. In 2016, Ukrainian producers received access to the...
European dairy product market. In 2017, Ukraine became one of the leading exporters of dairy butter to the EU.

The number of Ukrainian companies exporting their products to EU countries is also growing. As of the end of 2017, 156 Ukrainian companies became authorised exporters and thus capable of independently determining the country of origin of goods.

UKRAINE’S USE OF TARIFF QUOTAS FOR AGRICULTURAL PRODUCTS AND FOODSTUFFS

In 2017, the tariff quotas for 18 Ukrainian agri-food products (in particular, honey, poultry, groats, flour and others) were increased as scheduled (by 10% on average).

Ukrainian exporters widely used the opportunity of duty-free export to the EU with regard to 29 of 40 tariff quotas available in 2017. Most widely used were the quotas for the following products: honey, grape and apple juice, processed tomatoes, sugar, groats and flour, poultry, wheat, maize and barley. Ukrainian companies supply those products also in excess of the tariff quotas; however, excess quantities are subject to the general EU import regulations (EU import duty).

In 2017, Ukraine also started using three more duty-free quotas for the following products: milk, cream, condensed milk and yoghurt; processed starches; and eggs and albumins.

EU’S ADDITIONAL TRADE PREFERENCES FOR UKRAINE

Beginning 1 October 2017, the EU introduced additional three-year duty-free quotas for agricultural and food products (Regulation (EU) 2017/1566). In particular, the following duty-free quotas were increased: honey (+ 2,500 tonnes per annum); barley groats, processed grain and flour (+ 7,800 tonnes); processed tomatoes (+ 3,000 tonnes); grape juice (+ 500 tonnes); oats (+ 4,000 tonnes); maize, maize flour and pellets (+ 625,000 tonnes); common wheat, wheat flour and pellets (+ 65,000 tonnes); barley, barley flour and pellets (+ 325,000 tonnes). Most additional duty-free quotas became effective as of 1 October 2017, except for quotas for wheat, maize and barley effective as of 1 January 2018.

Further, as part of the temporary trade preferences, the EU cancelled all import duties for the following industrial goods from Ukraine: fertilisers, footwear, pigments and preparations based on titanium dioxide, copper and aluminium products and electronic display equipment (Regulation (EU) 2017/1566).

With a view to using the potential of the EU-Ukraine DCFTA even better, the Government will focus on continuing the reforms to ensure that Ukrainian goods and services get more access to the EU market, namely:

- reducing non-tariff restrictions, in particular those relating to SPS measures and technical barriers to trade (the activities planned to this effect include implementing the SPS Strategy, executing the ACAA and harmonising legislation to open the EU market for the export of services and public procurement);
- developing e-commerce with the EU and integration into the EU digital market;
- providing support to small and medium enterprises in their entering the EU market.