

APPROVED  
by the Ordinance of the Cabinet of Ministers of Ukraine  
of 2017 No.

MEDIUM-TERM  
Government Priority Action Plan to 2020

Introduction

Despite external and internal challenges, during the last three years Ukraine has kept moving towards deep structural reforms, and in 2016 this journey has produced some positive trends in the economy.

The country's economic indicators were at the lowest in 2015, but in 2016 the majority of them showed an upward trend. It means the country is overcoming its worst macroeconomic crisis caused by the imbalances of previous years. The huge state budget deficit, growing external debt, the banking crisis, the devaluation of the hryvnia, consumer inflation (as an annual average) at 48.7% and a 9.8% fall in GDP are only some of the difficulties Ukraine encountered in 2015. However, budget stabilization, tough monetary policy and international financial assistance have largely contributed to macroeconomic stabilization.

Table: Core Indicators

Indicator	2013	2014	2015	2016
Change in Gross Domestic Product, % compared with previous year	0	-6.6	-9.8	2.3
Gross Domestic Product per Capita (at purchasing power parity), US \$	8629.7	8683.6	7939.6	X
Industrial Production Index, % (compared with the	95.7	89.9	87.0	102.8

Indicator	2013	2014	2015	2016
corresponding period of the previous year)				
Agricultural Production Index, % (compared with the corresponding period of the previous year)	113.3	102.2	95.2	106.1
Average Weight of Gross Fixed Capital Formation (GFCF) in the Total Gross Domestic Product, %	16.9	14.2	13.5	15.2
NBU' s Official Discount Rate, % (max and min)	7 6,5	14 9,5	30 19,5	22 14
International Reserves (as at end of period, US \$ bn)	20.4	7.5	13.3	15.5
Level of unemployment among 15-70 year olds calculated in accordance with the International Labour Organisation method, % of economically active population in the corresponding age group.	7.3	9.3	9.1	9.3
Average Monthly Gross Wage, Hryvnia	3265	3480	4195	5183
Average Pension Size, Hryvnia	1526	1582	1700	1828
Consumer Price Index, % (average compared with previous year)	99.7	112.1	148.7	113.9
Poverty Headcount Ratio (at relative (national) poverty line), %	24.8	23.4	22.9	24.1 (Jan-Jun)
Income distribution (Gini	0.237	0.226	0.227	0.248

Indicator	2013	2014	2015	2016 (Jan-Sep)
coefficient)				
Reconciled budget deficit, % of gross domestic product	-4,2	-4.5	-1.6	-2.3
Naftogas deficit, % of gross domestic product		-5.5	-0.9	0
Share of general government revenues in gross domestic product, %	43.3	40.3	41.9	38.4
Share of general government expenditure in gross domestic product, %	48.1	44.8	43.0	40.6
Sovereign debt and State guaranteed debt, % of gross domestic product (as at period-end)	39.9	69.4	79.1	81.0
Gross foreign debt, % of gross domestic product	74.6	93.9	131.3	121.8
Balance of current transactions, % of gross domestic product	-10.0	-3.4	-0.2	-4.1
Net inflow of foreign direct investments, US \$ mln	3909	299	3012	3268

Economic recovery in 2016 was due to growing investment activity and, to a lesser extent, to private consumption. Growth significantly accelerated in the 4th quarter, when the real gross domestic product grew by 1.9% from the previous quarter (adjusted for the seasonal factor) and by 4.8% compared with the 4th quarter of 2015. At 2016 year-end, the gross domestic product was growing at the rate of around

2.3%, which exceeded the expectations of various Ukrainian experts and forecasts by international organisations.

However, economic growth in Ukraine is still unstable. The past 20 plus years of Ukraine's independence were not properly used to build modern market economy institutions, which would ensure sustainable and inclusive economic growth for the Ukrainian people. Shortcomings in economic relations, such as weak property rights, market monopolization, an unequal playing field in the economy, its resource-based nature and a chronically low level of investment in new production capacity, all point to a systemic crisis in Ukraine's current economic development model.

