



REPORT
ON IMPLEMENTATION
OF THE ASSOCIATION
AGREEMENT
BETWEEN UKRAINE
AND THE EUROPEAN UNION
2021

EUWA

U K R A I N E

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E U R O P E

CONTENT

FOREWORD	3
PROGRESS IN IMPLEMENTING THE ASSOCIATION AGREEMENT	3
SECTION I ACTIVITIES OF BILATERAL BODIES OF THE ASSOCIATION AND HIGH-LEVEL DIALOGUE BETWEEN UKRAINE AND THE EU	3
SECTION II THE EU'S ASSISTANCE TO UKRAINE	3
SECTION III RESULTS OF THE IMPLEMENTATION OF THE ASSOCIATION AGREEMENT IN 2021	
POLITICAL DIALOGUE, NATIONAL SECURITY AND DEFENSE	
JUSTICE, FREEDOM, SECURITY AND HUMAN RIGHTS	
TECHNICAL BARRIERS TO TRADE	
SANITARY AND PHYTOSANITARY MEASURES	
CUSTOMS MATTERS	
ENTREPRENEURSHIP	
PUBLIC PROCUREMENT	
INTELLECTUAL PROPERTY	
ENERGY EFFICIENCY AND HOUSING AND UTILITY INFRASTRUCTURE	
ENERGY	
TAXATION	
STATISTICS AND INFORMATION EXCHANGE	
ENVIRONMENT AND CIVIL PROTECTION	
TRANSPORT, TRANSPORT INFRASTRUCTURE, POSTAL AND COURIER SERVICES, DIGITAL INTEGRATION	
SCIENCE, TECHNOLOGY AND INNOVATIONS, SPACE	

FINANCIAL SERVICES

PUBLIC FINANCE MANAGEMENT

HUMANITARIAN POLICY

AGRICULTURE

CONSUMER PROTECTION

SOCIAL POLICY AND LABOR RELATIONS

PUBLIC HEALTH

EDUCATION, TRAINING AND YOUTH

FINANCIAL COOPERATION AND COMBATING FRAUD

DEEP AND COMPREHENSIVE FREE TRADE AREA

SUMMARY

NEW REALITY

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

The initial foreword to this report was written back in mid-February. Peaceful February. At that time, we were actively working on sectoral integration into the EU. We planned to complete the review of customs tariffs in our bilateral trade with the European Union in 2022 and to start negotiations on an “industrial visa-free regime” in order to simplify access for our industrial goods to the EU market.

The report is primarily devoted to the European integration reforms that were implemented in 2021. At the time of its preparation, according to the Pulse of the Agreement, Government’s online system of monitoring of the progress in the implementation of the Association Agreement, Ukraine has completed 63% of all tasks planned by the Association Agreement with the EU until 2024. This gave us the reasons for an ambitious agenda for Ukraine’s further integration into the EU internal market.



But all plans were completely changed on the morning of February 24 - when the Russian President started a full-scale war against Ukraine, and Ukrainian citizens woke up to the explosions of Russian missiles. Russia's armed aggression has already led to thousands deaths among civilian population. Now we are witnessing a global humanitarian catastrophe that is unfolding in the territory of Ukraine - millions of people were forced to leave their homes, and those who remained live under the threat of shelling. The aggressor grossly violates the fundamental principles of international humanitarian law by resorting to terror against the civilian population.

Further European integration of Ukraine, as well as the statehood, today is in the hands of our defenders who risk their lives for the future and independence of our state. All of them (military personnel, volunteers or doctors) are European integrators for the government in their own way.

On February 28, 2022, in the context of Russia's war against Ukraine, President Volodymyr Zelensky submitted an official application for Ukraine's accession to the European Union. This step was caused by geopolitical necessity, although long expected in Ukrainian society. Thus, we have launched the process of official accession to the EU and expect to receive the candidate country status in the near future and start negotiations without bureaucratic delays.

The European Union has a historic chance to prove that it is a full-fledged geopolitical player in the region. Ukraine already plays and will continue to play an even more important role in the architecture of the European security. I believe that no European today doubts the need for a strong Ukrainian army to protect the European values, set out in the Treaty on the European Union, and the European way of life.

Today, our task is to stand this blow. Our allies and friends in Europe are helping and supporting Ukraine at this critical time, but we need more, we need courage to act. Exceptional times require exceptional solutions.

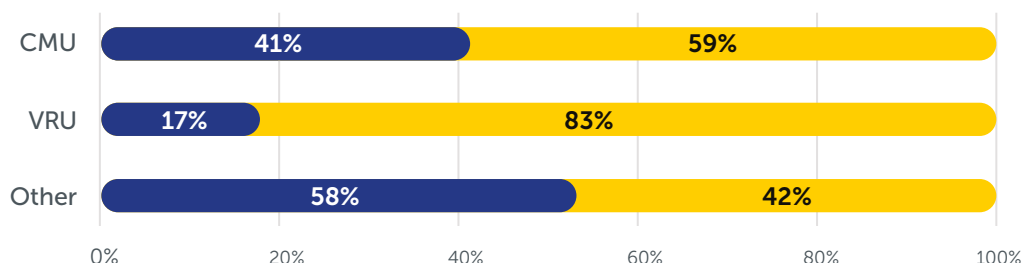
GLORY TO UKRAINE!
GLORY TO THE ARMED FORCES OF UKRAINE!

PROGRESS OF IMPLEMENTATION OF THE AGREEMENT IN 2021

Overall progress in the implementation of the Association Agreement between the European Union, the European Atomic Energy Community and their member states, on the one part, and Ukraine on the other part (hereinafter referred to as the Association Agreement) for the period of 2014-2024 increased from 54% in 2020 to 63% in 2021, i.e. by 9%.

The progress in the implementation of the Association Agreement is 42%¹ of 100% of the planned volume of tasks for 2021. ²³⁴

PROGRESS BY THREE GROUPS OF RESPONSIBLE ENTITIES:



OVERALL PROGRESS FOR THE PERIOD OF 2014-2021:



1 As of January 20, 2022

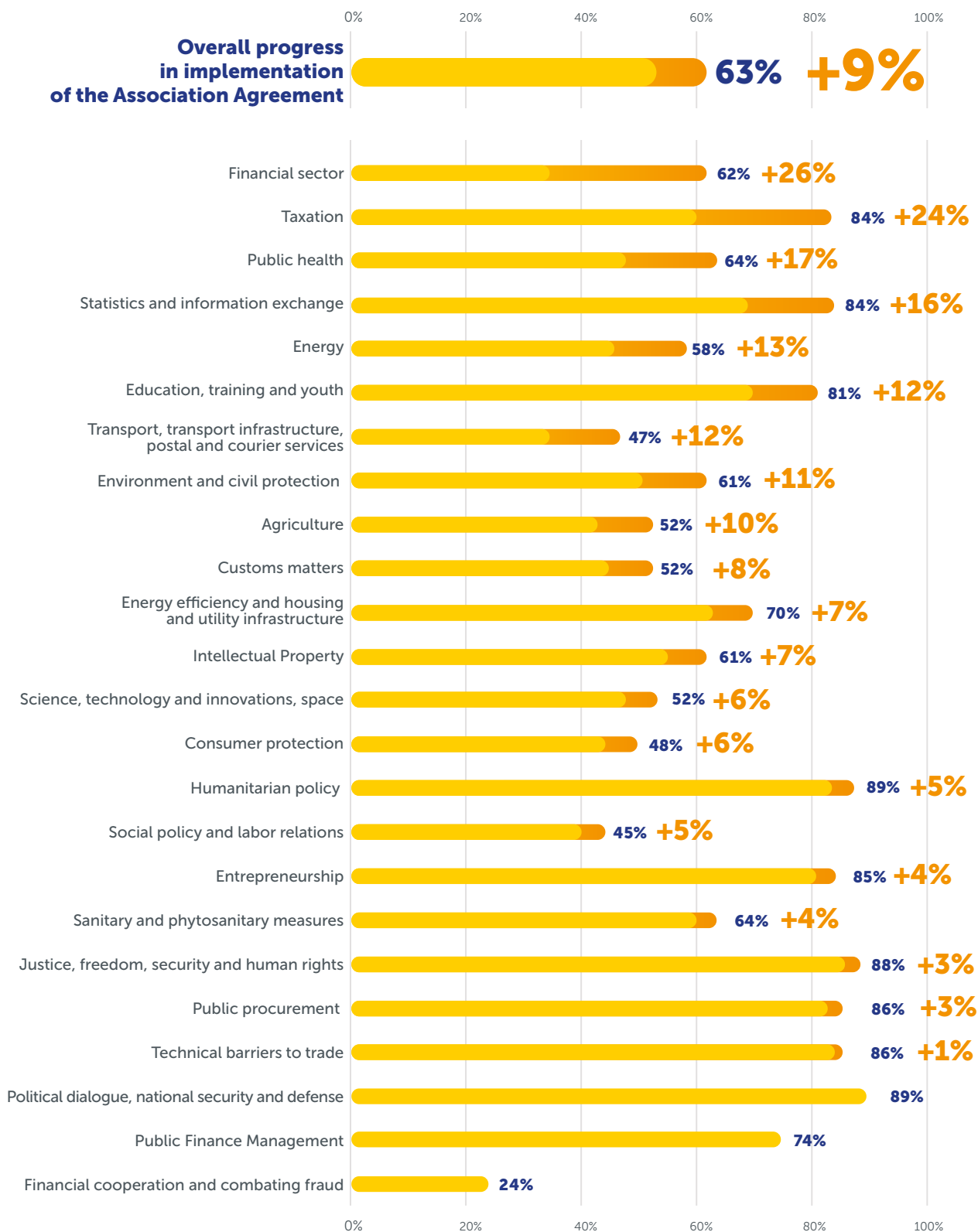
2 Includes all bodies belonging to the executive branch.

3 It covers only the Verkhovna Rada of Ukraine and points to measures related to the adoption of relevant laws.

4 Includes all public authorities that do not belong to the legislative and executive branches of government (for example: NBU, NABU, SBU, etc.).

OVERALL PROGRESS OF IMPLEMENTATION OF THE ASSOCIATION AGREEMENT IN 24 AREAS

2021





SECTION I

ACTIVITIES OF BILATERAL BODIES OF THE ASSOCIATION AND HIGH-LEVEL DIALOGUE BETWEEN UKRAINE AND THE EU

2021 was marked by intensive work within the EU-Ukraine Association bilateral bodies, as well as at the multilateral level within the framework of the Eastern Partnership initiative.

In particular, the 23rd EU-Ukraine Summit (October 12, 2021), the seventh meeting of the Association Council (February 11, 2021), the meeting of the Association Committee and the Association Committee in Trade Configuration (November 29-30, 2021 and November 22-23, 2021 respectively) took place, as well as meetings of relevant subcommittees.

THE 23RD EU-UKRAINE SUMMIT

The 23rd EU-Ukraine Summit (October 12, 2021) not only summarized the common achievements, but also identified common positions in the framework of Ukraine's political association and integration into the EU internal market.

The Summit summarized the progress made in the implementation of the Association Agreement, exchanged reviews of the achievement of the Agreement's objectives and outlined new priorities and plans for preparing a joint review for the 24th EU-Ukraine Summit.

The Ukrainian Party's review of the achievement of the objectives of the Association Agreement demonstrated that the Agreement has become a driving force for European integration reforms in the country and the strengthening of bilateral cooperation, as well as the presence of great unrealized potential. Hence, the review identifies the "beacons" for the movement forward, including in the economic sphere - is integration into the EU internal market.

In addition, it is important to note a number of other results of the summit.

- Meaningful dialogue has started on the updating of customs tariffs in order to review the deep and comprehensive free trade area.
- Work on so-called "industrial visa-free" was carried on, including the completion of the second phase of the mission to assess Ukrainian standardization and metrology institutions, which should facilitate the commencement of full-fledged negotiations on the signing of the ACAA Agreement.
- Discussion of directions and ways to involve Ukraine in cooperation taking into account the development of the EU policies, including the dialogue on the implementation of the European Green Deal, strategic partnership with the EU in the field of critical raw materials and batteries, cybersecurity and overcoming the challenges of COVID-19.
- In the digital sector, a draft decision on updating Annex XVII to the Association Agreement has been agreed. This is an important precondition for Ukraine's integration into the EU internal market in the fields of telecommunications, postal services and maritime transport.

After seven years of postponement, Ukraine and the EU have signed the long-awaited Common Aviation Area Agreement. This means that Ukraine and the EU will create a Common Aviation Area based on sound EU standards in the field of aviation safety, consumer protection and air traffic management. This means the increase of the number of flights, expansion of the geography of flights and opening new opportunities for citizens and businesses.

The issue of energy security was one of the key issues of the 23rd EU-Ukraine Summit. With the completion of Nord Stream 2 construction, Ukraine faces new challenges to the country's national security in addition to the existing ones related to Russia's aggression in Donbas and Crimea. That is why Ukraine has suggested to launch a high-level strategic energy dialogue between Ukraine and the EU with the involvement of Member States. After all, it is necessary to develop a common long-term vision of Europe's energy security, which would cover not only the issue of gas transportation, but also the synchronization of electricity grids, decarbonization of the economy and production of renewable energy sources, including green hydrogen.

It is important that the Joint Statement of the Summit reflected the joint agreements and the ambition of the EU-Ukraine agenda. The statement contains strong signals in support of Ukraine's territorial integrity and independence, as well as Ukraine's integration into the EU's political and economic space.

Also within the framework of the 23rd Summit the following documents were signed:

- Agreement on Ukraine's participation in the EU Horizon Europe research and innovation program. Due to this agreement, our researchers will be able to participate in the world's largest research program. The EU is allocating almost 100 billion euros for research for the period of 7 years.
- Agreement with the European Union on Ukraine's participation in the Creative Europe Program in the new program period of 2021-2027. In practice, this means continuation of the successful cooperation with European partners, which started in 2016, on the implementation of joint projects in the cultural, creative and audiovisual sectors.

EASTERN PARTNERSHIP SUMMIT

The Sixth Eastern Partnership Summit in December 2021 recognized the initiative of the three associated partners (Georgia, Republic of Moldova and Ukraine) to expand cooperation with the EU and noted the strengthening of coordination between them on issues of common interest related to the implementation of the Association Agreements and the DCFTA, as well as cooperation in the framework of the Eastern Partnership.

A list of priorities for the period after 2020, with a special focus on creating specific benefits for people, was developed in the framework of the summit. In particular, it is about regional economic and investment plan of 2.3 billion euros with the potential to mobilize up to 17 billion euros of public and private investment for the region. The economic and investment plan with specific national flagship initiatives will be implemented with each of the partner countries.

In terms of trade and economic integration, priority will be given to strengthening the business environment and promoting trade and investment, using the opportunities of green and digital transformations.

The Eastern Partnership's mechanisms of investment and access to finance focus on improving access to finance for small and medium-sized enterprises (SMEs) through providing by the European Union funding of 1 billion euros in national currency and supporting 500,000 SMEs.

Investments in modernization of 3,000 km of priority roads and railways are planned along the expanded TEN-T network in order to complete it by 2030.

The EU is ready to consider the issue on partner countries' support in implementing effective carbon reduction schemes and/or carbon tax policies in line with EU policies, including in the context of the future Carbon Border Adjustment Mechanism (CBAM).

ASSOCIATION COUNCIL

Ukraine and the European Union held the seventh meeting of the Association Council on February 11, 2021 in Brussels, as a result of which the parties reaffirmed their commitment to strengthening Ukraine's political association and economic integration with the EU. The EU has also reaffirmed its readiness to help Ukraine gain early access to vaccines and to support a vaccination campaign through a regional project with WHO.

The Association Council also noted Ukraine's progress in reforming inland waterways, Ukraine's intention to include Dnieper river and Southern Bug river in the regional Trans-European Transport Network and the importance of concluding the Common Aviation Area Agreement as early as possible in 2021. In addition, the Association Council welcomed Ukraine's desire to align its policies and legislation with the European Green Deal, to approximate its national legislation to that of the EU in the digital economy, and the progress in implementing the provisions of the Association Agreement concerning telecommunications and stressed the importance of further efforts in this sector, including ensuring the independence of the regulator of the telecommunication services.

MEETINGS OF THE ASSOCIATION COMMITTEE AND SUBCOMMITTEES

During the meetings of the Association Committee, including in the trade configuration, and the relevant subcommittees, the whole range of issues related to the implementation of the Association Agreement and bilateral cooperation was discussed. Particular attention was paid to discussing the progress in the implementation of internal reforms in relevant areas, as well as the preparation of relevant agreements and decisions at the level of the summit and the Association Council on the priorities of economic and sectoral integration.

Among the main issues discussed during these meetings and results achieved, the following should be noted:

POLITICAL ASSOCIATION AND REFORMS, JUSTICE, FREEDOM AND SECURITY

- implementation of the National Human Rights Strategy and action plan for its implementation;
- deterioration of the human rights situation in the temporarily occupied territories, protection of the rights of internally displaced persons (IDPs);
- legislative regulation of peaceful assemblies in Ukraine, including measures to protect participants of peaceful assemblies before and after these events;
- further ensuring the functioning of the visa-free regime between Ukraine and the EU;
- prevention and counteraction of corruption in Ukraine, the state of reforms in the justice sector, including the reform of the judicial system and the judiciary, the reform of the prosecutor's office and law enforcement agencies of Ukraine;

SECTORAL COOPERATION AND INTEGRATION

- measures to combat the COVID-19 pandemic and issues of addressing its negative consequences;
- implementation of decentralization reform in Ukraine, energy efficiency reform of public and residential buildings, including district heating reform;
- Ukraine's energy security, including the European Commission's support for the process of technical synchronization of Ukraine's and the EU's electricity grids, the priority of integrating the Ukrainian energy system into the European grid (ENTSO-E);
- ensuring liaison with the European Anti-Fraud Office (OLAF);

- industrial development and further steps in the formation and implementation of industrial policy in Ukraine, as well as the continuation of dialogue on Ukraine's participation in the EU's Single Market Program and further cooperation within the Enterprise Europe Network (EEN);
- implementation of the Learning Together Project and the EU4Skills Program, Ukraine's participation in EU programs Erasmus +, Horizon Europe, Euratom, the European School for Eastern Partnership (Tbilisi), EU4Youth, EU4Culture, European Solidarity Corps, as well as development of research and innovation, Ukraine's participation in Creative Europe for the period of 2021-2027;
- ensuring the independence of the public broadcaster, the need to establish the regulator in the telecommunications sector and the use of 700 MHz frequency for 5G Internet, deepening cooperation in the development of broadband Internet infrastructure.
- socio-economic situation in Ukraine, implementation of reforms in the field of healthcare, employment and labor market, in the social sphere, etc.

DEEP AND COMPREHENSIVE FREE TRADE AREA

- development of trade and certain aspects of trade policy, including decisions to amend Appendix XVII-3 (Rules applicable to telecommunications services), Appendix XVII-4 (Rules applicable to postal and courier services) and Appendix XVII-5 (Rules applicable to international maritime transport) of the Annex XVII to the Association Agreement between Ukraine and the EU, as well as the update of Annex XV "Approximation of Customs Legislation";
- the process of implementation of the Priority Action Plan for enhanced implementation of the Ukraine-EU Deep and Comprehensive Free Trade Area, politically approved during the 23rd EU-Ukraine Summit (October 12, 2021);
- further steps to conclude the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) – "industrial visa free";
- progress towards consistent and gradual currency liberalization, as well as readiness to support Ukrainian Party in achieving the regime of free movement of capital in accordance with international commitments;
- current status and prospects of bilateral trade related to energy and reaching agreements on the exchange of information on energy cooperation;
- development of legislation and policy in the field of geographical indications in Ukraine and the EU; technical issues that arose during the development of the list of geographical indications proposed by the parties;
- the current state of customs reform in Ukraine and its main directions.



SECTION II

THE EU'S ASSISTANCE TO UKRAINE

The European Union provides ongoing financial support for European integration reforms and remains one of the largest partners in the field of international technical cooperation, which ensures the gradual strengthening of political, economic and foreign trade partnership between Ukraine and the EU.

COOPERATION IN THE FRAMEWORK OF MACRO-FINANCIAL ASSISTANCE PROGRAMS

Based on the agreed positions on the implementation of the fifth EU macro-financial assistance program, on September 14, 2021 the European Commission has decided to provide Ukraine with the 2nd tranche with a nominal amount of 600 million euros.

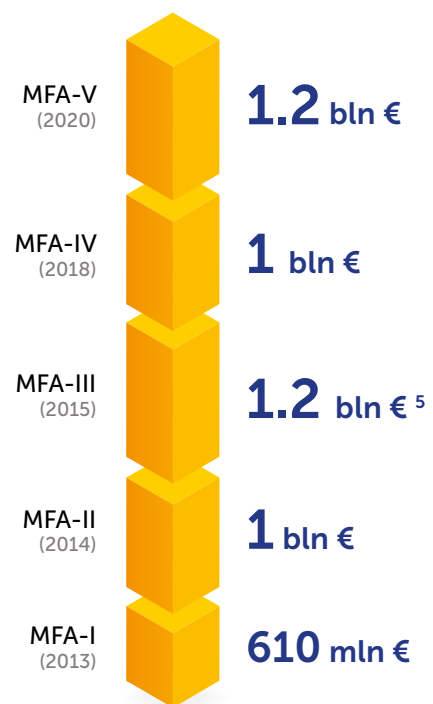
The total amount of macro-financial assistance received by Ukraine during 2014-2021 is 5.01 billion euros.⁵

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5.01 bln €

The parties have implemented five EU macro-financial (loan) assistance programs (hereinafter - MFA) in accordance with concluded and ratified international agreements in 2013, 2014, 2015, 2018 and 2020.

These funds were credited to the Treasury's account in the NBU and, in accordance with the terms of these Memoranda, were used to reduce external financial pressure on Ukraine, improve its balance of payments and meet budget needs.



⁵ 2 of the 3 possible tranches of 600 million euros were received.

In 2021, the portfolio of international technical assistance provided by the EU was **435.9 million euros**⁶. International technical assistance was provided through national and regional EU assistance programs, the cross-border cooperation program, the Twinning mechanism, the Erasmus+ educational program, the Creative Europe program and the Instrument for Nuclear Safety Cooperation.

In addition, in 2021, the EU and Ukraine continued to implement **sector budget support program** totaling **90 million euros** in the area of public administration.

INTERNATIONAL AGREEMENTS SIGNED IN 2021.

In the field of nuclear safety, Ukraine and the EU have signed an Agreement on Funding the Annual Action Program 2020 on cooperation in the field of nuclear safety. The amount of funding provided by this international agreement is **6.5 million euros**. Further priority areas for attracting the EU funding in the amount of **5 million euros**⁷ will be (1) safe management of radioactive waste and spent nuclear fuel in Ukraine, and (2) enhancing the environmental rehabilitation of former nuclear facilities.

In order to increase funding for U-LEAD activities by 14.1 million euros and extend it for 1 year, an Additional Agreement No. 1 was signed between the Government of Ukraine and the European Commission, acting on behalf of the European Union, to amend the Funding Agreement for U-LEAD with Europe: Ukraine - Local Empowerment, Accountability and Development Program - Phase Two (ENI/2019/041-703)". The priority of the program is to further improve the policy-making process and increase the capacity for effective multilevel governance and stimulate the implementation of decentralization reform.

The **EU budget for 2021 also envisages funding for the program** in the following areas:

- media development and fight against disinformation (estimated budget 15 million euros);
- support for the development of integrated border management (estimated budget 20 million euros);
- support for public administration reform (estimated budget 40 million euros);
- support for the implementation of the Association Agreement (estimated budget 50 million euros);
- support for the land reform (estimated budget 50 million euros);

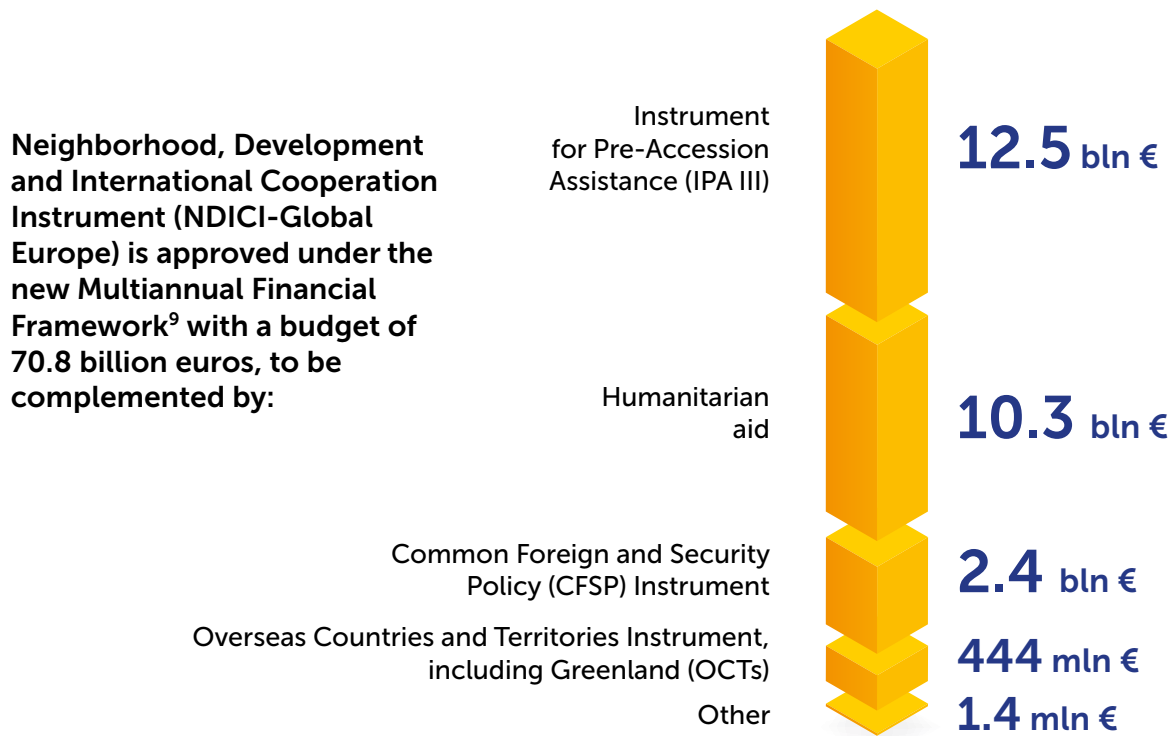
⁶ 259 EU technical assistance projects (passed state registration)

⁷ According to the terms of the international agreement, Ukraine's contribution is 1.5 million euros.

In 2022, it is necessary to continue active cooperation between the Parties in obtaining financial assistance through the appropriate EU funding mechanisms and instruments, as well as to intensify dialogue on expanding Ukraine’s access to the EU financial instruments, including to finance “green” and “digital” transformation of the state.

LONG-TERM FINANCIAL PERSPECTIVE FOR 2021-2027⁸⁹

According to the decision adopted by the EU Council, the long-term EU budget of 1.82 trillion was approved, including the Next Generation EU Fund in the amount 750 billion euros, which will enable the EU to provide funding to support economic recovery following the COVID-19 pandemic and implement the EU’s long-term priorities in various areas.



NDICI-Global Europe is a major financial instrument of the European Union’s external action, which will become increasingly important given the significant economic and social impact of the COVID-19 pandemic worldwide. The total allocation for the period of 2021-2027 will be about 79.5 billion euros, which is more than by 10% bigger compared to the previous budget cycle. This new EU instrument will cover cooperation with all third countries.

⁸ The Council Regulation laying down the multiannual financial framework for the years 2021 to 2027 of December 17, 2020, entered into force on 1 January 2021.

⁹ The Council Regulation laying down the multiannual financial framework for the years 2021 to 2027 of December 17, 2020, entered into force on 1 January 2021.



SECTION III

RESULTS OF THE IMPLEMENTATION OF THE ASSOCIATION AGREEMENT IN 2021

POLITICAL DIALOGUE, NATIONAL SECURITY AND DEFENSE



In 2021 Ukraine continued the implementation of the Association Agreement in the area of foreign policy, security and defense.

In the framework of political dialogue with the EU, the Government gave the priority to mobilization of the European Union's support for the sovereignty and territorial integrity of our state.

Thus, in the context of strengthening international efforts to de-occupy the Crimea, the EU provided full support to the activities of the Crimean Platform, the President of the European Council Ch. Michel participated in the inaugural Summit. Ch. Michel's speech during the Summit was another evidence of the EU's leading role in consolidating international support in this direction.

The EU leadership confirmed that the European Union will continue to pursue a policy of non-recognition of the temporarily occupied territories of Crimea and Sevastopol, and the illegal annexation of the peninsula by Russia will further have high price for the aggressor due to sanctions imposed on Russia since 2014.

At the same time, this year, as in previous periods, the validity of all three packages of restrictive measures (personal sanctions, Crimean and economic/sectoral sanctions) was extended by relevant decisions of the EU Council.

The list of personal sanctions for actions that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine has been expanded by imposing sanctions on additional 11 people, including those involved in the persecution of Crimean Tatars in the temporarily occupied Crimea and Sevastopol, violations of international humanitarian law on the peninsula, and persons directly involved in Wagner PMCs activities. During 2021, regular work was carried out to ensure the EU's response to further aggressive steps by Russia, including the aggravation of the security situation on Ukraine's eastern borders, through developing by the EU Party of the package of additional tough sanctions as part of a set of measures to deter expansion of Russia's aggression against Ukraine.

The EU conveys the clear message that Member States do not question the need to continue the existing package of sanctions against Russia. Ukraine is receiving confirmation of the EU's steadfast position on the European Union's support for the sovereignty and territorial integrity of our state.

In pursuance of Article 7 of the Association Agreement, during 2021, there was a gradual convergence in the field of foreign and security policy (FSP), including the Common Security and Defense Policy (CSDP), in particular the mechanism of Ukraine's accession to the official EU political statements (including within the framework of the international organizations - the UN, the Council of Europe, the OSCE, etc.), and the full range of political dialogue activities between Ukraine and the EU of the highest, high and expert levels, as defined in Article 5 of the Association Agreement.

In 2021, Ukraine joined 93.27% of the European Union's statements on the international events and approaches to their settlement. The Ukrainian Party was invited to join 669 statements, respectively refrained from joining up to 45 of them (6.73%).

Within the framework of cooperation in the field of CSDP and in accordance with the Administrative Agreement between the Ministry of Defense of Ukraine and the European Defense Agency, the priority areas of our cooperation have been identified as follows:

- Material standardization;
- Single European Sky;
- Logistics, including spare parts and transportation, European Air Transport Fleet;
- Training.

The implementation of the Association Agreement in the field of foreign policy, security and defense will be continued in 2022 in order to strengthen positions on important issues for Ukraine and lay a solid foundation for cooperation with the EU in the future.

JUSTICE, FREEDOM, SECURITY AND HUMAN RIGHTS

in 2021 **+3%**



HUMAN RIGHTS

In March 2021 The President of Ukraine signed the Decree No.119/2021, which approved the National Human Rights Strategy¹⁰.

In June 2021 The Cabinet of Ministers of Ukraine approved the Action Plan developed by the Ministry of Justice for the implementation of the National Human Rights Strategy for 2021-2023¹¹.

In June 2021, the draft Law of Ukraine "On Child-Friendly Justice" developed by the Ministry of Justice was submitted to the Verkhovna Rada of Ukraine¹². The draft law aims to create conditions for establishing and effective functioning of child-friendly justice in accordance with the requirements of the Convention on the Rights of the Child and other international standards on the children's rights.

In July 2021 the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On Indigenous Peoples of Ukraine"¹³, which defines the legal status of the indigenous peoples of Ukraine and establishes legal guarantees for all human rights and fundamental freedoms.

In March 2021 the Strategy of de-occupation and reintegration of the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol¹⁴ was approved by the Decree of the President of Ukraine.

The Cabinet of Ministers of Ukraine approved:

- The action plan for the implementation of the Strategy¹⁵, which provides for the monitoring and documentation of human rights violations in the TOT, protection of the rights of persons illegally deprived of liberty, protection of the rights of persons whose rights have been violated as a result of internal displacement, etc.
- The Strategy for Integration of Internally Displaced Persons (IDPs) and Implementation of Medium-Term Decisions on Internal Displacement until 2024¹⁶.

10 Decree of the President of Ukraine of March 24, 2021 No. 119/2021.

11 Order of the Cabinet of Ministers of Ukraine of June 23, 2021 No 756-r.

12 Draft law No.5617 dated 04.06.2021.

13 Law of Ukraine of July 1, 2021 No 1616-IX.

14 Decree of the President of Ukraine of March 24, 2021 No. 117/2021.

15 Order of the Cabinet of Ministers of Ukraine of September 29, 2021 No 1171-r.

16 Order of the Cabinet of Ministers of Ukraine of October 28, 2021 No 1364-r.

The policy priority in the area of IDPs rights protection shall be the adoption of the medium-term decisions aimed at providing housing, employment, social protection for IDPs, access to education, health care, identity and citizenship documents, involvement in local decision-making and using the instruments of local democracy, the implementation of which will significantly contribute to the integration of IDPs into host territorial communities.

The amendments¹⁷ to the Procedure of issuing documents confirming the citizenship of Ukraine, identity or special status of a person, for the citizens living in the temporarily occupied territory of Ukraine. From now on, the Procedure applies to the preparation and issuance of temporary Ukrainian citizenship certificates, permanent residence certificates, temporary residence certificates, stateless persons' certificates for travel abroad, refugee certificates, refugee travel documents, certificate of a person in need of additional protection, travel document of a person, which is provided with additional protection, to persons living in the temporarily occupied territory of Ukraine.

The National Police of Ukraine, together with international partners and public organizations, continues to implement its own innovative system of recording of all actions with detainees - the Custody Records information subsystem. The automation object of the Custody Records information subsystem is the process of documentation, organizing, accumulation, recording and retrieval of information about the facts of detention, delivery, identification, documentation, interviewing a detainee in a police department, detention center and analysis of such information.

On June 15, 2021, the Order of the Chief of the National Police of Ukraine "On implementation of the Custody Records Information Subsystem pilot project in the framework of the Information and Telecommunication System Information Portal of the National Police of Ukraine" was signed.

Preconditions for strengthening cooperation with the EU law enforcement agencies have been fulfilled, in particular, the Agreement between the Kingdom of the Netherlands and Ukraine on the privileges and immunities of liaison officers seconded by Ukraine to Europol was signed (September 20, 2021), and a Memorandum of Understanding between Ukraine and Europol on confidentiality and protection of information was ratified¹⁸.

17 Resolution of September 1, 2021 No. 1109.

18 Law of Ukraine of October 21, 2021 No. 1823-IX.

JUSTICE AND RULE OF LAW

Condition 4b (introduction of an autonomous system of electronic criminal proceedings) of the MFA Memorandum has been met¹⁹, in particular, the law was adopted, which introduced the information and telecommunication system of pre-trial investigation²⁰. The Verkhovna Rada also adopted the Law on Ratification of the Convention on Choice of Court Agreements²¹.

The President of Ukraine approved the Strategy for the Development of the Justice System and Constitutional Justice for 2021-2023²². The objectives of the Strategy are to outline the range of problems and identify areas for improvement of the provisions of the Constitution and laws of Ukraine, priority measures to modernize the judiciary, the status of judges, court proceedings and justice institutions, as well as ensuring coordination and balance of the improvement process taking into account further harmonization of the national legislation with the EU law and enhancing the efficiency of the organization of the judiciary and institutions of justice, strengthening public confidence in them.

Ukraine has taken the necessary steps to implement judicial reform and the Memorandum of Understanding on the EU's macro-financial assistance. In August 2021, the laws on the reform of the judiciary came into force, which are aimed at:

- resumption of the work of the High Qualification Commission of Judges of Ukraine by establishing the Competition Commission with the participation of international experts;
- improving the procedure of electing (appointing) members of the High Council of Justice by establishing an Ethics Council with the participation of international experts;
- determining the operations procedure of the Service of Disciplinary Inspectors of the High Council of Justice.

On September 17, 2021, the first composition of the Competition Commission was appointed, which will select members of the High Qualification Commission of Judges of Ukraine.