Against this background, the Ukrainian government faces a huge challenge in attempting to live up to the Ukrainian people's expectations regarding the creation of a free and democratic society and a viable market economy, as well as improving the quality of life in Ukraine.

Within a short time after its appointment, the Ukrainian government quickly developed and approved the Priority Action Plan for 2016. Its adoption and implementation marked the initiation by the Government of a system-wide programme to introduce structural reforms in various areas of government policy.

Notably, the Government implemented measures to ensure economic growth and, in particular, the development of a business and investment climate and infrastructure, the liberalisation of the Ukrainian gas market in line with European standards, and the reform of Ukraine's electricity market. By introducing mandatory use of the ProZorro system for electronic procurement by all government agencies, local authorities and state-owned enterprises, the Government has opened up the huge public procurement market for businesses.

We have started to reform public finance management, which will help to prevent a fiscal crisis in future. The Government approved the strategy for public administration reform for 2016-2020. It is a key to successful implementation of structural reforms in all areas of public life.

The improvement of people's well-being has become a main objective of the Government's efforts. In 2016, the living wage increased by 116.1%. Since 1 January 2017, the minimum wage has doubled to Hryvnia 3 200.

Changes in tax and budget legislation introduced in connection with the decentralisation of power in Ukraine have laid a successful financial foundation for local self-government authorities. In 2016, local budgets' own revenues increased by 41.7% from 2015, and their share in the general reconciled budget revenues increased from 18.5% to 21.8%.

Ukraine managed to counteract the Russian aggression and restore the combat capabilities of its Armed Forces. It has started their transformation into a modern and effective army in line with NATO standards.

Measures are being taken to ensure that the newly created anti-corruption bodies are able to operate with the fullest powers. The most important anti-corruption measure is the wide-spread use of e-declarations that were successfully introduced in September – October 2016.

Increased public trust in the police proves the effectiveness of the law enforcement reform. The newly-created system of internal affairs agencies ensures a timely response to any violation of civil rights and freedoms and protects public order from unlawful infringements.

The next step to support the Government's wide-ranging efforts is to implement the Government Priority Action Plan to 2020 (the

“Medium-Term Plan” ), which has been developed in accordance with the Ukrainian Cabinet of Ministers’ Activities Programme.

The key to ensuring sustainable economic growth and achieving European standards of living is the medium-term planning of consistent and comprehensive reforms and, in particular, those set out in the Ukrainian COM’ s Activities Programme, the Sustainable Development Strategy “Ukraine - 2020” , the Strategy for Ukraine’ s Public Administration Reform for 2016-2020, the Association Agreement between Ukraine of the one part and the European Union, the European Atomic Energy Community and their Member States of other part (the “Association Agreement” ), the Memorandum of Economic and Financial Policies within the framework of the IMF-Ukraine joint programme under the Extended Fund Facility (the “Memorandum with the IMF” ) and the Coalition Agreement.

The Government remains committed to European values and will make every effort to ensure Ukraine’ s integration into the European political, economic and legal space.

The Medium-Term Plan defines the main objectives and areas of Government activity for 2017-2020 and will form the basis for medium-term budget planning, the Government’ s annual operational planning, the strategic plans of ministries and other central executive bodies, the introduction of expert positions to deal with reforms, the legal framework for reforms and will serve as a tool for focusing donor assistance.

The introduction of medium-term budget planning, which is integrated with the system of strategic state planning, will ensure effective financing of strategic activities and reforms and create a clear interconnection between financing of policies and their results.

It will help to improve the system of strategic planning, monitoring and assessment, including the framework used to evaluate the

performance of ministries and other government departments in achieving the goals of their planned policies.