On November 8, 2021, the Ethics Council of the High Council of Justice started its work, which included representatives from international and foreign organizations, as well as the Council of Judges of Ukraine. On December 1, 2021, the first meeting of the Ethics Council took place. On December 9, 2021 the Ethics Council approved the Rules of Procedure and the Methodology for evaluating the compliance of candidates for a position of a member of the High Council of Justice, and also current members of HCJ with the criterion of professional ethics and integrity.

19 Law of Ukraine "On Ratification of the Memorandum of Understanding between Ukraine as a Borrower and the European Union as a Lender and the Loan Agreement between Ukraine as a Borrower and the National Bank of Ukraine as a Borrower's Agent and the European Union as a Lender (on receiving by Ukraine of the EU's macro financial assistance in the amount of up to 1 billion 200 million euros)" of 25.08.21 No. 825-IX.

20 Law No. 1498-IX "On Amendments to the Criminal Procedure Code of Ukraine on the introduction of information and telecommunications system of pre-trial investigation".

21 Law of Ukraine of 15.06.2021 No. 1544-IX.

22 Decree of the President of Ukraine of June 11, 2021 No. 231/2021.

In April 2021, the Law of Ukraine was adopted to ensure the gradual implementation of the Unified Judicial Information and Telecommunication System. Currently, the High Council of Justice has approved the Regulations on the functioning of certain subsystems (modules) of the UJITS, which was launched on October 5, 2021, in particular, Electronic Cabinet, Electronic Court, video-conferencing subsystems that provide, inter alia, possibility for e-submission of procedural documents and evidence to the court; e-proceedings; obtaining e-documents in court cases; e-participation in court hearings by video conference.

The Law of Ukraine was adopted, which regulates legislative gaps in the operation of the National Anti-Corruption Bureau of Ukraine (NABU)²³.

The Plan of measures to combat the influence of oligarchs has been approved. A comprehensive plan of 20 key measures for the period 2022-2023 has been prepared and approved by the Government for the implementation of the deoligarchization law.

Also, in order to improve the procedure of automated seizure of debtor's funds and to comply with Conditions 3a and 3b of the Memorandum on MFA, the Ministry of Justice issued the Order dated 23.03.2021 No.1061/5, which expanded automated seizure of debtor's funds, currently covering only alimony enforcement proceedings, to all categories of enforcement proceedings.

The Verkhovna Rada of Ukraine adopted the Law "On Administrative Procedure"²⁴.

In July 2021, Ukraine joined the Cooperation Group To Combat Drug Abuse and Illicit Trafficking in Drugs (The Pompidou Group).²⁵

The draft Action Plan for 2023–2025 for the implementation of the Integrated Border Management Strategy up to 2025 has been developed.

Currently, joint border patrols are carried out with the Republic of Poland, the Slovak Republic, Hungary, Romania and the Republic of Moldova. Joint control is carried out at 10 border checkpoints on the border with Poland (4) and the Republic of Moldova (6). Negotiations on joint control are under way with the Slovak Republic and Hungary.

23 This law defines the status of NABU as a central executive body with a special status. It is also determined that from the date of entry into force of the Law the formation of the competition commission for filling the NABU Director's position starts and an open competitive selection for the position is conducted. At the same time, the person appointed to the position of the NABU Director shall continue to exercise all the powers of the NABU Director until the appointment of the NABU Director based on the results of open competitive selection for the position.

24 The law was re-adopted with the President's proposals on February 17, 2022.

25 Law of Ukraine No. 1647-IX of July 14, 2021 "On Ukraine's accession to the Partial Agreement on the Establishment of the Cooperation Group To Combat Drug Abuse and Illicit Trafficking in Drugs (The Pompidou Group)".

As of now, Implementation Protocols to the Agreement between Ukraine and the EU on readmission of persons between the Cabinet of Ministers of Ukraine and the governments of five EU countries: Austria, the Czech Republic, Estonia, Poland and Lithuania have entered into force. Domestic procedures for entry into force of the Implementation Protocols between Ukraine and the Benelux countries (the Kingdom of Belgium, Grand Duchy of Luxembourg, the Kingdom of the Netherlands) to the Agreement between Ukraine and the EU on readmission of persons²⁶ were completed. To date, Ukrainian Party has developed draft Implementation Protocols to the Agreement with the EU and submitted them for consideration to the competent authorities of ten EU countries: Malta, Greece, Slovenia, Croatia, Bulgaria, Slovakia, Cyprus, Portugal, France and Italy.

26 This international agreement was approved by the Decree of the President of Ukraine of September 27, 2021 No. 481/2021.

TECHNICAL BARRIERS TO TRADE



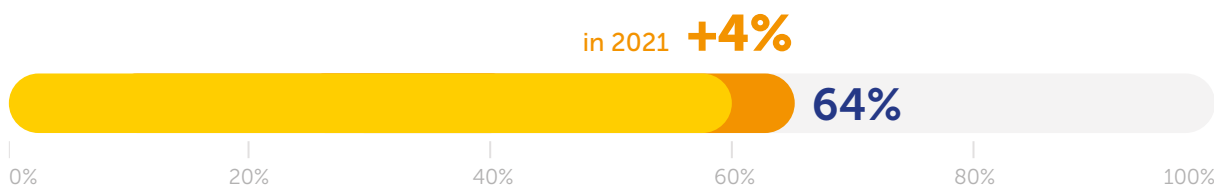
As part of the EU's assessment of Ukraine's quality infrastructure readiness for the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA Agreement) in three priority areas, which commenced in October 2020, 19 online meetings with European experts on compliance of horizontal and vertical legislation of Ukraine with the EU legislation were held on technical regulation, standardization, metrology, conformity assessment, accreditation, market surveillance and consumer rights protection.

According to the results of the fourth meeting of the EU-Ukraine High Level Dialogue, significant positive developments, due to common efforts, in the negotiation process and progress in the preparation to signing of the ACAA agreement were stated, and further steps necessary for advancement of the so called "industrial visa-free" were outlined.

In June 2021, the first phase of the preliminary EU assessment mission regarding adaptation of the horizontal and vertical legislation concerning Ukraine's quality infrastructure to the EU legislation was completed and a final report was received, which positively assessed the degree of adaptation of Ukrainian legislation to the EU legislation (over 85%).

Currently, the implementation of the European experts' recommendations is being monitored and the second phase of the preliminary EU assessment mission on the readiness of Ukraine's quality infrastructure institutions to operate under updated legislation is underway. During the mission the European experts will carry out assessment of Ukraine's standardization and metrology systems.

SANITARY AND PHYTOSANITARY MEASURES



Since the entry into force of the Agreement in full in the area of Sanitary and Phytosanitary Measures (hereinafter - SPS), Ukraine has fulfilled 64% of its obligations. Thus, in 2021 in order to implement the Association Agreement and in order to approximate national legislation to the EU law:

1. the following legislation was adopted:

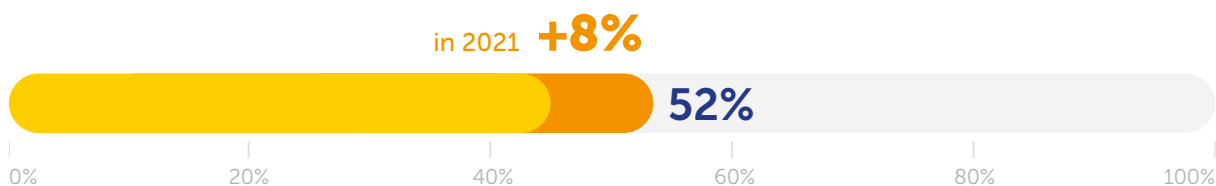
- Law of Ukraine "On Veterinary Medicine" (No. 61206-IX of 04.02.2021), which implements the EU standards in the field of animal health and welfare, as well as in the production, circulation and use of veterinary drugs.
- Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning Bringing the Legislation of Ukraine in the Field of Baby Nutrition in Compliance with EU Legislation" (No. 1822-IX of 21.10.2021), which aims to implement certain acts of the EU legislation on production and circulation of baby food.

2. the following draft laws have been prepared and registered in the Verkhovna Rada of Ukraine:

- "On food contact materials and items" (Reg. No. 4568 of 04.01.2021), which was adopted in the first reading on 01.06.2021, is being prepared for the second reading;
- "On plant protection" (Reg. No. 4600 of 18.01.2021). On March 3, 2021, a positive opinion of the Verkhovna Rada Committee on Ukraine's Integration into the European Union was received;
- "On the peculiarities of legal protection of geographical indications of agricultural products and foodstuffs, protection of rights and application of quality schemes, including traditional guaranteed features of agricultural products and foodstuffs" (Reg. No. 5616 of 04.06.2021).
- "On state regulation of genetic engineering activities and state control over the circulation of genetically modified organisms and genetically modified products to ensure food security" (Reg. No. 5839 of 05.08.2021).
- Draft Law "On Geographical Indications of Alcoholic Beverages", which proposes to introduce regulations on geographical indications of alcoholic beverages, ensuring the rights and interests of economic entities that produce alcoholic beverages and intend to register geographical indications for them (Reg. No. 6480 of 28.12.2021).
- "On Amendments to Certain Laws of Ukraine regarding Food Products and Other Objects of Sanitary Measures" (Reg. No. 6248 of 01.11.2021), which proposes to improve legislation in the field of food safety and quality, to harmonize it with the EU legislation, streamline the areas of food labeling and sales.

At the same time, from March 1 to March 12, 2021, the European Commission was conducting an audit to assess the official control over the production and certification of milk and dairy products intended for export to the EU. As of today, the State Service of Ukraine on Food Safety and Consumer Protection has received a report on the results of the audit and proposals for further exports of Ukrainian products. The competent authority of the European Commission (DG SANTE) in the letter dated October 10, 2021 to the State Service of Ukraine on Food Safety and Consumer Protection informed of a positive result of the audit of Ukrainian producers - exporters of milk and dairy products for human consumption to the EU, and resolving of all issues and recommendations regarding the aforementioned audit.

CUSTOMS MATTERS



Ukraine has implemented an Authorized Economic Operator (AEO) program that meets generally accepted European and international standards, which will allow Ukraine to conclude bilateral agreements with other countries on mutual recognition of AEO, and Ukrainian AEO to enjoy significant advantages in customs clearance, in particular:

- all necessary by-laws have been adopted to implement the provisions of the Law of Ukraine of October 2, 2019 No. 141-IX "On Amendments to the Customs Code of Ukraine on Certain Issues of Functioning of Authorized Economic Operators";
- in March 2021, the State Customs Service, based on the results of conformity assessment, decided to grant the first company the status of authorized economic operator (AEO), in particular - the public joint-stock company JT International Ukraine (Kremenchuk). AEO is a special status that certifies a high degree of customs confidence in the business entity and gives it the opportunity to enjoy the benefits and special simplified regime of customs clearance.

The national computerized transit system has been introduced in order to ensure the completion of customs formalities and electronic data exchange in the process of application of the common transit regime (transition phase before the implementation of NCTS):

- all bylaws were adopted necessary for the implementation of the provisions of the Law of Ukraine of 12.09.2019 No. 78-IX "On common transit regime and the introduction of the national computerized transit system";
- on March 17, 2021, the nationwide application of the common transit regime and NCTS started, during which the entities engaged in foreign economic activities can independently choose one of two systems for placing goods under transit: NCTS or national goods delivery control system;
- since the beginning of nationwide application of NCTS, as of January 1, 2022, 1,329 T1UA declarations have been submitted to the system;
- preliminary assessment mission of the European Commission and other member-countries of the Convention on Common Transit in relation to Ukraine's accession to this Convention and NCTS took place from November 23 till November 25, 2021 in Ukraine. According to preliminary information the main mission regarding Ukraine's accession to the Convention may take place in the first half of 2022. If the result is positive, Ukraine will be able to start application of the NCTS at the international level by the end of 2022;

- work is underway to ensure the transition to NCTS, phase 5. Thus, in early September 2021, a tender was announced for the development of NCTS software phase 5. Tender procedures are underway.

On July 1, 2021, the State Customs Service started its operation as a single legal entity. Qualification and integrity testing of customs officials has been completed. In this context, a draft law on amendments to the Customs Code of Ukraine regarding the introduction of certification of customs officials has also been prepared. Adoption of this draft law will allow to regulate the monitoring and control of qualification and assessment of integrity of customs officials, will allow to introduce the procedure of certification of officials of the State Customs Service of Ukraine and its territorial bodies on the ongoing basis.

In order to implement the EU legislation, the following draft laws have been prepared, approved by the Government of Ukraine and are being considered by the Verkhovna Rada of Ukraine:

- “On Amendments to the Customs Code of Ukraine concerning the regulation of the procedure of preparing customs declarations for goods subject to different commodity subheadings under the UKTZED, in line with the Union Customs Code” (Reg. No. 4517 of 18.12.2020, on 22.09.2021, adopted in the first reading);
- “On Amendments to the Customs Code of Ukraine regarding bringing the procedure of definition of the country of origin of goods in compliance with the Union Customs Code” (Reg. No. 5353 of 08.04.2021);
- “On Amendments to the Customs Code of Ukraine regarding the Implementation of the Association Agreement between the European Union, the European Atomic Energy Community and their member states, on the one part, and Ukraine on the other part, with regard to exemption from import duties” (Reg. No. 5810 of 20.07.2021).

In order to implement Ukraine’s domestic procedures necessary for amendment of the Protocol I concerning the definition of the concept of “originating products” and methods of administrative co-operation, relevant regulations have been developed (draft order of the Government of Ukraine and the Law of Ukraine).

An agreement has been reached with the EU Party on an updated version of Annex XV “Approximation of Customs Legislation”. Further work - implementation of the Union Customs Code (Regulation (EU) No. 952/2013).

ENTREPRENEURSHIP



ACCOUNTING AND AUDIT

In order to further implement the EU legislation in the areas of accounting and auditing, the Government submitted to the Verkhovna Rada draft laws prepared by the Ministry of Finance:

- “On Amendments to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” (Reg. No. 6244 of November 1, 2021);
- “On amendments to certain laws of Ukraine regarding the improvement of the legal framework of auditing activities in Ukraine” (Reg. No. 6245 of November 1, 2021).

The updates to the Annex XXXV “Company law, corporate governance, accounting and auditing” to the Association Agreement are being refined with the EU party at the expert level.

COMPETITION AND STATE AID

On June 10, 2021, the Verkhovna Rada of Ukraine registered a draft Law “On Amendments to the Law of Ukraine “On State Aid to Business Entities” and other legislative acts of Ukraine on Improving Control and Monitoring of State Aid to Business Entities” (Reg. No. 5648).

During 2021, the Government approved the following criteria for assessing the permissibility of granting state aid to economic entities:

- Criteria for assessing the permissibility of granting state aid to economic entities in the coal industry (Resolution of the Cabinet of Ministers of Ukraine of 13.01.2021 No. 38);
- Criteria for assessing the permissibility of granting state aid to economic entities to overcome the consequences caused by the coronavirus disease COVID-19 (Resolution of the Cabinet of Ministers of Ukraine of 03.03.2021 No. 200);
- Criteria for assessing the permissibility of granting state aid to economic entities for environmental protection (Resolution of the Cabinet of Ministers of Ukraine of 11.10.2021 No. 1060).

In the framework of ensuring transparency of the state aid the information on the total amount, types and sectoral distribution of state aid that may affect trade is provided to the EU annually. The Annual Report on State Aid to Economic Entities in Ukraine for 2020, approved by the Order of the Antimonopoly Committee of Ukraine dated August 26, 2021 No.17-rp, was sent to the European Commission through the contact point of the Ukrainian Party.

The AMCU carries out an inventory of state aid as of the day of entry into force of the Law of Ukraine "On State Aid to Economic Entities".

As a result of the assessment of the aid schemes, the AMCU obliged the state aid providers to bring the aid schemes in compliance with the mentioned Law and Article 262 of the Association Agreement within the period stipulated by Article 267 of this Agreement, i.e. till November 2022. Information on the mentioned decisions is publicly available on the official website of the AMCU,²⁷ as well as on the Unified State Open Data Portal.

Work is currently under way to bring state aid schemes in compliance with the criteria set out in Articles 262 and 264 of the Association Agreement, in particular:

- cross-sectoral working group on state aid to bring potential state aid measures provided for in the Tax and Customs Codes of Ukraine in line with the Law of Ukraine "On State Aid to Economic Entities" and the Association Agreement;
- working group on identifying common approaches to reforming Ukraine's renewable energy support system.

²⁷ <https://amcu.gov.ua/napryami/derzhavna-dopomoga/rishennya-komitetu-shchodo-chinnoyi-derzhavnoyi-dopomogi/testovij-reyestr-chinnoyi-derzhavnoyi-dopomogi-do-02082017>

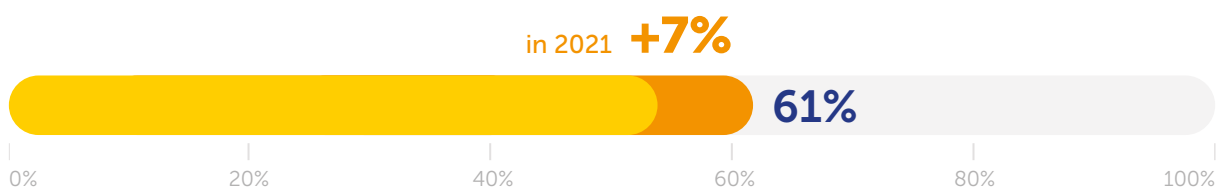
PUBLIC PROCUREMENT



The first and second phases of the Action Plan for the implementation of the Strategy for Public Procurement System Reform (road map) have been implemented. Work is underway to obtain a formal implementation assessment from the EU Party.

A draft Law of Ukraine "On Amendments to the Law of Ukraine "On Public Procurement" and other Laws of Ukraine on Improving Public Procurement" has been prepared. The draft law incorporates the requirements envisaged by the stage III in line with the Annexes XXI-D and XXI-E to the Chapter 8 Public Procurement of the Title IV Trade and Trade-Related Matters of the Association Agreement. Consultations with the EU Party are underway regarding the opening of the EU public procurement market for Ukrainian participants, in particular, the possibility of introducing the EU international procurement instrument into Ukrainian public procurement legislation is being discussed within the framework of the EU-Ukraine Association Committee in Trade Configuration.