In drafting the document, the following approaches were used:

a systemic approach (priorities which will have the most impact and drivers of change in other areas were chosen)

feasibility (only feasible objectives were included)

achievability (clear implementation mechanisms and stages were defined)

simplicity and transparency of the objectives achievement review (criteria, which are easy to understand and measure, were introduced)

continuity of the development (interconnection with initiated reforms and strategic documents)

### **The Government' s Goal and Objectives**

***The goal of the Cabinet of Ministers of Ukraine is to increase people' s living standards and to improve their quality of life as a result of sustainable economic growth.***

The Medium-Term Plan is focused on citizens and all aspects of their daily work and life and, as such, defines the following objectives:

<b>Economic growth</b>	to be achieved by creating a favourable investment climate and maintaining macroeconomic stability by continuing fiscal consolidation	thereby ensuring new jobs, higher incomes and poverty reduction
<b>Effective governance</b>	to be achieved as a result of the public administration reform, decentralisation and public finance reform	thereby ensuring quality of public services and public control over public expenditure
<b>Human capital</b>	including healthcare and education reforms, improvement of the social	thereby improving the quality of life

<b>development</b>	safety net, and the development of culture and sport	and education, and increasing the productivity of labour
<b>The rule of law and the fight against corruption</b>	to be achieved by supporting effective action by anti-corruption institutions, by ensuring equal access to justice and by providing effective protection of property rights	thereby promoting functional justice and equality
<b>Security and defence</b>	including matters of state sovereignty and territorial integrity protection, as well as the most important aspects of public safety	thereby making Ukrainian people feel that their life and freedoms are protected

## **OBJECTIVE 1 – ECONOMIC GROWTH**

### **Definition of the objective**

Dynamic, sustainable and inclusive growth based on structural modernization of the economy, improvement of the business climate and the efficiency of the public sector is critical for the future of Ukraine. Promoting a strong and modern economy is a basic prerequisite for creating new jobs and increased wages and salaries, and therefore, for improving living standards for every Ukrainian.

The key to economic growth is to create equal, transparent and predictable rules of doing business, achieve Ukraine' s integration into regional and global value chains, promote the development of high-tech industries, facilitate the attraction of both foreign and domestic investment in the Ukrainian economy and to develop the export potential of Ukrainian manufacturing companies.

### **Key priorities**

*A favourable business climate* is a prerequisite for Ukraine to achieve a higher economic growth level and to successfully integrate into Europe.

Ukraine ranks 80th (out of 190 countries) for ease of doing business (Doing Business 2017) while Germany ranks 17th, Poland - 24th, France - 29th and Italy - 50th. Ease of doing business is a way to attract investments into the economy (both foreign and domestic) and an impetus for the corresponding growth of the gross domestic product as well as a decisive factor in the de-shadowing of Ukraine' s economy.

The government will continue working to ensure favourable terms of taxation and a quality regulatory regime; facilitate and develop fair competition and small and medium enterprises; step up the privatisation process; change the government enterprise management system; reform the public procurement system; protect intellectual property, and expand external economic links.

The Government will ensure the implementation of EU law in Ukrainian legislation and will create the necessary administrative and institutional frameworks in the areas of technical regulation, standardization, market supervision, accreditation and compliance assessment, as well as sanitary and phytosanitary measures in order *to improve the quality of products and services and to facilitate Ukraine' s access to the EU* and other markets.

It is also crucial to achieve *higher investment activity* in order to ensure high rates of economic growth and development, since it is investment that leads to the creation of production capacity in the economy.

The current investment level (GFCF) in Ukraine is low: 13.5% of the gross domestic product in 2016. To ensure rapid growth, an investment level of 20-25% of the gross domestic product is deemed to be sufficient. The Government' s efforts will be focused on creating the most favourable investment climate, where the investment level will be sufficient to ensure rapid and steady development of Ukraine.

Finally, the Government will ensure *inclusive economic growth*, where every citizen must benefit from Ukraine' s prosperity, otherwise the growth will not be sustainable, while social inequality and tension will increase. The Government' s policy will be directed at ensuring that each Ukrainian citizen is able to seize the opportunities presented by rapid economic growth.

**Key performance indicators for achieving the objectives by 2020**

Ranking in the Doing Business index — above 30.

Average weight of gross fixed capital formation (GFCF) in gross domestic product — 23%

Gini coefficient — below 35 (by the World Bank method)

The signature and entry into force of the Agreement on Conformity Assessment and Acceptance of Industrial Goods (ACAA) in accordance with Article 57 of the Association Agreement for three sectors (at the first stage in 2017) and gradual expansion of the ACAA Agreement to all 27 sectors, which are to be harmonized with the EU legislation in accordance with Annex III to the Association Agreement (within five years from the date the Agreement enters into force).

The Sub-Committee on Sanitary and Phytosanitary measures between Ukraine and the EU recognising the equivalence of sanitary or phytosanitary measures between Ukraine and the EU.

The EU-Ukraine Association Committee in trade configuration making the following decisions:

on mutual recognition of electronic signature certificates between Ukraine and the EU countries, as well as on gradual granting of access to the public procurement markets for goods and services, on full integration with the Internal Market in the areas of financial, telecommunication, postal and courier, and international maritime services

regarding the existence of national legislation in relation to state aids, including an independent authority, which has the powers set forth by Article 267 of the Association Agreement, as well as the conformity of state



ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
		Customs to improve the investment climate	transparency and efficiency of Customs by improving legislation; to strengthen its institutional capacity in accordance with European best practices and EU guiding principles; to promote the export and import of goods, and to simplify trade procedures	Ukraine' s commitments to the IMF; commitment under the Association Agreement; under the WTO Trade Facilitation Agreement
		3. Reforming and developing the Ukrainian financial sector	To create a financial system capable of ensuring sustainable economic growth by effectively redistributing financial resources in the	in line with Ukraine' s commitments to the IMF; commitment under the

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			economy; to define a comprehensive strategy for state bank development with a view to increasing their competitiveness and efficiency	Association Agreement
		4. Creating a system to monitor and control the provision of state aids to business entities	To introduce an effective system to monitor and control state aids provided to business entities, thereby promoting equal terms of doing business on Ukraine' s product markets; to introduce a transparent mechanism for using state and local	commitment under the Association Agreement; in line with the Treaty establishing the Energy Community

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			<p>authority resources; to eliminate the selective approach to providing state aids to individual business entities; to provide justification for support measures to entrepreneurial activities</p>	
		<p>5. Deregulating and promoting entrepreneurship and competition</p>	<p>To create a good business climate, to ensure access to resources, to promote a limited and predictable regulatory environment</p>	<p>in line with objectives under the Association Agreement; in line with Ukraine' s commitments to the IMF;</p>

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		6. Public property management and privatisation	The reform' s ultimate goal is to minimize politicians' access to state enterprises/assets, which would help (a) to minimize political corruption and to clean up the political system; (b) to promote competition in relevant sectors (which would positively reflect on consumer welfare) and competitiveness of the Ukrainian economy as a whole; (c) to increase the proceeds from the sale of these enterprises/assets or	in line with Ukraine' s commitments to the IMF; commitment under the Association Agreement

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			from the taxes to be paid by enterprises, which will remain in state ownership but become effective.	
		7. Developing public procurement	To build a healthy public procurement ecosystem, which is based on the interaction between business, the authorities and the civil society, is simple, transparent, fair and modern, and enables the procurement process to ensure the best value for money	commitment under the Association Agreement
		8. Promoting innovation and	To promote the development and wide-	in line with objectives

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		<p>reforms in the intellectual property field</p> <p>9. Developing industrial production</p>	<p>ranging implementation of innovations in all areas of the economy as well as further transition to the digital economy. In particular, to improve the legal and regulatory framework in the area of innovation, intellectual property and the digital economy, to improve relevant state policies and to launch a number of programmes to promote and support innovations</p> <p>to promote investments in manufacturing industry, to</p>	<p>under the Association Agreement;</p> <p>in line with objectives</p>