INTELLECTUAL PROPERTY



Under the Association Agreement, intellectual property obligations provide for simplification of the procedure of development and commercial use of innovative and creative products in the territory of Ukraine and the EU Member States, as well as achieving an appropriate and effective level of protection and enforcement of intellectual property rights. The deadline for fulfillment of obligations under the Association Agreement in the field of intellectual property is set for the end of 2023 by the Action Plan on implementation of the Association Agreement. Thus in 2021 the activities were implemented in the following directions.

COPYRIGHT AND RELATED RIGHTS

In order to ensure compliance with the requirements of Articles 161-192, Section Two "Standards Concerning Intellectual Property Rights", Chapter 9, Title IV "Trade and Trade-Related Matters" of the Association Agreement and other international treaties and social trends regarding copyright and related rights, the Government submitted to the Verkhovna Rada of Ukraine the draft Law of Ukraine "On Copyright and Related Rights" (Reg. No. 5552-4 of 09.06.2021) and the draft Law of Ukraine "On Amendments to the Code of Ukraine on Administrative Offenses, the Criminal Code of Ukraine and the Criminal Procedure Code of Ukraine regarding liability for infringement of copyright and (or) related rights" (Reg. No. 5643 of 09.06.2021).

The draft laws provide for a substantial revision of the provisions of the current Law of Ukraine "On Copyright and Related Rights" and other legislative acts regarding the copyright and related rights, including strengthening of liability for violations of relevant rights.

INSTITUTIONAL CAPACITY IN THE FIELD OF INTELLECTUAL PROPERTY

During 2021, the provisions of the Law of Ukraine "On amendments to certain legislative acts of Ukraine regarding establishment of the national intellectual property authority" (No. 703-IX, entered into force on 14.10.2020) were implemented. In the result a two-tier structure of the state system of legal protection of intellectual property was created.

From October 14, 2020 the State Enterprise “Ukrainian Institute of Intellectual Property” is performing the functions of the National Intellectual Property Authority (NIPA) in accordance with the resolution of the Cabinet of Ministers of Ukraine “On the National Intellectual Property Authority”. Thus, during 2021 the Ministry of Economy ensured the formation and implementation of state policy in the field of intellectual property, and the NIPA performed certain functions to implement this policy.

COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS

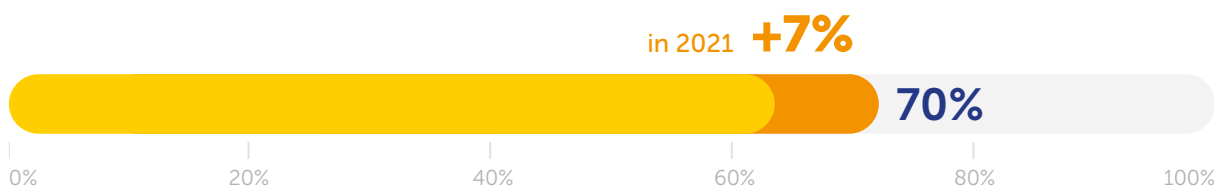
According to the Law of Ukraine “On Effective Management of Property Rights of Copyright Holders and (or) Related Rights” (No. 2415-VIII), the Ministry of Economy ensures the registration of collective management organizations (CMOs), forms the composition of the CMOs accreditation commission, organizes open competitions on accreditation.

In 2021, the Ministry registered 19 CMOs.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

In order to implement effective mechanisms for the protection of intellectual property rights in part of civil measures, procedures and remedies, the Government submitted to the Verkhovna Rada of Ukraine a draft Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine to Strengthen Intellectual Property Protection” (Reg. No. 6464 of 24.12 .2021).

ENERGY EFFICIENCY AND HOUSING AND UTILITY INFRASTRUCTURE



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

In order to implement the Treaty establishing the Energy Community and the Association Agreement, in particular Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, the Law of Ukraine "On Energy Efficiency" was adopted No. 1818-IX dated 21.10.2021.

The government has submitted to the Verkhovna Rada of Ukraine a draft Law of Ukraine "On amendments to the Law of Ukraine "On combined production of heat and electricity (cogeneration) and use of waste energy potential" (No. 4527 of 21.12.2020). The draft law of 21.10.2021 was adopted as a basis. The main purpose of this draft law is to harmonize the provisions of current legislation of Ukraine with the EU law in the field of high-efficiency cogeneration, in particular with the Directive 2004/8/EC and Directive 2012/27/EU.

On December 29, 2021, the Government approved the National Action Plan for Energy Efficiency up to 2030 and the 3-year action plan for its implementation in 2021-2023. The national plan was developed by the State Agency on Energy Efficiency and Energy Saving in cooperation with the Ministry of Energy with the participation of the Energy Community Secretariat. The main goal is to set national energy efficiency target and measures to achieve it in line with the European approaches of the Directive 2012/27/EU on energy efficiency.

The Cabinet of Ministers of Ukraine adopted the Resolution of the Cabinet of Ministers of Ukraine of September 22, 2021 No. 985 "On increasing the authorized capital of the state institution Energy Efficiency Fund".

The Verkhovna Rada of Ukraine adopted the Law of Ukraine of December 2, 2021 No. 1928-IX "On the State Budget of Ukraine for 2022", which under the budget program KPKVK 2751290 "Operation of the Energy Efficiency Fund" provides for expenditures in the amount of UAH 2.6 billion, which fully complies with the international legal obligations of Ukraine.

On November 9, 2021, Ukraine and the European Investment Bank signed:

- the Agreement for the grant of E5P Fund (Ukraine's Public Buildings Energy Efficiency project) between Ukraine and the European Investment Bank and the Investment Grant Agreement (Ukraine's Public Buildings Energy Efficiency project);
- the Agreement for the grant of E5P Fund (Ukraine's Public Buildings Energy Efficiency project) between Ukraine and the European Investment Bank and the Investment Grant Agreement (Ukraine's Public Buildings Energy Efficiency project).

At the same time, in accordance with Article 9 of the Law of Ukraine "On International Agreements of Ukraine", the Ministry of Regional Development is preparing a draft Law of Ukraine "On Ratification of the Agreement for the grant of E5P Fund (Ukraine's Public Buildings Energy Efficiency project) between Ukraine and the European Investment Bank and the Investment Grant Agreement (Ukraine's Public Buildings Energy Efficiency project) between Ukraine and European Investment Bank".

On November 30, 2021, the Loan and Grant Agreement was signed between the Cabinet of Ministers of Ukraine, the Reconstruction Credit Institute (KfW), Zhytomyr and Zaporizhzhya City Councils for the implementation of the Energy Efficiency in Communities project in the amount of 26.5 million euros (25.5 million euros - loan funds, 1 million euros - grant funds). In the result of the implementation of the program, a complex thermal modernization will be carried out in 80 public buildings in Zhytomyr and Zaporizhzhia, which will reduce CO₂ emissions and thus contribute to the achievement of climate goals. In addition, this Agreement is another step towards Ukraine's energy independence.

In preparation for the 23rd EU-Ukraine Summit, held on October 12, 2021, proposals were made to conclude an Agreement amending the Funding Agreement for the Energy Efficiency Support Program in Ukraine - EE4U. The amendments mainly relate to the extension of the Agreement, the settlement of issues related to the activities of the Supervisory Board of the Energy Efficiency Fund, the settlement of some differences in certain provisions of this Agreement. At the same time, the preparation of amendments to the Agreements was suspended (and postponed to March 2022) due to the position of the European Party on the need to address the problem of budget funding of the Fund in the first place.

On November 23, 2021, the Government approved the Resolution "On Implementation of Energy Management Systems and Amendments to Certain Resolutions of the Cabinet of Ministers of Ukraine". We are talking about the introduction of energy management in the buildings of central and state executive bodies, regional state administrations and state enterprises and institutions.

The Government submitted to the Verkhovna Rada of Ukraine a draft Law "On amendments to certain laws of Ukraine regarding the creation of conditions for the introduction of complex thermal modernization of buildings" (Reg. No. 6485 of December 29, 2021).

NEXT STEPS AND CHALLENGES:

- To adopt the Law of Ukraine “On Combined Heat and Electricity Production (Cogeneration) and Use of Waste Energy Potential”.
- To adopt the Law of Ukraine “On amendments to certain laws of Ukraine regarding the creation of conditions for the introduction of complex thermal modernization of buildings”.
- Implement the measures envisaged by the National Action Plan for Energy Efficiency until 2030.

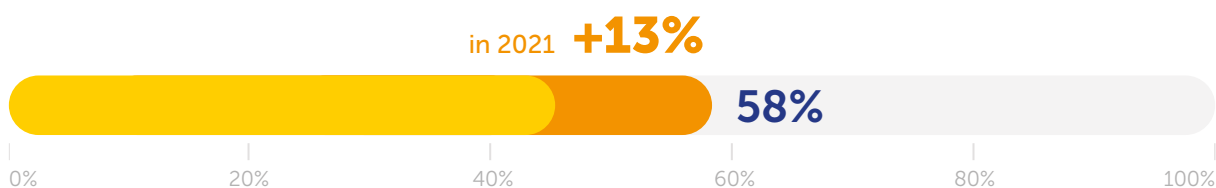
ENERGY LABELING AND ECO-DESIGN

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

To date, 27 technical regulations on eco-design and 15 regulations on energy labeling were adopted, in particular in 2021 - 4 technical regulations on eco-design for local heaters, solid fuel boilers, ventilation systems and professional refrigeration cabinets for storage, intensive cooling and shock freezing chambers, condenser units and refrigeration plants. The Cabinet of Ministers also adopted a resolution to amend the current legislation in Ukraine, namely the relevant technical regulations on energy labeling of a number of energy consuming products, and to introduce a system of energy labeling of energy consuming products in the Internet that meets the requirements of updated European legislation in this area.

In addition, in 2022 it is planned to develop and adopt 4 technical regulations for energy labeling and 4 technical regulations for setting ecodesign requirements by types of energy consuming products.

ENERGY



APPLICATION OF THE UPDATED ANNEX XXVII

In 2016, the text of a new version of the Memorandum of Understanding on a Strategic Energy Partnership between Ukraine and the European Union together with the European Atomic Energy Community, which was signed in 2005, was agreed upon. The new version entered into force on November 25, 2016 after the signing.

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

In the future, it is necessary to continue effective consultations with the European Commission in accordance with Annex XXVII-B to the Association Agreement, and to take into account their results in the legislative process.

ELECTRICITY SECTOR

The Law of Ukraine "On amendments to certain legislative acts of Ukraine regarding the certification of the transmission system operator" of April 15, 2021 No.1396 was adopted.

On December 17, 2021, the National Regulator (NEURC) certified Ukrenergo as a European-type transmission system operator according to the ISO model, thus confirming the company's compliance with European requirements for transparency and independence of transmission system operators. With the completion of certification, the requirements of the Law on Electricity Market and the EU Directive 2009/72/EC, which Ukraine has committed to implement in its legislation, have been met, and the way to official membership in ENTSO-E has been opened. This means that in parallel with the preparations for the synchronization of the Ukrainian energy system with the European one, which is scheduled for 2023, Ukrenergo will be able to officially become part of the European association of the best TSOs in Europe.²⁸

²⁸ Certification of Ukrenergo is one of the requirements of the Law of Ukraine "On the electricity market" and Directive 2009/72/EC of the European Parliament and of the Council, the implementation of which is an integral part of Ukraine's international obligations. Certification is also a prerequisite for obtaining a license for electricity transmission activities in the European market model, which has been introduced in Ukraine since July 1, 2019. The certificate of independence of the system operator is issued by the national regulator - NEURC. Such a certificate is subject to confirmation by the EU Energy Community Secretariat.

For that, at the end of 2021, NPC Ukrenergo applied for observer-membership status in ENTSO-E.

The observer-membership status will allow NPC Ukrenergo to participate in the meetings of the ENTSO-E Regional Group Continental Europe. Also, before the transition to parallel work with the European grid, Ukrenergo will have the opportunity to be closer to the formation of ENTSO-E domestic policies.

In the future, it is necessary to ensure synchronization of the Ukrainian energy system with the European energy grid ENTSO-E, including full implementation of the new electricity market model in accordance with the Third Energy Package, and its separation from the energy systems of Russia and Belarus respectively (Article 338, Annex XXVII).

ENERGY INFRASTRUCTURE

In order to implement the requirements of Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure, the Ministry of Energy together with the EU4Energy technical assistance project is drafting the Law of Ukraine On the National Interest Energy Projects to implement the Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure. Adoption of this Law will promote joint regional investments in the energy sector, the implementation of national interest energy projects by category of energy infrastructure.

In order to implement the Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (REMIT Regulation), a number of draft laws have been developed, including:

- Draft Law of Ukraine "On amendments to certain legislative acts of Ukraine regarding the implementation of the provisions of the European Union legislation on integrity, transparency and prevention of distortion of competition of in wholesale markets" (No. 4503-d of 08.06.2021);
- Draft Law of Ukraine "On amendments to certain laws of Ukraine regarding the prevention of abuse in wholesale energy markets" (No. 5322 of April 1, 2021);
- Draft Law of Ukraine "On amendments to certain legislative acts of Ukraine for the purpose of implementing the adapted version of Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency" (No. 5322-1 of 19.04.2021).

COAL

The process of just transition of coal regions of Ukraine has started. This will provide a comprehensive solution to the problems of coal mono-cities, in particular in the economic, social, cultural, housing and municipal and environmental spheres, which arise due to the reduction of coal extraction and the gradual closure of coal mining and related enterprises.

The Cabinet of Ministers of Ukraine approved the Concept of the State Target Program for Just Transition of Coal Regions of Ukraine until 2030 (Resolution of the Cabinet of Ministers of Ukraine of September 22, 2021 No.1024)

In pursuance of the above resolution, a draft State Target Program for Just Transition of Coal Regions until 2030 is being developed.

In order to develop joint recommendations and proposals to ensure just transition of coal regions of Ukraine, Inter-ministerial Working Group was established by the order of the Ministry of Regional Development of November 25, 2021 No. 305 to develop a draft State Target Program for Just Transition of Coal Regions until 2030. This working group is comprised of the representatives of interested CEBs, local communities, enterprises, institutions in the coal industry, donor organizations, etc.

At the same time, the Law of Ukraine "On the State Budget of Ukraine for 2022" envisages a subvention to local budgets for the implementation of measures for the just transition of coal regions in the amount of UAH 118 million.

The Ministry of Regional Development actively encourages all international partners to join the policy of just transition in terms of knowledge transfer, development of the necessary legal framework and creation of a multi-donor fund for just transition.

On December 21, 2021, the Agreement between the German Agency for International Cooperation (GIZ) and the Ministry of Communities and Territories Development of Ukraine on the implementation of the project of international technical assistance Supporting Structural Changes in Ukrainian Coal Regions was signed.

To overcome the crisis in the domestic coal industry, the draft Concept of the state target program of the coal industry reform and the draft Law on the coal industry reform were developed.

GAS

Currently, the state gas market regulation policy has already been significantly adjusted in line with international obligations by implementing the EU energy legislation, reforming vertically integrated companies and creating conditions for the integration of Ukraine's energy system with the EU energy system. As of today, as a result of the transition to daily balancing, Ukraine is fully synchronized with Europe in terms of the gas market operation mode. A number of acts of secondary legislation have been adopted in accordance with the requirements of the Third Energy Package in a form adapted to the Energy Community. On the basis of these acts, a liberalized natural gas market is currently functioning.

As the natural gas market is almost completely reformed in accordance with EU rules and standards, the next task is to introduce a mechanism for technical regulation of natural gas quality, which will meet European and international standards.

Therefore, in 2022 we expect the Government to prepare and adopt a draft Resolution "On approval of the Natural Gas Technical Regulation", which will create conditions for removing technical barriers to trade, provide independent monitoring and conformity assessment of natural gas intended for Ukrainian consumers.

The Law of Ukraine "On amendments to certain legislative acts of Ukraine regarding the introduction at the natural gas market of the metering and settlements for volume of gas in energy units" No. 1850-IX of November 2, 2021 was adopted.

IN THE FUTURE IT IS NECESSARY TO ENSURE:

- full integration into the ENTSO-G gas transportation system.
- revision of the principle of application of the EU grid codes at the border of the EU - Energy Community Contracting Parties in order to further integrate the gas market and to strengthen energy security in the region.
- creation of additional facilities for gas transportation from EU Member States to Ukraine and signing of additional agreements on cooperation in ensuring security of supply in the region.
- In terms of regulation:
 - adoption of laws on transparency in REMIT wholesale energy markets in order to implement Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (REMIT Regulation).
 - adoption of the resolution of the Cabinet of Ministers of Ukraine "On the creation of an information database on natural gas consumption".

OIL

The Ministry of Energy is working to create a comprehensive system for monitoring the oil products market. First of all, it concerns the level of quality and safety of oil products, as well as the mechanism of transparent market pricing for oil products and liquefied gas.

Therefore, the Ministry of Energy is currently preparing and expects in 2022 the Government to adopt a draft resolution on monitoring the markets of oil, oil products and liquefied gas in Ukraine.

NUCLEAR ENERGY

The Government submitted to the Verkhovna Rada of Ukraine a draft Law of Ukraine "On amendments to the Law of Ukraine "On the Use of Nuclear Energy and Radiation Safety" regarding an expert on radiation protection". The draft law was registered in the Verkhovna Rada of Ukraine on December 21, 2020 under No. 3869 dated July 16, 2020. The main purpose of this draft law is to introduce the practice of providing consultations to the entities in the field of nuclear energy use by the radiation protection experts on compliance with the requirements of the legislation on nuclear and radiation safety.

Also in 2021 the following draft laws were developed and submitted to the Verkhovna Rada of Ukraine:

- Draft Law of Ukraine "On amendments to the Law of Ukraine "On the Use of Nuclear Energy and Radiation Safety". The draft law is designed to bring in compliance with the Council Directives 2014/87/Euratom and 2013/59/Euratom the provisions of the Law concerning the improvement of nuclear legislation pursuant to paragraphs 189, 190 of the Legislative Work plan of the Verkhovna Rada of Ukraine for 2021. The draft law was submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine and registered under No. 5860 dated August 20, 2021 and is being reviewed by the Committees of the Verkhovna Rada of Ukraine.
- Draft Law of Ukraine "On amendments to the Law of Ukraine "On Licensing of Nuclear Energy Use". The draft law is designed to implement the provisions of Council Directive 2013/59/ Euratom, in particular, on the optimization of licensing activities in the field of nuclear energy in pursuance of paragraph 187 of the Legislative Work plan of the Verkhovna Rada of Ukraine for 2021. The draft law was submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine and registered under No. 6425 dated December 13, 2021.

IN THE FUTURE IT IS NECESSARY TO:

- ensure further effective implementation of the approximated legislation and to reflect the changes in the law of the European Union in the energy legislation of Ukraine in terms of ensuring nuclear and radiation safety;
- adopt the draft Law of Ukraine "On amendments to the Law of Ukraine "On the use of nuclear energy and radiation safety" regarding radiation protection expert" (No. 3869 of July 16, 2020);
- adopt the Law of Ukraine "On amendments to the Law of Ukraine "On the Use of Nuclear Energy and Radiation Safety" (No. 5860 of August 20, 2021);
- adopt the Law of Ukraine "On amendments to the Law of Ukraine "On Licensing of Nuclear Energy Use" (No. 6425 of December 13, 2021).

TAXATION



On January 25, 2021, the Ministry of Finance received an opinion from the Directorate-General for Taxation and Customs Union of the European Commission on the implementation of the EU Council Directive 2006/112/EC of November 28, 2006 (on the common system of value added tax) regarding national tax legislation, according to which Ukraine's tax legislation in the part of value added tax is generally in line with EU law, in particular Article 353 and Annex XXVIII of the EU-Ukraine Association Agreement.

On November 30, 2021, the Verkhovna Rada of Ukraine adopted the Law of Ukraine No. 1914-IX "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine to Ensure Balanced Budget Revenues", developed by the Ministry of Finance of Ukraine, which in particular envisages the implementation of the Association Agreement:

- in order to bring the rules of beer taxation in line with Article 3 of Council Directive 92/83/EEC of 19 October 1992 (on harmonization of the structures of excise duties on alcohol and alcoholic beverages), to replace the current excise tax rate on beer per 1 liter of finished product in Ukraine for the rate depending on the actual alcoholic strength of the finished product - for 1 liter of 100 percent spirit;
- in order to implement the provisions of Articles 344 and 346 of Council Directive 2006/112/EC of 28 November 2006 (on the common system of value added tax), the definition of "investment gold" was added and exemption from value added tax on investment gold transactions was granted.

Also on June 03, 2021 the Verkhovna Rada of Ukraine adopted the Law of Ukraine No. 1525-IX "On amendments to the Tax Code of Ukraine on abolition of taxation of income received by nonresidents in the form of payment for production and/or distribution of advertising and improvement of applying value added tax to the non-residents' transactions for supply of electronic services to individuals", which provides for VAT purposes, determining the place of supply of electronic services and determining as the taxpayer of a non-resident person who has no permanent representation and who supplies individuals with electronic services the place of supply of which is located in the customs territory of Ukraine.

Regarding further work in 2022, an important step is to obtain from the EU Party an assessment of Ukraine's compliance with its obligations to bring its national tax legislation in line with the provisions of Directive 2011/64/EU and Directive 92/83/EEC.

STATISTICS AND INFORMATION EXCHANGE



A draft Guidelines on Statistics of Vocational and Lifelong Learning has been developed, which defines the methodology for conducting state statistical surveys on the participation of adults in vocational and lifelong learning. At the same time, the Action Plan for the implementation of the Association Agreement provides for the development of a draft law "On Adult Education", thus - the relevant guidelines will be approved by the Order of the State Statistics Committee of Ukraine after the adoption of this draft law.

A draft Law of Ukraine "On Official Statistics" (new version of the Law of Ukraine "On State Statistics") has been developed, the aim of which is to harmonize state statistics with the EU statistical system, to create the conditions for continuous operation of the bodies of the national state statistics system in line with the universally recognized principles of international and European statistical practice. The draft law was approved at a meeting of the Government and sent to Parliament.²⁹

In order to implement the Regulation (EU) No. 2018/1091, it is necessary to approve the methodology and reporting and statistical documentation for monitoring the structure of agricultural companies.

²⁹ <https://itd.rada.gov.ua/billInfo/Bills/Card/27609>

ENVIRONMENT AND CIVIL PROTECTION

in 2021 **+11%**



CLIMATE CHANGE AND THE EUROPEAN GREEN DEAL

Climate change remains a priority on the world community's agenda and is recognized as one of the world's most pressing challenges that Ukraine cannot ignore.

In order to prevent the inevitable consequences of such global civilizational challenges, the European Green Deal (EGD) has been adopted in the EU.

Ukraine shares the goal and objectives of the European Green Deal, which are sustainable green transition to climate-neutral Europe by 2050, significant reduction of greenhouse gas emissions, decarbonization of the coal sector, waste management, sustainable forestry, biodiversity conservation and more.

To this end, the Resolution of the Cabinet of Ministers of Ukraine of January 24, 2020 No. 33 established interagency working group on coordination of remedial actions for climate change within the European Green Deal initiative of the European Commission.

Also, the Resolution of the Cabinet of Ministers of Ukraine of March 24, 2021 No. 265 established the working group with the purpose of agreeing an approach to the application to Ukraine of the carbon border adjustment mechanism in order to run consultations with the European Commission, the relevant regulation and the composition of the working group were approved.

On April 16, 2021, an organizational meeting of the working group was held, as a result of which it was decided to continue consultations with the European Commission on implementation in Ukraine of greenhouse gas emissions trading system and its correlation with the EU Emissions Trading System, taking into account national specifics, and also potential impact of carbon border adjustment mechanism (CBAM).

During the 23rd EU-Ukraine Summit, which took place on October 12, 2021, special attention was paid to the issue of CBAM. In particular, the EU Party expressed support for Ukraine in "green" transition, including the development of carbon pricing policy in the context of CBAM.

The government approved Ukraine's Second Nationally Determined Contribution to the Paris Agreement (NDC2), which envisages reducing emissions to 35% by 2030 compared to 1990, reaffirming its commitments under the Paris Agreement and its commitment to significantly reduce greenhouse gas emissions.

On July 31, 2021, the NDC was posted on the official website of the Secretariat of the United Nations Framework Convention on Climate Change³⁰.

The Ministry of Environment is working on an action plan to implement Ukraine's updated Nationally Determined Contribution to the Paris Agreement, which will include a list of key sectors, necessary transformations and measures to ensure the implementation of such transformations by 2030.

As the implementation of climate goals involves a number of key transformations in the field of energy efficiency, energy supply, industry, it is necessary to attract and develop financial instruments to support such transformations.

The Order of the Cabinet of Ministers of Ukraine of October 20, 2021 No. 1363 approved the Environmental Security and Climate Change Adaptation Strategy until 2030 together with the operational plan for its implementation until 2024.

The delegation of Ukraine participated in the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26), which took place from October 31 to November 13, 2021 in Glasgow, in the result of which major decisions were successfully adopted. In the framework of COP26, Ukraine has also joined a number of important international initiatives and declarations, including: the Global Methane Pledge; Power Past Coal Alliance; Glasgow Leaders' Declaration on Forest and Land Use; Glasgow Breakthroughs.

During the COP26, all countries supported the aspiration to keep global warming at 1.5oC in line with the goal of the Paris Agreement. The book of rules of the Paris Agreement was completed, and the parties agreed to introduce international market and non-market mechanisms of cooperation under Article 6 of the Agreement.

In order to comprehensively and fully launch the system of monitoring, reporting and verification of greenhouse gas emissions (hereinafter - MRV) the Ministry of Environment, as the authorized body in the field of MRV, issued orders "On approval of the Procedure of state registration of the installations in the Unified register for monitoring, reporting and verification of greenhouse gas emissions" (of 03.02.2021 No. 75, registered with the Ministry of Justice on 01.04.2021 at No. 428/36050), "On approval of model documents for monitoring, reporting and verification of greenhouse gas emissions and requirements for filling them" (of 15.02. 2021 No. 113, registered with the Ministry of Justice on 14.04.2021 under No. 498/36120), "On approval of the Procedure for maintaining the Unified Register for Monitoring, Reporting and Verification of Greenhouse Gas Emissions" (of 08.06.2021 No. 370, registered with the Ministry of Justice on 13.08. 2021 under No. 1060/36682).

30 <https://www4.unfccc.int>

Also the Order of the Ministry of Environment of October 13, 2021 No. 671 "On approval of Guidelines on estimation of the greenhouse gas emissions by the types of installations operation" was adopted.

According to the Law on MRV, the MRV system has been operational in Ukraine since January 1, 2021, and the first reliable and verified data on actual greenhouse gas emissions at the installations level will be received no earlier than March 31, 2022. Given the need to ensure representativeness and comparability of data after the launch of the MRV system and its operation for at least three years, the greenhouse emission trading scheme (ETS) shall be introduced in Ukraine not earlier than in 2025.

Given the approval of the updated nationally determined contribution to the Paris Agreement, as well as the plans of the European Commission to develop and implement carbon border adjustment mechanism (CBAM), which will affect the export opportunities of Ukrainian producers to the EU, the issue of ETS introduction in Ukraine is particularly relevant.

The introduction of the ETS will create the preconditions for effective implementation of international commitments to limit greenhouse gas emissions, for negotiations on the specifics of bilateral cooperation between Ukraine and the EU within imports carbon adjustment mechanism, and for achievement of a more global goal of curbing global average temperature increase at the level of 1.5°C.

ATMOSPHERIC AIR QUALITY, INDUSTRIAL POLLUTION

The draft Law of Ukraine "On the National Register of Emissions and Transfer of Pollutants" was registered in Verkhovna Rada of Ukraine (Reg. No. 6477 of December 28, 2021).

In order to implement certain provisions of Directive 2010/75/EU, the Verkhovna Rada is considering the draft Laws of Ukraine "On Integrated Prevention and Control of Industrial Pollution" (Reg. No. 6004 of September 7, 2021), "On Prevention, Reduction and Control of Pollution Occurring as a Result of Industrial Activity" (Reg. No. 6004-1 of 07.09.2021), "On Ensuring the Constitutional Rights of Citizens to the Environment Safe for Life and Health" (Reg. No. 6004-2 of 22.09.2021). It should be noted that the adoption of draft laws 6004 or 6004-2, as such, which are generally in line with the Association Agreement, and which, within the scope of their transposition, are aimed at establishing a regulation compatible with the EU acquis, will ensure the implementation of mechanisms for integrated prevention, control and reduction of industrial pollution, including reduction of emissions into air, water and soil and prevention of waste accumulation in order to achieve a high level of protection of the environment as a whole.

NATURE PROTECTION, BIODIVERSITY CONSERVATION

The Government has approved the State Forest Management Strategy by 2035, which, in particular, provides for: the introduction of effective forest management by reforming the existing system; ensuring the resilience of forests to climate change; digitalization of the industry; recreation development; development of scientific potential and creation of an appropriate system of training.

Also in the field of forest policy, active measures are being taken to implement the national inventory of Ukrainian forests, to implement the President's Green Country Project.

Ukraine has acceded to the Convention on the European Forest Institute, which will enhance the research capacity and effectively pool the available resources of many European countries in the field of forest research and advanced forest management methods and technologies.

The Verkhovna Rada of Ukraine has registered a draft Law of Ukraine "On the Territories of the Emerald Network" (Reg. No. 4461 of 04.12.2020).

During 2021, the number of objects and territories of the nature reserve fund of national and local importance increased by 163 units with a total area of 16,086.85 hectares and the action plans for the conservation of Eurasian lynx, marine mammals, sturgeon fish species, brown bear was adopted.

Subsoil user investment atlas on strategic and critical minerals was presented, which includes areas with deposits of rare-earth minerals (lithium, titanium, nickel, cobalt, chromium, tantalum, niobium, zirconium, scandium, molybdenum, gold and uranium) and which are available at electronic auctions with a transparent mechanism of initial pricing by nominating attractive objects.

The Government also approved the draft Laws of Ukraine "On Amendments to the National Program for the Development of Mineral Resources of Ukraine until 2030" and "On Amendments to the Budget Code of Ukraine to Ensure the Development of Mineral Resources of Ukraine", and developed a draft Code of Ukraine on the Subsoil.

WATER QUALITY AND WATER RESOURCES MANAGEMENT, INCLUDING THE MARINE ENVIRONMENT

The Government has approved the Marine Environmental Strategy of Ukraine, the main objectives of which are to prepare and implement maritime national action plans to achieve and maintain the "good" environmental status of Azov and Black seas for a six-year period; to implement the program of state ecological monitoring of the seas of Ukraine; to develop and implement plans of integrated management of the coastal areas of Azov and Black Seas.

In order to implement Council Directive 91/271/EEC of May 21, 1991 concerning urban wastewater treatment, a draft Law of Ukraine "On Treatment of Settlements' Wastewater" was developed and registered in the Verkhovna Rada of Ukraine (Reg. No. 6478 of 28.12.2021).

Basic assessment of the state of sea waters of Azov and Black Seas within the exclusive maritime (economic) zone and the territorial sea of Ukraine was carried out, pollutants were screened in Dnieper, Dniester and Siversky Donets river basins; 4 modern water monitoring laboratories were opened, equipped in line with the best European standards; all international procedures for Ukraine's receipt of the legendary research ship "Belgica" from Belgium have been completed. Now it is the ship "Boris Alexandrov".

The main priority of the state policy in the field of water protection and sustainable use of water resources is the reform of the state management system by ensuring its transition to the basin model.

Thus, in accordance with the Decree of the President of Ukraine "On the decision of the National Security and Defense Council of Ukraine of March 23, 2021 "On challenges and threats to national security of Ukraine in the environmental sphere and priority measures to neutralize them" the process of introduction of the water resource management in line with the basin principle and measures to protect and restore natural ecosystems such as forests, wetlands and rivers has started.

A draft Strategy for the Development of Water Policy of Ukraine - Water Strategy of Ukraine is being developed.

Areas vulnerable to nitrate pollution have been identified, triggering the implementation of the EU Nitrates Directive (Order of the Ministry of Environmental Protection and Natural Resources of Ukraine of April 15, 2021 No. 244, registered with the Ministry of Justice of Ukraine on June 10, 2021 with No. 776/36398).

WASTE AND RESOURCES MANAGEMENT, ENVIRONMENTAL SAFETY

The draft Law of Ukraine "On Chemical Safety and Treatment of Chemicals" has been developed. The draft law provides for the introduction of registration of chemicals, assessment of their safety using a risk-oriented approach, the introduction of restrictions and removal from the market of hazardous chemicals.

On November 7, 2021, the Technical Regulation for Limiting the Lead Content in Paints and Varnishes and Raw Material Components came into force, according to which the content of lead and its compounds in household paints and varnishes should not exceed 0.009%, or 90 mg / kg or 90 ppm in dry solid.

The Law of Ukraine “On Restricting the Circulation of Plastic Bags in the Territory of Ukraine” was adopted, aimed at reducing the use of plastic bags in Ukraine in order to improve the state of the environment.

The draft Law of Ukraine “On Restrictions on the Production and Circulation of Disposable Plastic Products in the Territory of Ukraine” was developed (Reg. No. 6077 of September 21, 2021).

The draft Law “On Waste Management” (Reg. No. 2207-1-d of 04.06.2020) is being prepared for the second reading in the Verkhovna Rada of Ukraine. The draft law provides for the introduction of a hierarchy of waste management, extended producer responsibility, electronic waste management information system to ensure transparency in the industry and avoid corruption risks. The draft law is aimed at dealing with such problems as uncontrolled disposal of waste in landfills that do not meet environmental standards; fictitious recycling of waste, when in fact it is recycled only by documents; waste handling without permits.

Also, the Verkhovna Rada of Ukraine is considering draft laws: “On waste electronic and electric equipment” (Reg. No. 2350 of 30.10.2019), “On batteries and accumulators” (Reg. No. 2352 of 30.10.2019).

ENVIRONMENTAL MANAGEMENT

The Verkhovna Rada of Ukraine adopted in the first reading the draft Law of Ukraine “On State Ecological Control” (Reg. No. 3091 of February 19, 2020).

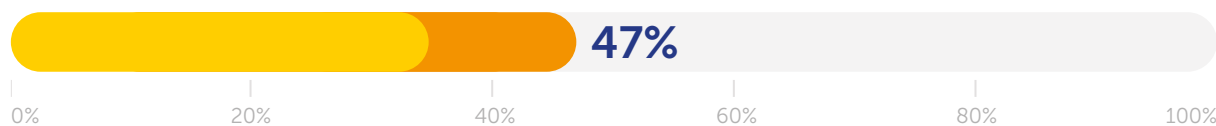
The Unified Ecological Platform “EcoSystem” was created as the unified resource of verified ecological information and a tool for obtaining environmental administrative services. Currently, 7 services are already available in the EcoSystem: an opinion on the transboundary movement of waste included in the Green List, a license for hazardous waste operations and others. A total of 29 administrative services will be digitized and integrated with the Diia portal.

Also, more than 40 registers with reliable information about the environment are already available in the EcoSystem.

The National Action Plan for Environmental Protection until 2025 was approved by the Order of the Cabinet of Ministers of Ukraine of April 21, 2021 No. 443-r. Objectives of the National Plan: to form in the society environmental values and principles of sustainable consumption and production, to ensure sustainable development of natural resources of Ukraine, to integrate environmental policy into all areas of socio-economic development of Ukraine, to reduce environmental risks in order to minimize their impact on ecosystems and health of Ukrainians, to improve and develop the state system of environmental management.

TRANSPORT, TRANSPORT INFRASTRUCTURE, POSTAL AND COURIER SERVICES, DIGITAL INTEGRATION

in 2021 **+12%**



On October 12, within the framework of the 23rd EU-Ukraine Summit, the Common Aviation Area Agreement between Ukraine and the European Union was concluded, which opens “aviation visa-free” for both Ukrainian and European air carriers.

ROAD TRANSPORT

The Law of Ukraine “On Multimodal Transport” of November 17, 2021 No. 1887-IX was adopted, which defines the legal and organizational framework of multimodal transportation and aims to create conditions for their development and improvement, encouraging the use of more environmentally friendly modes of transport to protect the environment, prevent climate change and excessive energy consumption.