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		and attracting investments	launch modernisation of industrial production and infrastructure, to promote the development and diversification of exports, and to achieve the integration of Ukrainian enterprises into global value chains	under the Association Agreement;
		10. Developing exports and expanding foreign economic ties	To promote the search for new markets, to re-orient Ukraine' s foreign economic ties towards alternative markets for Ukrainian produce, to promote the export of goods and services	in line with objectives under the Association Agreement;

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		11. Regional economic development	To create an effective system of regional development planning and to ensure sustainable financing of regional development programmes and projects; to increase institutional capacity at the central and local levels with regard to the development and selection of regional development projects in accordance with EU approaches	in line with objectives under the Association Agreement;
		12. Promoting productive	To take proactive employment measures to	in line with Convention No.

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
		employment; reforming the labour market	facilitate the return of the unemployed to work, to facilitate the reduction of informal employment and the shift from the informal to the formal sector, to increase the income of the working population, to deregulate relations between employees and employers	81, 129, 173 of the International Labour Organisation
	Ineffective use of Ukraine' s competitive advantages and natural resources	13. Land reform	To create a legal framework for the operation of the land market in accordance with the model agreed during public discussions; to	in line with Ukraine' s commitments to the IMF;

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
		14. Improving mechanisms to facilitate the development of the agro-industrial complex	<p>simplify the state registration of land plots</p> <p>To promote food security, predictability and sustainability of product markets by increasing the competitiveness of small and medium enterprises, by increasing the production of high-added-value agricultural products and by diversifying opportunities in the agro-industrial sector, and to bring sectoral legislation into line with EU regulatory standards</p>	in line with objectives under the Association Agreement;

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		15. Food quality and safety	To harmonise national veterinary and phytosanitary legislation with the EU Directives and Regulations, to improve the safety and quality of food products by introducing European standards and by empowering relevant executive authorities.	commitment under the Association Agreement
		16. Developing the organic food market	To ensure proper state control over organic food production, circulation and labelling to facilitate the entry of Ukrainian organic food products into foreign	commitment under the Association Agreement

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			markets and to enable the development of export potential in this area	
		17. Increasing energy independence	To increase domestic energy production; to modernise energy infrastructure and diversify energy sources; to ensure the transition of Ukraine' s energy sector to market-oriented operation and competition; to introduce the European energy security system focusing on cyber and energy supply security; to increase	in line with objectives under the Association Agreement;

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			the operational flexibility of hydropower stations and pumped storage plants.	
		18. Introducing the principles of the EU Third Energy Package	To ensure reliable energy and natural gas supply to consumers at competitive prices by bringing national energy and gas legislation into line with the requirements of the EU Third Energy Package, thereby promoting the reform and further development of energy industries, attracting private investments,	in line with objectives under the Association Agreement; commitments under membership of the Energy Community Ukraine' s commitments to the IMF;

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			<p>creating equal opportunities for all participants in the market and promoting the development of the consumer protection system.</p>	
		<p>19. Reforming the coal industry</p>	<p>To enable the integration of Ukraine' s energy systems into the European electricity markets</p>	
			<p>To ensure the economic viability (self-sufficiency) of the coal industry by promoting its transition to market-oriented operation, introducing</p>	<p>in line with objectives under the Association Agreement;</p>

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			electronic trading in coal, attracting private investments and privatizing coal mines; to ensure effective restructuring of the industry and the social welfare of miners	
		20. Developing renewable energy	To increase the share of energy from renewable sources in the structure of energy end-use.	in line with objectives under the Association Agreement and the Treaty establishing the Energy Community

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		21. Energy efficiency and conservation	To reduce energy consumption, to introduce modern energy efficient technologies. To promote energy efficiency and consumer energy saving to improve citizens' living standards by reducing expenditure on energy, to ensure rational use of state and local budgets earmarked for compensation for expenditure in connection with the use of energy resources.	in line with the Treaty establishing the Energy Community
		22. Increasing the	To ensure the financial	in line with the

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		efficiency of thermal energy production and supply	recovery of thermal energy enterprises, to attract investments to modernise technical facilities, to increase operational efficiency, and to reduce energy consumption.	Treaty establishing the Energy Community
		23. Developing the housing and utilities sector	To achieve an effective level of residential property management and to create a residential property management market	in line with objectives under the Association Agreement;
		24. Developing Ukraine' s raw material base	To satisfy the demands of the national economy for mineral resources through	in line with objectives under the

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			domestic mining efforts; to reduce or completely eliminate Ukraine' s dependence on imported mineral resources and to increase the country' s export potential through domestic extraction of minerals, which are in high demand on the world market; to attract exploration companies to the Ukrainian market.	Association Agreement;
		25. Effective and safe waste treatment	To adopt European waste management practices; to reduce risks of waste accumulation and storage	in line with objectives under the Association

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			(primarily hazardous waste); to introduce viable mechanisms to minimize waste creation and to reduce the level of hazard it presents; to turn the waste treatment industry into an independent viable sector of the economy; to introduce innovative waste disposal technologies	Agreement;
	Outdated infrastructure Poor system of transport, services and international connections.	26. Transport regulation reform	To create in Ukraine a free and competitive transport services market by reforming its public administration system, harmonising national	in line with objectives under the Association Agreement;

ECONOMIC GROWTH	Problems	Priority actions	Brief description	Link to international commitments
			legislation and standards with EU norms; to identify priorities for the development of the transport industry and to create an environment favourable to private investors.	
		27. Quality and efficiency of transport services	To introduce new, market-based approaches to the provision of transport services with transparent funding mechanisms for socially significant passenger transportation services.	in line with objectives under the Association Agreement;
		28. Attracting funds	To attract private funds to	in line with

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		to the transport industry	the transport industry by creating market conditions for its operation and introducing private-state sector partnership mechanisms; to optimise public spending on the development of infrastructure.	objectives under the Association Agreement;
		29. Introducing a modern transport safety system	To introduce a set of regulatory measures to improve the transport safety system and to ensure its compliance with EU standards.	Commitment under the Association Agreement
		30. Urban mobility and regional	To promote transport development at the	in line with objectives

<b>ECONOMIC GROWTH</b>	Problems	Priority actions	Brief description	Link to international commitments
		integration	regional and urban levels by developing local infrastructure, decentralising railroad transportation and simplifying regulatory provisions.	under the Association Agreement;

## **OBJECTIVE 2 – EFFECTIVE GOVERNANCE**

### **Definition of the objective**

Another basic prerequisite for Ukraine' s success is the creation of a governance system capable of supporting the introduction of systemic reforms in Ukraine based on the principles of democracy, rule of law, human rights and gender equality, inclusivity and engagement. The structure and operation of government machinery must ensure the timely provision of public services with economical use of public resources and in a way that is transparent and accountable to the public, to ensure the conservation of natural resources and to preserve an ecologically clean, diverse natural environment for people to live in. It is the quality of public services on which people base their assessment when judging how well the government cares about them and respects their rights and dignity.

### **Key priorities**

The current state of affairs in public services and public administration as a whole is indicative of their inefficiency, lack of transparency and accessibility for natural and legal persons, and requires immediate reforms to improve the situation. The best way to achieve this is via:

#### *Public administration reform*

The Government is prepared to develop a governance system, capable of supporting the development and implementation of a cohesive public policy and of providing quality public services to the Ukrainian population and which will be fully compliant with European standards of good governance. To successfully implement

structural reforms in all areas of public life, it is necessary to bring the public service reform to completion. The government will introduce new principles of public policy-making and coordination, policy-based strategic planning standards; will ensure the accountability of public administrative bodies and the delegation of relevant powers to local authorities via decentralisation.

### *Decentralisation*

It will promote the creation of a modern local self-government system and of a territorial organisation of power with due regard to distinctive Ukrainian features and traditions and on the basis of European local democracy values, and the European Charter of Local Self-Government in particular. The main purpose of the reform is to ensure the provision of high-quality and accessible services to the Ukrainian people regardless of where they live, to serve their interests in all areas of life at the local level. It is the quality of government services on which people base their assessment when judging how well the government cares about them and respects their rights and dignity.