The approval of the following laws by the Verkhovna Rada of Ukraine is also awaited: draft Laws of Ukraine “On amendments to certain laws of Ukraine regarding fees for use of public roads” (Reg. No. 6087 of September 23, 2021); “On amendments to the Budget Code of Ukraine on fees for use of public roads” (Reg. No. 6088 of 23.09.2021); the draft Law of Ukraine “On amendments to the Code of Ukraine on Administrative Offenses to establish liability for violation of the legislation on payments for use of public roads” (Reg. No. 6089 of September 23, 2021); “On amendments to certain legislative acts of Ukraine regarding the regulation of the road transport market in Ukraine in order to bring them in line with the act of the European Union” (Reg. No. 4560 of 30.12.2020), developed to implement the provisions of Regulation (EC) No 1071/2009 of the European Parliament and of the Council of 21 October 2009 establishing common rules concerning the conditions to be complied with to pursue the occupation of road transport operator and repealing Council Directive 96/26/EC.

The above-mentioned draft laws (No. 6087, No. 6088, No. 6089) were developed in order to adapt the legal acts of Ukraine to the acts of the European Union, in particular Directive 1999/62/EC of the European Parliament and of the Council of 17 June 1999 on the charging of heavy goods vehicles for the use of certain infrastructures.

In order to resolve the situation of violation of Ukraine’s access to the EU road transport market in accordance with Article 136 of the Association Agreement, which stipulates the obligation of the parties not to worsen the conditions of mutual market access, an interagency working group was established to protect Ukraine’s rights and interests in trade and economic areas within the framework of the Association Agreement in connection with the reduction of the quota of permits for international road haulage.

MARITIME AND INLAND WATER TRANSPORT

As a result of important amendments in security and control requirements in July 2021, the Ukrainian flag was removed from the Black list of the Paris Memorandum and is now in the gray zone.

The Resolution “On Approval of the Technical Regulation of Marine Equipment” was adopted on June 30, 2021 No. 676, which defines the requirements for marine equipment and establishes uniform mechanisms for assessing the conformity of marine equipment safety characteristics taking into account the requirements of Directive 2014/90 EU.

The Resolution “On Approval of the Technical Regulations for Pleasure Boats and Water Scooters” of 23 December 2021 No. 1381 was adopted, which sets out the requirements for their design, construction, procedure for verifying their conformity, as well as requirements for marking and putting into circulation in accordance with the Directive 2013/53/EU.

The Resolution of the Cabinet of Ministers of Ukraine “On amendments to the procedure for maintenance of the State Ship Register of Ukraine and the Ship Log of Ukraine” of May 19, 2021 No. 500 was adopted in order to establish requirements for double hull or equivalent design for oil tankers.

TRANSPORT POLICY, DEVELOPMENT OF THE LOGISTICS NETWORK, TRAFFIC SAFETY

The Action Plan for the National Transport Strategy of Ukraine until 2030 was approved (CMU Order of April 7, 2021 No. 321-r) in order to specify the steps to implement the tasks and measures within global priorities of transport policy, to form effective governance and direction of the sector development.

Ukraine has achieved significant result regarding the inclusion of the transport network of Ukraine in the indicative TEN-T maps. The Ukrainian Party provided all information and materials to the EU Party, in May 2021, necessary to start the procedure of including inland waterways in the indicative TEN-T maps (Phase I - Southern Bug River and Dnieper River, Phase II - Danube River).

Resolution of the Cabinet of Ministers of Ukraine of May 19, 2021 No. 491 was adopted, which implemented a number of acts of the EU legislation provided for in Annex XXXII of the Association Agreement regarding the division of professional competence between carriers and service providers, rights and obligations of passengers and economic entities, as well as introduction of a system for monitoring the quality of service provision.

POSTAL COMMUNICATION

The draft Law of Ukraine “On Postal Services” (Reg. No. 4353 of November 10, 2020) was adopted in the first reading, which is aimed at setting the legal framework for postal services provision, in particular the powers of the central executive authorities and national regulator; rights and responsibilities of postal operators and users of these services; regulating the principles of responsibility of postal operators and users of services in this area. The draft law harmonizes national legislation with EU legislation in the field of postal services by implementing the provisions of the Directive 97/67/EC.

DIGITAL INTEGRATION

Decision No. 1/2021 of the EU-Ukraine Association Committee in Trade Configuration dated November 22, 2021 updated Appendix XVII-3 (Rules applicable to telecommunication services) of Annex XVII to the Association Agreement.

The Roadmap for Ukraine’s integration into the EU Digital Single Market has been updated, taking into account the development of the EU legislation. According to the operational conclusions of the sixth meeting of the ACTC, Ukraine committed to continue the implementation of the Roadmap for Integration into the EU Digital Single Market to implement the updated Appendix XVII-3 of the Association Agreement.

The Law of Ukraine “On Electronic Communications” was adopted, which entered into force on January 1, 2022. It reforms the outdated regulatory framework in the field of electronic communications in accordance with the latest European standards. The Law of Ukraine “On Electronic Communications” is aimed at:

- establishing the legal basis for activities in the fields of electronic communications and radio frequency spectrum;
- specifying the powers of the state to manage and regulate these activities;
- definition of rights, duties and principles of responsibility of individuals and legal entities that participate in this activity or use electronic communication services.

The law not only regulates market relations between the state, service providers and users, but also brings Ukraine closer to European standards in the field of electronic communications.

Ukraine is one of the first EU partner countries to implement the provisions of the European Electronic Communications Code, which promotes:

- competition in the market of electronic communications services;
- connection and access of the population to high-speed Internet;
- development of the internal market due to the removal of unnecessary regulatory barriers;
- consumer protection.

On December 16, 2021, the Verkhovna Rada adopted in the second reading and in general the draft law No. 6055 "On the National Commission for State Regulation of Electronic Communications, Radio Frequency Spectrum and Provision of Postal Services", which aims to transform the current regulator in line with the changes envisaged by the Law "On Electronic Communications".

The National Commission will identify settlements without fixed Internet, mobile communication and will monitor the provision of such services; exercise state supervision over the activities of operators/providers and providers of postal services; monitor the quality of electronic communication services. The adoption of this law is another important step for Ukraine's entry into the European Digital Single Market, as the area of electronic communications is the basis for the development of digital services.

The Order of the Cabinet of Ministers of Ukraine of September 8, 2021 No. 1069-r approved the action plan for the development of broadband Internet access for 2021-2022.

The Resolution of the Cabinet of Ministers of Ukraine of March 3, 2021 No. 407 was adopted in order to regulate the issues of legal support of free movement of non-personal data.

As of December 2021, 120 public services are available online in Ukraine (70 of them on the Unified State Web Portal of Electronic Services, which are available at <https://diia.gov.ua/>).

TRUST SERVICES

Ukraine is working to provide citizens and businesses with affordable and secure electronic trust services. To this end, a joint plan with the EU on electronic trust services is being implemented with the prospect of concluding an agreement on mutual recognition of electronic trust services. This will provide new opportunities for online cooperation between European and Ukrainian companies, the development of cross-border e-commerce with the EU and will enable citizens to receive online services across borders.

In order to achieve full legal equivalence with the EU law, the Government has submitted to the Verkhovna Rada a package of draft laws, developed by the Ministry of Digital Transformation, in the field of electronic trust services (No. 6173 of 12.10.2021, No. 6097 of 24.09.2021, No. 6085 of 23.09.2021, No. 6086 of 23.09.2021).

TELECOMMUNICATION SERVICES

In order to increase the efficiency of the subscriber number portability service, introduced in 2019 in the framework of the implementation of the provisions of Directive 2002/22/EC on universal service, the National Commission for State Regulation of Communications and Informatization (NCCIR) in 2021 simplified the procedure of submission of applications and the process of subscriber identification, the principle of One Stop Shop process was introduced allowing to resolve all issues related to the transfer of subscriber numbers by contacting one entity - the recipient's operator.

As of December 31, 2021, 180,420 mobile numbers were transferred between communication services providers.

As part of the analysis of electronic communications markets in order to improve the competitive environment, during 2021 the analysis of three markets was carried out:

- minimum set of dedicated lines (which includes predefined types of dedicated lines up to and including 2Mbps);
- wholesale unbundled access (including shared access) to metallic subscriber networks and subnetworks for the purpose of providing broadband voice services;
- wholesale broadband access.

As part of the implementation of the provisions of Decision 676/2002/EC, a number of implementation measures were taken to harmonize the use of radio frequency resources in Ukraine, in particular, to harmonize the frequency bands 2575 - 2610 MHz and harmonize the frequency bands 869.4-869.65 MHz.

In order to implement Regulation (EU) No. 531/2012 on roaming in public mobile networks, as well as partially the Regulation (EU) 2015/2120, Ukraine is actively working on the possibility of creating a common space for international roaming and reducing tariffs for international roaming services between Ukraine and the EU.

At the initiative of Ukraine, an international Roaming Expert Working Group (REWG) was established to prepare a draft Agreement on Reducing Tariffs for International Roaming Services between the Eastern Partnership countries, which is being developed in accordance with the EU regulatory framework on international roaming regulation and experience of the EU Member-States. Its implementation will harmonize the legislation of the Eastern Partnership countries with the EU regulatory approach.

SCIENCE, TECHNOLOGY AND INNOVATIONS, SPACE

in 2021 **+6%**



SCIENCE, RESEARCH AND INNOVATION, TECHNOLOGY TRANSFER

On October 12, 2021, at the 23rd EU-Ukraine Summit, the Agreement between Ukraine, on the one part, and the European Union and the European Atomic Energy Community, on the other part, on Ukraine's participation in the Framework Program for Research and Innovation Horizon Europe and the Euratom Training and Research Program (2021-2025), complementary to the Framework Program for Research and Innovation Horizon Europe, was officially signed. The Agreement ratification procedures are underway.

Agreement on cooperation in science and technology between the European Community and Ukraine was restored (the Law on Ratification of July 15, 2021 No. 1673-IX was adopted).

160 Ukrainian organizations have implemented 228 projects in the previous framework program for research and innovation "Horizon 2020" for a total of 45.8 million euros. As part of the complementary Euratom training and research program, 19 projects worth in total of 4.71 million euro were implemented.

The Law of Ukraine "On Amendments to certain laws of Ukraine on intensification of activities and development of science parks" of September 7, 2021 No. 1714-IX was adopted.

As part of Ukraine's integration into the European Research Area, an updated roadmap for integration into the ERA was approved in February 2021.

SPACE

Ukraine continues to develop mutually beneficial cooperation with the EU in the field of civil space research and the use of outer space, in particular, in such areas as global navigation satellite systems; Earth observation and global monitoring; space science and research; applied space technologies, in particular launch technologies and rocket engine technologies.

The draft Law of Ukraine "On Approval of the National Targeted Scientific and Technical Space Program of Ukraine for 2021-2025" has been submitted to the Verkhovna Rada of Ukraine (Reg. No. 6129 of October 4, 2021).

On March 18, 2021, the 5th meeting of Cluster 2 of the Subcommittee on the EU-Ukraine Economic and Sectoral Cooperation took place online. During the meeting the key considerations of further cooperation were discussed, in particular in the area of Earth observation from the space, space navigation, Ukraine's participation in the EU framework Research and Innovation Program Horizon Europe.

On September 20-24, 2021, European experts visited Kharkiv with the inspection of the proposed location on the territory of Kharkiv Airport for the placement of the second RIMS station in Ukraine.

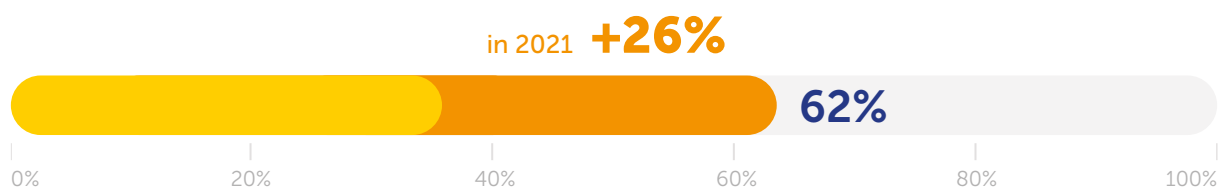
On November 15-16, 2021, the second round of negotiations between the delegations of Ukraine and the European Commission on the expansion of the European Geostationary Navigation Overlay Service (EGNOS) to the territory of Ukraine was held by video conference.

In order to further cooperate with the European Space Agency (ESA), the SSAU's proposals are being worked up on the suggested projects, which are based on consultations with space companies and institutes of the National Academy of Sciences. ESA has expressed preliminary interest in the product of the project of SE "CB South" – "membraneless electrolysis unit for energy and life support systems".

IN THE FUTURE IT IS NECESSARY TO:

- Initiate with the EU Party the launch of the EU-Ukraine Space Dialogue.
- Sign an Agreement with the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT) on the technical operation of Copernicus, which will ensure the receipt of data from the Sentinel-3 series meteorological satellites in Ukraine.
- Conclude an Agreement on Ukraine's accession to the EGNOS regional satellite navigation system.

FINANCIAL SERVICES



PREVENTION OF LAUNDERING (LEGALIZATION) OF PROCEEDS OF CRIME

In order to implement the provisions of the Law of Ukraine dated December 6, 2019 No. 361 “On prevention and counteraction to legalization (laundering) of proceeds of crime, terrorist financing and financing of proliferation of weapons of mass destruction” the Ministry of Finance together with the State Financial Monitoring Service of Ukraine (SFMS) developed relevant bylaws, in particular, in 2021 14 orders of the Ministry of Finance were developed and adopted.

The main directions of development of the system of prevention and counteraction to legalization (laundering) of proceeds of crime, terrorist financing and financing of proliferation of weapons of mass destruction in Ukraine until 2023 and action plan for their implementation were approved by the Order of the Cabinet of Ministers of Ukraine dated May 12, 2021 No. 435-r. The purpose of the main direction is institutional, legislative, organizational and practical improvement of the system of prevention and counteraction to legalization (laundering) of proceeds of crime, terrorist financing and financing of proliferation of weapons of mass distraction in accordance with international standards and introduction of long-term planning system in the relevant area.

BANKING SECTOR

Implementation of the Principles³¹ of strategic reform of the public banking sector, approved by the Government of Ukraine on September 2, 2020 was continued.

To date, the Government of Ukraine has already approved the main directions of activities of Ukreximbank, Oschadbank, Privat Bank and approved the development strategies of Ukreximbank, Privat Bank and Oschadbank.

Framework agreements on cooperation between the Government of Ukraine and state-owned banks have been signed.

³¹ Reference:

The main priorities of the Principles are:

- implementation of strategies for each public sector bank;
- protection and support of the implementation of corporate governance reform with a majority of independent members of the supervisory board, to ensure the necessary level of accountability;
- reduction of the share of non-performing assets on the balance sheets;
- reduction of exposure of the state and state enterprises in public sector banks.

The Verkhovna Rada of Ukraine is considering the draft law "On amendments to certain laws of Ukraine regarding ensuring the stability of the deposit guarantee system for individuals" (Reg. No. 5542-1 dated May 28, 2021, adopted on June 30, 2021 as a basis, prepared for the second reading), which regulates the issue of JSC Oschadbank joining the deposit guarantee system, ensures the financial stability of the deposit guarantee system.

The first step in achieving the goal of reducing the state's share in the banking sector was the approval by the International Finance Corporation (IFC) of the World Bank Group of the loan to Ukrgasbank with the possibility of further conversion into capital. In March 2021, the bank has already received a loan of 30 million euros. Cooperation on attracting a financial advisor and implementation of the roadmap for privatization of Ukrgasbank continues.

The work on selling part of Oschadbank is continuing. The key element of this work is the completion of preparatory work and inclusion of the Oschadbank to the deposit guarantee system for individuals. Oschadbank and the EBRD have signed a mandate letter to start working on a project of possible attraction of a long-term loan of up to 100 million euros on the conditions of subordinated debt with the option to convert into shares of the bank.

In 2021, public sector banks continued to work on reducing volume of non-performing loans. Thus, the share of non-performing loans in public sector banks for 10 months of the current year decreased by 7.1 percentage points to 50.3% (as of November 1, 2021) from 57.4% (as of January 1, 2021).

The approved Strategies for dealing with distressed assets and operational plans of public sector banks accelerated the dynamics of work and the rate of reduction of distressed assets.

The National Bank of Ukraine developed and the Verkhovna Rada of Ukraine adopted a **comprehensive Law of Ukraine "On amendments to certain legislative acts of Ukraine on improving the organization of corporate governance in banks and other issues of the banking system operation"** of June 30, 2021 No.1587-IX, which is aimed at implementation in the national legislation of the provisions of the key EU legislation on banking regulation, in particular Directive 2013/36/EU and Regulation (EU) No. 575/2013.

Also in 2021, the following was achieved due to the approval of relevant Resolutions of the Board of the National Bank of Ukraine: the risk management system in banks was improved; the management of the distressed assets was improved; the Supervisory Review and Evaluation Process (SREP) for the purposes of off-site bank supervision and inspections was stipulated; the procedure of defining credit exposure by Ukrainian banks has been improved; the Procedure of assessing by the National Bank of the level of banks' corporate governance and internal control has been determined; Regulations on internal capital adequacy assessment process in Ukrainian banks and banking groups were approved; Regulations on determining minimum market risk by Ukrainian banks was approved, Regulation of the banking activities in Ukraine in terms of specifying the requirements for capital buffers was improved, etc.

In addition, the Regulation on requirements to principles of remuneration of members of the bank's supervisory board and management board and relevant reporting was improved in accordance with the requirements of the EU acts, Guidelines on organization of corporate governance in Ukrainian banks were improved, in particular in the part of assessment of Environmental, Social and Governance (ESG) factors' impact on the long-term sustainability of a bank.

Also in 2021, work continued on finalizing amendments to the legislation in terms of implementation of the provisions of Directive 2014/59/EU regarding banks rehabilitation and withdrawal from the market.

INSURANCE SERVICES

The National Bank developed and the Verkhovna Rada adopted the **Law of Ukraine "On Insurance"** of November 18, 2021 No. 1909-IX, which takes into account the provisions of Directive 2009/138/EC, Directive (EU) 2016/97, Commission Recommendations 92/48/EEC. The law comes into force on January 1, 2024, except for certain provisions.

In addition, the National Bank approved the Regulations on consolidated supervision of non-bank financial groups³², which takes into account the provisions of Directive 2009/138/EC, as well as approved the Regulation on licensing and registration of financial services providers and the conditions for continuation of financial services provision by them³³, which significantly updated the licensing procedures of insurance companies, updated the requirements for goodwill and the procedure for its assessment, requirements for financial condition, established a procedure for approval of managers and chief accountants.