Merged territorial communities will have a key role to play in making decisions regarding the welfare of citizens, since funds can be most effectively utilized at this very level, with due regard to the needs of communities and every family in need of welfare benefits.

### *Public finance management reform*

The Government will ensure an efficient and transparent use of *public finances* and will introduce full-scale medium- term budget planning across main budget holders at the public budget level in order to improve the effectiveness and quality of public services.

### *E-government tools*

According to the latest UN research (United Nations E-Government Survey 2016) concerning the development of E-Government (E-Government Development Index), Ukraine ranks 62nd out of 193 countries, which indicates that Ukraine falls significantly behind the rest of the world as far as E-Government and open data are concerned, and that it is necessary to improve state policy in this area. E-Government is an important factor for the country's competitiveness and investment appeal and an essential prerequisite for effective public administration today.

The Government will ensure effective public administration in the *environmental protection* area.

### **Key performance indicators for achieving the objectives by 2020**

Government Effectiveness (World Governance Indicators) — higher than in 50% of countries

Public Sector Performance (Global Competitiveness Index of the World Economic Forum) — TOP 50 countries

E-Government Development Index (United Nations E-government Survey) — TOP 40 countries

Open Budget Index (OBI) (International Budget Partnership) — TOP 50 countries

The level of public budget deficit reduced to 2.1% of the gross domestic product.

<b>EFFECTIVE GOVERNANCE</b>	Problems	Priority actions	Brief description	Link to international commitments
To ensure the timely provision of public services with economical use of public resources and in a way that is transparent and accountable to the public.	Ineffective, non-transparent and poor governance	1. Public administration reform	To identify and strengthen the general management and administrative capabilities of government machinery on the basis of the good governance principles and best practices of the EU Member States, to turn it into an effective tool helping to ensure the continuous and sustainable development of our country	in line with objectives under the Association Agreement;
		2. E-Government development	To introduce priority e-services in all areas of	in line with objectives under

<b>EFFECTIVE GOVERNANCE</b>	Problems	Priority actions	Brief description	Link to international commitments
	Poor organisation of regional and local authorities, ineffective	3. Decentralisation	<p>public life; to publish high-quality data sets available as open data in accordance with the public interests, world best practice and specified requirements with regard to openness and transparency of activities; to introduce electronic links between various public information e-resources; to set up e-document management.</p> <p>To promote the creation of viable territorial communities and to</p>	<p>the Association Agreement;</p> <p>in line with objectives under the Association</p>

<b>EFFECTIVE GOVERNANCE</b>	Problems	Priority actions	Brief description	Link to international commitments
	management of social development at the regional level.		support their development; to delegate maximum powers to local authorities and to ensure they are able to exercise the delegated powers in practice.	Agreement;
	No consistent and predictable budget policy	4. Public finance management reform	To build a modern and effective public finance management system, which would serve as a basis for sustainable economic growth and quality service provision by effectively accumulating public resources and allocating them strictly in accordance with medium- term	in line with Ukraine' s commitment to the IMF  in line with objectives under the Association Agreement;

EFFECTIVE GOVERNANCE	Problems	Priority actions	Brief description	Link to international commitments
			national development priorities.	
		5. Reforming the state financial control system at the central, regional and local levels	To improve the state financial control mechanisms with a view to identifying, eliminating and preventing violations of fiscal discipline; to ensure lawful and effective distribution, management, use and preservation of public resources by state authorities, local self-government bodies (after decentralisation) and state and municipal business entities.	in line with objectives under the Association Agreement;

<b>EFFECTIVE GOVERNANCE</b>	Problems	Priority actions	Brief description	Link to international commitments
	Non-rational use of natural resources, no effective national system to enforce environmental legislation	6. Climate change prevention and resilience	To improve the state climate change policy with a view of promoting Ukraine' s sustainable development; to create a legal and institutional framework to ensure a gradual transition to low carbon development, subject to economic, energy and environmental security, and citizens' well-being. To introduce mechanisms to reduce the consumption of ozone-destroying substances. To build institutional	in line with objectives under the Association Agreement;