During 2021, in order to implement Directive 2009/103/EC, work continued on drafting amendments to the Law of Ukraine "On Compulsory Insurance of Civil Liability of Land Vehicle Owners", including taking into account the experience of the EU countries regarding the functioning of the markets of insuring responsibility of vehicle owners in these countries.

32 <https://zakon.rada.gov.ua/laws/show/v0128500-21#Text>

33 <https://zakon.rada.gov.ua/laws/show/v0153500-21#Text>

PAYMENT SERVICES

The National Bank developed and the Verkhovna Rada adopted comprehensive Law of Ukraine “On Payment Services” dated June 30, 2021 No. 1591-IX, which takes into account the provisions of the EU legislation (in particular, the provisions of Directive (EU) 2015/2366, Directive 2009/110 / EC, Regulation (EU) № 910/2014) and best international experience. The law is aimed at modernization and further development of the Ukrainian payment services market and lays the legal framework for the integration of the Ukrainian payment market with the European one. The law comes into force on August 1, 2022.

The National Bank is currently working on the development/updating of regulations of the National Bank in accordance with the provisions of the Law.

PROTECTION OF THE RIGHTS OF FINANCIAL SERVICES CONSUMERS

From 2020, the **National Bank exercises powers in the field of protection of the rights of financial services consumers** in accordance with the EU acquis, including Directive 2002/65/ EC. Within the structure of the National Bank, the Office for Financial Services Consumer Rights Protection has been established and made operational, the tasks of which are, among other things, to improve the regulatory framework taking into account the EU acquis.

The following regulations of the National Bank of Ukraine were put in compliance with the Law of Ukraine of March 19, 2021 No1349-IX “On amendments to certain laws of Ukraine to protect debtors in settlement of overdue debts”: provision by banks to the clients of information on banking and other financial services; establishment of additional requirements to agreements on the provision of financial (banking) services; calculation by banks and non-bank financial institutions of the total cost of the loan for the consumer and the real annual interest rate under the consumer loan agreement; establishing the grounds and procedure for supervising compliance with the requirements for interaction with consumers of financial services in the settlement of overdue debt (requirements for ethical conduct), the procedure of documenting the results of such supervision; establishing requirements for a loan provider, new creditor, collection company and their activities in overdue debt settlement, including interaction with consumers of financial services and others (requirements for ethical conduct), etc.

The National Bank also approved the Regulation on information provision for clients by banks on banking and other financial services (as amended)³⁴; approved Regulations on additional requirements for financial services agreements³⁵; improved calculation of the total cost of credit by banks and non-bank financial institutions³⁶.

34 <https://zakon.rada.gov.ua/laws/show/v0141500-19#Text>

35 <https://zakon.rada.gov.ua/laws/show/v0007500-21#Text>

36 <https://zakon.rada.gov.ua/laws/show/v0016500-21#Text>

LIBERALIZATION OF CAPITAL FLOWS

According to the **Roadmap of Currency Liberalization**, developed jointly with experts from the International Monetary Fund, the National Bank is taking measures for gradual transition to a regime of free movement of capital, taking into account the pace of improving of macroeconomic conditions in Ukraine.

As part of this work, during 2021 the National Bank introduced a number of reliefs, including:

- cancelation of the ban on individuals' purchase and selling of foreign currency for hryvnia on "forward" terms, on purchase and selling of foreign currency and bank metals on margin trading terms and on settlements in foreign currency when buying government securities denominated in currency;
- lifting of the ban on banks' swap transactions with resident individuals, if the first part of such transaction involves the sale of foreign currency or bank metals to a client;
- banks have been granted the right to make payments in foreign currency in case of purchase of government securities denominated in foreign currency from resident individuals;
- the e-limit for a number of individuals' foreign exchange transactions regarding the transfer of funds abroad or to non-resident legal entities' accounts opened in Ukraine has been doubled to 200 thousand euros;
- banks and non-banking financial institutions are allowed to use digital passports in the mobile application "Diia" when conducting foreign exchange transactions with individuals, if the necessary technological capabilities are available;
- the list of transactions for export and import of goods, which are not subject to payment deadlines (currently 365 calendar days), has been supplemented;
- in order to simplify the conditions and reduce the cost of placement by Ukrainian companies of their own Eurobonds abroad:
 - transactions for payment of income and Eurobonds redemption, as well as other transactions of the issuer carried out in connection with the placement of such securities are excluded from the list of transactions for which an annual limit of EUR 2 million is set;
 - it is allowed to buy foreign currency for accumulation on the issuer's own account in a Ukrainian bank before the dates of payments on the fulfillment of obligations under Eurobonds;
- the opportunities for citizens to invest abroad have been expanded - a resident individual may conduct relevant transactions with the participation of a resident securities trader;
- authorized institutions are allowed to buy and sell foreign currency cash to individuals for non-cash funds in hryvnia at the cash desks of authorized institutions,

their standalone divisions (including payment devices), foreign exchange offices;

- banks may carry out transactions on purchase and sale of bank metals for non-cash funds in hryvnia with physical delivery to individuals, as well as transactions on sale of bank metals in the form of coins - to legal entities;
- the businesses can buy foreign currency without grounds and obligations and without submitting supporting documents to the bank within the limit of 100 thousand euros (in eq.) per day;
- the list of current account transactions of individuals (residents and non-residents) was expanded. From September 1, 2021, these individuals will be able to credit funds from current accounts with a special mode of use for one-time (special) voluntary declaration to current accounts in foreign and national currency;
- opportunities for banks to invest have been expanded, in particular by providing the opportunity to carry out their own operations to acquire shares of non-residents;
- from December 1, 2021, the limits of banks' open long and short currency positions have been increased from 10% to 15% of their regulatory capital. This will help to increase the role of banks in evening out excessive exchange rate fluctuations in the foreign exchange market and to increase liquidity and market depth in general.

LEGISLATIVE WORK

In order to fulfill the obligations under the Association Agreement, measures were taken to implement into Ukrainian legislation the provisions of European Union legislation in the field of financial services:

In 2021, new systemic draft laws were submitted to the Verkhovna Rada of Ukraine, namely:

1. the draft Law of Ukraine "On Rating" (Reg. No. 5819 of July 22, 2021), which was developed to improve the legal framework for rating agencies activities and state supervision (control) over them, establishing responsibility for violating the law, creating a system of professional objective assessment of creditworthiness in accordance with the provisions of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, which will help to improve the country's investment climate and minimize risks in capital markets;
2. the draft Law of Ukraine "On amendments to the law of Ukraine on state regulation of capital markets and organized commodity markets and some other legislative acts of Ukraine regarding regulation and supervision of capital markets and organized commodity markets" (Reg. No. 5865 of 26.08.2021³⁷), which is designed to implement an effective system for prevention of capital markets and organized commodity markets abuse, including combating the manipulation and illegal use of insider information, as well as bringing the powers, independence and institutional

³⁷ On December 14, 2021, the draft law No. 5865 was adopted by the Verkhovna Rada of Ukraine in the first reading as a basis.

capacity of the national capital market regulator in line with the objectives and principles of the International Organization of Securities Commissions (IOSCO) and to implement the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR) and Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID II) in terms of ensuring information exchange in the framework of international cooperation and investigations.

In addition, during 2021 the NSSMC developed regulations to implement the Law of Ukraine "On amendments to certain legislative acts of Ukraine to facilitate investment attraction and introduction of new financial instruments" of June 19, 2020 No. 738-IX. The mentioned law and regulatory acts implemented to the Ukrainian legislation the provisions of the Directives No. 2014/65/EU of 15 May 2014 (MiFID II), No. 98/26/EC of May 19, 1998 (Settlement Finality Directive), No. 2002/47/EC of June 6, 2002 (Financial Collateral Directive), No. 2013/36/EU of June 26, 2013 (CRD IV), the Regulations (EU) No 600/2014 of May 15, 2014, No.648/2012 of July 4, 2014 (EMIR), No. 575/2013 of June 26, 2013 (CRR).

In order to fulfill the obligations under the Association Agreement in the field of company law and corporate governance, a draft Law of Ukraine "On Joint Stock Companies" (Reg. No. 2493 of November 25, 2019) (hereinafter - the draft law No. 2493) was developed. Draft law No. 2493 was developed to improve Ukrainian legislation in the field of corporate governance and company activities in accordance with the provisions of the EU acts, in particular, Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies and Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law.

PUBLIC FINANCE MANAGEMENT



As part of medium-term budget planning, for the first time the Budget Declaration as a strategic budget planning document has fully occupied its niche in the budget process in 2021 - the Budget Declaration for 2022-2024 was approved by the Government and considered by the Verkhovna Rada.

The main parameters included in the Budget Declaration for 2022-2024 (including deficit, minimum wage, subsistence level) are taken into account when preparing the draft law of Ukraine "On the State Budget of Ukraine for 2022".

In 2021, expenditure reviews were conducted in 16 areas of 9 key budget holders, of which, in 14 areas of 8 key budget holders, reviews were carried over from previous years.

As of the end of 2021, reports on expenditure reviews in 14 areas have been submitted to the Cabinet of Ministers of Ukraine, and decisions of the Cabinet of Ministers have been made in 9 areas.

In 2021, the provision on a gender-responsive approach was included in the guidance letter on the preparation of proposals for the Budget Declaration. In general, the number of gender-sensitive budget programs is growing every year. Thus, during the preparation of the draft state budget for 2022, the gender aspect was taken into account by 32 KBHs (38% for 47 budget programs), while during the preparation of the draft state budget for 2021 - 29 KBHs (35% for 41 budget programs).

STATE DEBT

Resolution of the Cabinet of Ministers of Ukraine of December 9, 2021 No. 1291 introduced the Medium-Term Public Debt Management Strategy for 2021-2024, which sets the legislative goals, objectives and measures for public debt management for the mid-term perspective that will directly increase the transparency of public debt management policy and promote improving the efficiency of public debt management.

STATE INTERNAL FINANCIAL CONTROL (SIFC)

- Practical guidelines for improving internal control have been prepared, the manual “Comparison models (reference models) and data analysis” and a brochure “The role of internal audit in risk management” have been developed based on the EU best practices.
- A pilot project aimed at the practical integration of aspects of the financial management and control system, in particular the improvement of risk management activities in the SSES, has been launched.
- A pilot project on performance of internal audit has been launched at the Ministry of Finance of Ukraine.
- 5 assessments of the functioning of internal audit systems were conducted and relevant recommendations for improving such activities were provided.
- Consultative and advisory support on the functioning and development of internal control and internal audit in state bodies is provided.
- A draft resolution on the introduction of national certification of internal auditors of state bodies has been developed and submitted to the Cabinet of Ministers of Ukraine for consideration.

IN ORDER TO FURTHER DEVELOP THE SIFC SYSTEM IN THE MEDIUM TERM, IT IS PLANNED, IN PARTICULAR TO:

- integrate the aspects of internal control and pilot projects on internal audit;
- initiate the process of certification of internal auditors of state bodies;
- further implement the in-service training program for internal auditors and training on internal control;
- support the introduction of audit committees;
- conduct external quality assessments of internal audit in public bodies in order to provide recommendations for improving such activities;
- automate the SIFC processes by creating an interactive portal within the framework of the EU4PFM Agreement.

HUMANITARIAN POLICY



Established and ensured the functioning of:

- Ukrainian Cultural Foundation - an institution that provides equal access on a competitive basis to state support for cultural projects to organizations regardless of ownership;
- Ukrainian Book Institute - institution for the development of the Ukrainian book publishing industry and the promotion of reading.

Legal framework for the development of creative industries in Ukraine have been created (the term "creative industries" has been introduced into the legal field through the adoption of the relevant law; the types of economic activity that belong to the creative industries have been identified).

The State Program for the Development of Folk Arts and Crafts for 2021-2025 has been adopted³⁸.

In 2021, the first stage (electronic declaration of data) of the creation of the Unified Digital Register of Immovable Cultural Heritage was completed. After the two-stage data verification, the Unified Digital Register of Immovable Cultural Heritage will be available for interaction with such systems as E-construction, State Geocadastre and other state registers. This will allow to simplify the administrative services provision, promptly respond to the offenses related to the cultural heritage and ensure transparent and efficient cultural heritage protection.

The Law of Ukraine "On Ukraine's accession to the enlarged partial agreement on cultural routes" was adopted³⁹. The enlarged partial agreement on cultural routes facilitates the development and promotion of the concept of cultural routes in all its aspects. It is aimed at formation of the European common cultural space through promotion of European identity and affiliation due to awareness of the cultural heritage of Europe, development of the cooperation networks, promotion of quality and sustainable transboundary tourism.

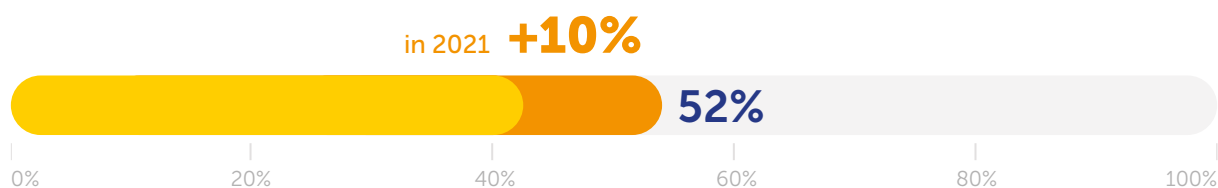
38 <https://zakon.rada.gov.ua/laws/show/1677-2021-%D1%80#Text>

39 <https://zakon.rada.gov.ua/laws/show/1235-20#Text>

Agreement between Ukraine and the EU on Ukraine's participation in the EU's Creative Europe program concluded and ratified⁴⁰. The Creative Europe program aims to support and strengthen the competitiveness of the European cultural, creative and audiovisual sectors, as well as the development and promotion of cultural and linguistic diversity and the preservation of Europe's cultural heritage. The program's budget for 2021-2027 is 2.4 billion euros. Ukraine's participation in the program is an important factor in the development of the domestic sector of culture and creative industries, helping to expand networks of cooperation between professionals, promote European values and European "agenda" in Ukrainian society and strengthen cultural ties with the European Union.

40 <https://zakon.rada.gov.ua/laws/show/1963-20#Text>

AGRICULTURE



Ukraine's agricultural sector provides more than 12% of GDP and about 40% of currency earnings from exports. The state budget for 2021 provided UAH 4.5 billion for agricultural producers' support programs.

AGRICULTURAL SECTOR REFORM

The implementation of land reform is aimed at the introduction of transparent market of agricultural land and transparent and efficient management of land resources.

The Law of Ukraine "On amendments to certain legislative acts of Ukraine on stimulating the activity of farms" of September 24, 2021 No.1788-IX came into force. The law regulates the composition of the land plots of the farms using the land plots transferred to them on the basis of State Deeds for Permanent Use. This will allow farms that cultivate such lands to have access to state support; expand the range of recipients of state support through the Ukrainian State Fund for Support of Farms, in particular, by including family farms; introduce state support for farms the owner of which is under the age of 35 (inclusive), which will promote the implementation of entrepreneurial initiatives by rural youth, taking into account best European practices and the EU's Common Agricultural Policy, which focuses on supporting "young farmers".

On November 4, 2021, the Law of Ukraine No. 1865-IX "On the Fund for Partial Loan Guarantee in Agriculture" was adopted to ensure access of small farms to credit resources, including for the purchase of agricultural land.

The Fund will provide the opportunity for the small and medium-sized farms to receive a partial guarantee of their obligations to financial institutions under loan agreements, which will reduce the risks for banks, and farms will have access to resources for farm operations, and will attract additional funds under the flagship initiatives of the Eastern Partnership.

On October 21, 2021, the Verkhovna Rada of Ukraine adopted the draft Law of Ukraine "On amendments to the laws of Ukraine "On Protection of Plant Variety Rights" and "On Seeds and Planting Material" (Reg. No. 3680-d of July 16, 2021). Adoption of this draft law will allow:

- to approximate Ukrainian legislation with the EU legislation on simplification of the status of variety examination and application of the technological approach to variety testing;
- to introduce electronic services for submitting applications for plant varieties, obtaining permits for the import of seed samples for research purposes and create conditions for electronic document management on variety examination;
- to ensure the use of terms and procedures in accordance with international regulation;
- to most effectively regulate the process of seed certification for varietal qualities in Ukraine and further implementation of international practice on a competitive approach in the provision of paid seed certification services, etc.

In fisheries, the Resolution of the Cabinet of Ministers of Ukraine of October 6, 2021 No. 1039 "On Amendments to Annexes 1-3 to the Resolution of the Cabinet of Ministers of November 21, 2011 No.1209" was adopted, according to which the fee for illegal fishing was increased.

The Ministry of Agrarian Policy has submitted to the MFA a draft Law of Ukraine "On Ukraine's Accession to the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing" in order to submit it to the President of Ukraine.

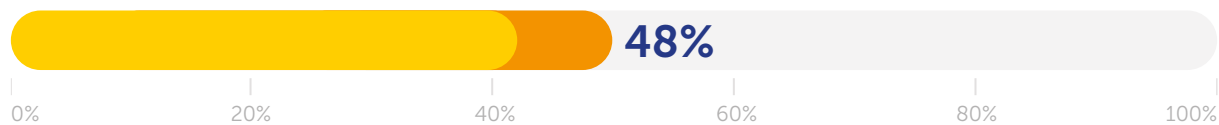
The Ministry of Agrarian Policy has started preparing a draft Strategy for the Development of the Fisheries Industry of Ukraine up to 2030.

In addition, the following documents are currently under approval:

- Draft Law of Ukraine "On Hops and Hop Products", which will promote the effective development of the hop industry, reaching by the domestic hop products of the modern level of quality, simplification of entrepreneurship activities by improving existing legal norms governing legal relations in the field of hops.
- Draft Resolution of the Cabinet of Ministers of Ukraine "On Amendments to Annexes 1-3 to the Resolution of the Cabinet of Ministers of November 21, 2011 No. 1209".

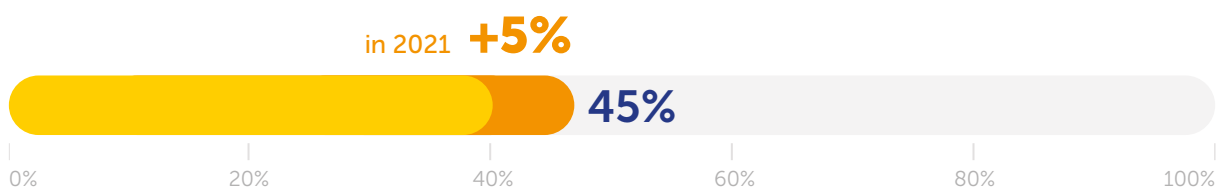
CONSUMER PROTECTION

in 2021 **+6%**



In order to ensure a high level of consumer protection, achieve compatibility between consumer protection systems of Ukraine and the EU, as well as in accordance with the obligations of the Association Agreement, the Government submitted to the Verkhovna Rada of Ukraine draft Law of Ukraine "On Consumer Protection" in new edition (Reg. No. 6134 of 05.10.2021). The draft law is aimed at resolving issues related to consumer guarantees, the prohibition of unfair commercial practices, contracts with consumers, e-commerce, pricing and more.

SOCIAL POLICY AND LABOR RELATIONS



Overall progress - 45%, in 2021 - + 5%.

In order to create conditions for the comprehensive lifelong human development, in June 2021, the Human Development Strategy was approved⁴¹, which provides strategic goals and objectives in the field of demographic development, health, education, science, culture and sports, ensuring equal rights for women and men.

In 2021, the incentive mechanisms were introduced for the return to the labor market of unemployed able-bodied persons from among low-income families by providing them with assistance in starting their own business and purchasing equipment and materials for it⁴².

As part of the implementation of the Strategy for the Digital Transformation of the Social Sphere, electronic services are being introduced using the Unified Information System of the Social Sphere to bring social services closer to citizens.

The reform of the system of institutional care and upbringing of children continues. The Order of the Cabinet of Ministers of Ukraine dated May 26, 2021 No. 517-r approved the Concept of creating and developing an early intervention system, which aims to create conditions for the development of the system of early intervention and establishing the right of children with disabilities or the risk of such disabilities and families with such children to receive early intervention services aimed at the healthy development of the child in the family and his/her successful socialization in the society.

The Order of the Cabinet of Ministers of Ukraine dated April 7, 2021 No. 285-r approved the National Action Plan for the implementation of the Convention on the Rights of Persons with Disabilities until 2025, which provides measures to support persons with disabilities, creating conditions for integration of persons with disabilities into the society.

In order to create favorable conditions for employment of persons with disabilities in March 2021 the Government approved a draft Law of Ukraine "On amendments to certain laws of Ukraine regarding creation of favorable conditions for employment of persons with disabilities" (Reg. No. 5344 of 07.04.2021).

41 Decision of the National Security and Defense Council of Ukraine dated 14.05.2021, put into effect by the Decree of the President of Ukraine dated 02.06.2021 No. 225/2021.

42 The Resolution of the Cabinet of Ministers of Ukraine of April 21, 2021 No. 397 "Some issues of promoting economic independence of low-income families".

A new “Work Free” pilot project aimed at comprehensive assistance in the employment of people with disabilities was launched.

Resolution of the Cabinet of Ministers of Ukraine of February 24, 2021 No.145 approved the State Social Program on Preventing and Combating Violence against Women and Domestic Violence until 2025, which provides for the establishment of specialized support services for victims, including at the expense of the State Budget of Ukraine.

The draft Law of Ukraine “On Ratification of the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence” (Istanbul Convention) is being prepared.

The Law of Ukraine “On amendments to the Labor Code of Ukraine regarding harmonization of legislation on preventing and combating discrimination with the law of the European Union” of November 12, 2015 No. 785 –VIII was adopted.

The State Social Program on Providing Equal Rights and Opportunities for Women and Men up to 2021, the National Action Plan for the Implementation of UN Security Council’s Resolution 1325 “Women, Peace, Security” are being implemented. The Government of Ukraine has joined the Biarritz Partnership for Gender Equality.

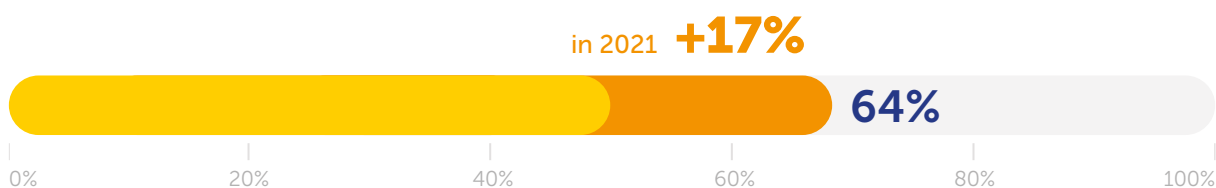
A draft law “On amendments to the Law of Ukraine “On Labor Protection”, which aims to update the provisions of current legislation in the field of occupational safety and health was developed and finalized with a view to re-submitting to the Government.

The Verkhovna Rada of Ukraine has registered draft laws prepared by the Government aimed at improving labor legislation and implementing the EU law, in particular: “On amendments to the Labor Code of Ukraine regarding definition of the concept of labor relations and signs of their existence”⁴³ and “On amendments to certain legislative acts of Ukraine regarding deregulation of labor relations”.⁴⁴

43 http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=71071

44 http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=71684

PUBLIC HEALTH



Private, municipal and state institutions have gained equal access to the opportunity to receive funds from the state for provided specific healthcare services. Creation a modern model of funding of the European-style healthcare system will ensure the efficient use of limited public resources in the healthcare system by directing them to cover the cost of actually provided healthcare services.

The Concept of mental health development in Ukraine for the period up to 2030 identifies ways and directions of development and reform of the mental health system.

Legislation is aligned with the principles of the EU acquis, in particular in the field of blood service. The transfusion center was created in the state institution "Center for Public Health of the Ministry of Health of Ukraine" that coordinates and monitors blood system institutions and supports a single real-time information exchange system, provides methodological guidance for the blood system at the state level. In order to develop the blood service, the Ministry of Health of Ukraine has developed a number of draft acts, which will soon be submitted to the Cabinet of Ministers of Ukraine.

Work continues on the regulatory settlement and approval of the relevant administrative documents regarding issues that directly regulate procurement, testing, processing, transportation, storage, distribution of donor blood and its components.

On August 19, 2021, the European Commission finalized the process of mutual recognition of digital COVID-certificates of Ukraine and the European Union by adopting a Decision⁴⁵ about their technical compatibility. Ukraine was one of the first non-EU countries to receive the EU approval for connection to the digital trust network.

The digital COVID certificate contains information on vaccination against COVID-19, negative PCR test results or data on recovery from the disease in accordance with the requirements of Regulation (EU) 2021/953.⁴⁶

In order to strengthen the fight against smoking, to establish requirements for the circulation of electronic cigarettes and new tobacco products in Ukraine, in particular the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On amendments to certain laws of Ukraine regarding protection of the population from negative tobacco impact" No. 1978-IX of December 16, 2021.

45 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021D1380>

46 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0953>

EDUCATION, TRAINING AND YOUTH



Compliance of the National Qualifications Framework with the European Qualifications Framework for Lifelong Learning and the Qualifications Framework for the European Higher Education Area has been ensured.

The quality assurance system for higher education is being developed on the basis of European standards and recommendations for quality assurance in higher education. The content of higher education is being updated. The National Agency for Higher Education Quality Assurance operates in accordance with European recommendations and standards for quality assurance in higher education (ESG) and international best practices.

The program “EU4Skills: Better Skills for Modern Ukraine” is being implemented, which provides for measures defined by the Concept of Vocational Education Development, namely: improving governance in vocational education, developing modern standards of vocational education and modernizing the infrastructure of institutions.

Work is underway to ensure access to lifelong learning; certification of the National Qualifications Framework; approval of the developed standards of higher education in all specialties and educational levels, taking into account the basic competencies of education; continuation of the implementation of the New Ukrainian School at the next levels of general secondary education (transition to the implementation at the level of basic secondary education in 2022 and senior profession oriented school in 2027); adoption of the Laws of Ukraine “On Vocational (Technical) Education”, “On Professional (Vocational) Education”, “On Adult Education”; revision of the status of Ukraine in the EU Erasmus + program in the status of a program country.

Strategic documents developed in accordance with the EU and Council of Europe standards, which include priorities for increasing the participation of young people in public life, in particular the National Youth Strategy until 2030⁴⁷, the Concept of the State Target Social Program “Youth of Ukraine” for 2021-2025⁴⁸.

The Law of Ukraine “On Basic Principles of Youth Policy” was adopted, with the key direction being the participation of young people in the decision-making process. In pursuance of the Law, measures are being implemented to establish the Ukrainian Youth Fund, which will support youth projects and fulfill certain tasks of youth policy.

47 <https://zakon.rada.gov.ua/laws/show/94/2021#Text>

48 <https://zakon.rada.gov.ua/laws/show/579-2021-%D0%BF#Text>

At the initiative of the President of Ukraine, the Healthy Ukraine program is being implemented, one of the directions of which is the development of physical activity. Within the framework of this program the social project “Active parks - locations of healthy Ukraine” was launched⁴⁹.

Ukraine has joined⁵⁰ the Enlarged Partial Agreement on Sport (EPAS).

A package of draft laws has been developed and submitted to the Verkhovna Rada of Ukraine with a view to ratifying the Council of Europe Convention on Integrated Safety, Security, Service Approach at Football Matches and Other Sports Events in order to implement relevant international obligations of Ukraine.⁵¹⁵²

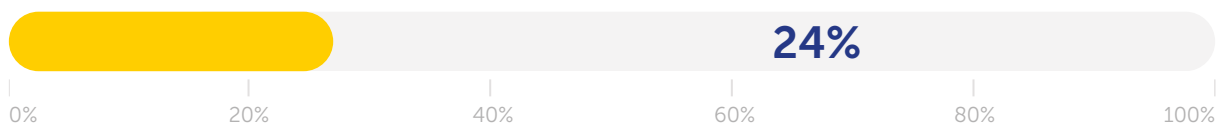
49 the relevant Regulation was approved by the Resolution of the Cabinet of Ministers of Ukraine of April 7, 2021 No. 326.

50 Law of Ukraine No. 1096-IX.

51 http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=72875

52 http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=72876

FINANCIAL COOPERATION AND COMBATING FRAUD



In 2021, the changes were introduced in the system of interaction with the European Anti-Fraud Office and the European Court of Auditors.

Until 2021, the Ministry of the Interior (MIA) served as the National Contact Point for liaison with the European Anti-Fraud Office and the European Court of Auditors. In connection with the institutionalization of the Bureau of Economic Security (BES) and the separation of the relevant powers of the Ministry of Internal Affairs, these functions in 2021 were transferred to the State Audit Service.

The procedure of interaction between the bodies making up the national mechanism and OLAF should be laid down in administrative agreements.

In the context of the development of bilateral cooperation and the implementation of the European integration agenda in 2021, administrative agreements have been concluded between the Prosecutor General's Office of Ukraine and the European Anti-Fraud Office (OLAF). This document creates a legal framework for cooperation between the competent authorities of the Parties in order to prevent fraud and any illegal activity with the EU funds against the financial interests of the European Union.

Bilateral work is underway to agree on the relevant administrative arrangements between OLAF and the National Police. Proposals of the State Audit Service to conclude relevant agreements were also sent to the EU Party through diplomatic channels.

The signing of the Administrative Arrangement between OLAF and the State Audit Service, which has the necessary powers to conduct audits, is a prerequisite for the proper functioning of the mechanism for implementing relevant EU financial instruments to support regional development, including the Danube Transnational Program, border and cross-border cooperation programs.

The practical implementation of cooperation is currently complicated by the ongoing reform of most bodies (since the establishment of the national coordination mechanism, the powers and competencies of the bodies have changed: the function of coordination and control over international technical assistance projects has been transferred to the Secretariat of the Cabinet of Ministers); On January 28, 2021, the Law "On the Bureau of Economic Security" was adopted (No. [1150-IX](#)) and on May 12, 2021 the relevant decision of the Government on the establishment of the Bureau of Economic Security was adopted (CMU Resolution No. 510).

Also, an important component of the implementation of the relevant obligations is the provisions of Annex XLIV to the Agreement on the approximation of national legislation to the relevant provisions of the *acquis communautaire*. Today, national legislation is not fully in line with European legislation, in particular the provisions of the Directive (EU) 2017/1371. As a result of effective joint cooperation, the Parties agreed in 2021 on the scope of the provisions of this Directive, which will be included in the updated version of Annex XLIV, and on changing (relative to the existing) the term of implementation of the Directive into national law. Relevant work will be intensified in relation to the update of Annex XLIV to the Agreement, which will provide a legal basis for the development and implementation of relevant legislative changes). The relevant decision of the Association Council on its approval is expected to be prepared.

DEEP AND COMPREHENSIVE FREE TRADE AREA

Negotiations have been launched with the EU on further tariff liberalization under the Association Agreement in accordance with Article 29 of the Association Agreement. The Parties approved the Plan of Priority Actions to Strengthen the Implementation of the EU-Ukraine Deep and Comprehensive Free Trade Area in 2021-2022. In pursuance of the Directives, the Ukrainian delegation in the negotiations on accelerating and expanding the abolition of import duties in trade in accordance with the Association Agreement (approved by Presidential Decree of June 11, 2021 No. 501/2021-rp) sent a request to the EU Party regarding the review of the Agreement.

The European Union is Ukraine's major trade partner with a share of 39.6% of Ukraine's total foreign trade in goods. According to the results of 2021, the volume of foreign trade in goods between Ukraine and the EU compared to 2020 increased by 35.7%, exports increased by 49.4% and imports by 25.2%. In 2021, exports of goods to the EU reached 26.8 billion USD and exceeded exports to the EU in 2020 and 2019.

During 2016-2020, Ukraine demonstrated positive dynamics in filling the EU tariff quotas, namely, in terms of the number of used quotas and export volumes within these quotas. There was also a positive trend towards increasing the level of filling quotas for goods with the higher degree of processing.

In addition, actual exports for part of quotas significantly outweigh duty-free supplies within quotas.

In 2021, Ukrainian exporters used the opportunities of 31 out of 40 tariff quotas. As of December 23, 2021, 8 tariff quotas have already been fully used: honey; grape and apple juices; processed starch; processed tomatoes; malt and starch processing products; barley groats and flour; processed cereal products; eggs and albumin. Tariff quotas are used for: starch (97.2%); poultry meat (99.3%); sugar (83.8%); sugar corn (83.2%); garlic (77.2%); corn (73.8%); oats (71.9%); bran, waste and residues (68.6%); eggs and albumins (additional) (64.3%); processed milk cream products (45.2%); processed sugar products (38.4%); milk powder (36.0%); wheat (30.0%); malt and wheat gluten (28.6%); ethanol (25.8%); poultry meat (additional) (23.4%) and others.

Also Ukrainian companies are actively using the opportunities of DCFTA with the EU. In 2016, 13,402 companies exported goods to the EU member states, in 2017 - 14,136 companies, in 2018 - 14,715 companies, in 2019 - 14,545 companies, in 2020 - 13,849 companies. In January - November 2021, 13,832 companies exported to the EU member states.

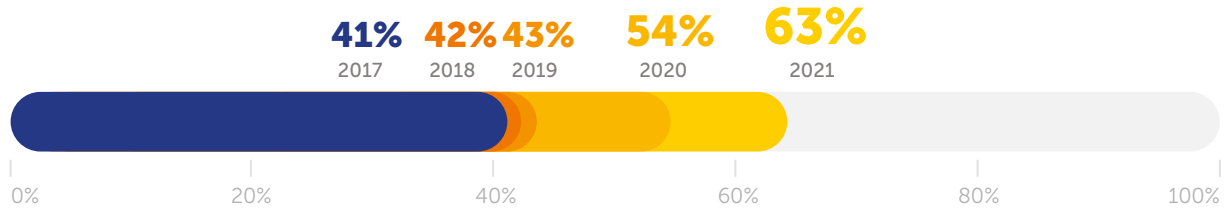
The number of enterprises producing animal products, whose conditions of production meet the EU requirements, is constantly growing. In 2014, 185 Ukrainian companies had the right to export their products to the EU. As of December 1, 2021, 380 Ukrainian enterprises (162 enterprises - producers of consumer goods, 218 enterprises - producers of non-food products) had the right to export their own products of animal origin to the EU market.

In January - November 2021, 114,462 EUR.1 certificates were issued for export to the EU member states. A total of 538,500 EUR.1 certificates have been issued since the start of the DCFTA application. The number of European-oriented exporters who have received the status of an authorized exporter and can export to the EU without issuing a EUR.1 certificate is also increasing. Today, there are already 289 such enterprises.

SUMMARY

Taking the above into account, over the past two years we can observe an acceleration in the dynamics of progress in the implementation of the Agreement. This is the result of well-coordinated work of all interested parties, including within the framework of the established Commission for Coordination of the Implementation of the Association Agreement. Thanks to the work of the Commission, 61 European integration legislative acts were adopted in 2021.

Dynamics of progress in the implementation of the Association Agreement:



In addition, in 2021, an exchange of reviews of the achievement of the objectives of the Agreement between Ukraine and the EU was carried out, which indicates that the Agreement has become a driving force for European integration reforms in the country and strengthening bilateral cooperation, as well as the presence of a large unrealized potential.

NEW REALITY

On February 24, 2022, Russia undertook an armed attack on Ukraine and started bombing our cities.

On February 28, 2022, the President of Ukraine initiated the process of official accession to the EU, along with the application for membership, a joint statement signed by President of Ukraine Volodymyr Zelensky, Chairman of the Verkhovna Rada Ruslan Stefanchuk and the Prime Minister Denis Shmygal was sent. We expect the process of granting Ukraine the status of a candidate for membership in the European Union.

Further European integration of Ukraine, as well as all statehood, today depends not only on our defenders who risk and give their lives for the free European future of our state. But also on every politician and official of the European Union and Member States who have recognized that Ukraine belongs to the European family and believe in the inviolability of European values – respect for human rights, freedom, democracy, equality, the rule of law.

Today, Ukrainians demonstrate incredible resilience, determination and courage in fighting the aggressor. The whole world admires the courage of our soldiers who hold the sky above us. By defending free, democratic, independent Ukraine, we are fighting for the preservation of peaceful and free Europe, where every nation has the sovereign right to determine its future, where international law applies and human rights are protected.