<b>EFFECTIVE GOVERNANCE</b>	Problems	Priority actions	Brief description	Link to international commitments
		7. Protecting natural heritage	<p>capability within the state authorities with regard to planning and implementing actions in the area of climate change and saving the ozone layer.</p> <p>To introduce European principles of protection, inexhaustible use and restoration of biodiversity in the environmental area; to create an effective conservation system for rare and endangered plant and animal species and natural habitats in Europe; to introduce systems to</p>	<p>in line with objectives under the Association Agreement;</p>

EFFECTIVE GOVERNANCE	Problems	Priority actions	Brief description	Link to international commitments
		8. Good environmental governance	<p>monitor the conservation of endangered and rare species and natural habitats in Europe; to establish a network of conservation areas.</p> <p>To create a single integrated environmental protection body; to ensure the transition from ineffective total environmental control to the prevention of environmental offences and environmental monitoring; to reduce pressure on businesses and</p>	<p>commitment under the Association Agreement</p>

<b>EFFECTIVE GOVERNANCE</b>	Problems	Priority actions	Brief description	Link to international commitments
			to engage the public in environmental control activities.	
		9. Sustainable water management	To ensure the transition to integrated watershed management, which involves planning, coordination, quality control, protection and sustainable utilization of water resources.	commitment under the Association Agreement

### **OBJECTIVE 3 — HUMAN CAPITAL DEVELOPMENT**

#### **Definition of the objective**

The full-scale development of human capital should become one of the main outcomes of effective Government policy and action. Recovery from the current social crisis will help to achieve a significant increase in living standards and to introduce good social standards. The state has to promote and create opportunities for citizens to fully realize their potential, which will also affect national economic growth and Ukraine' s competitiveness in the modern world.

In this connection, the Government' s actions must be linked with the formulation and implementation of effective education, science, healthcare and social welfare policies, with the expansion of the rights of and opportunities for the Ukrainian language and culture, and people' s patriotism, which is very important for national identity and pride.

#### **Key priorities**

Public health is a significant factor in ensuring national security and the country' s prosperity as a whole. It is imperative to introduce new approaches and public health programmes, since the current healthcare system in Ukraine essentially ignores any preventative component.

The healthcare system will be refocused from a treatment-based policy to a policy based on health promotion and preservation and disease prevention.

It is planned to introduce a *new system of healthcare organisation* based on medical insurance; to *reform emergency medical assistance and disaster medicine*, to improve the *delivery of highly specialised medical care*.

The Government' s medium term tasks in the education area are: *to improve the quality of secondary education* as a whole; to tackle territorial variances in the quality of education and to transform the content of education on the basis of a competence-based approach; *to modernise vocational education* with a view to ensuring quality training of competitive workers, who would able to meet the demands of the modern labour market, and to promote equal access to vocational training; *to boost scientific and academic activities and optimize their results*; to promote the observance of academic ethics in universities and academic institutions.

The current state of the pension system indicates the need to initiate the *next round of pension reforms*. The main goal is to facilitate an increase in pensions, to uphold the principles of social justice, to remove the huge gaps between special and ordinary pensions, to ensure good standards of living for citizens who have been paying pension contributions all their lives and have disclosed all their earnings.

The introduction of an *effective public social welfare system* will make it possible to target low-income families and to introduce a targeted approach to tackling problems amongst the most vulnerable sections of the population and to ensure their social integration and alleviate poverty; and to form, at local community level, a system of social services and children' s rights, in particular, the right to grow up in a family, or a family-like environment, in their local community of origin. Notably, there are plans to pay monetary benefits, to make a transition to the provision of social support to certain population categories based on the principle of "the money follows the person" , to introduce incentives for employment of social benefit recipients.

The improvement of principles and areas of public cultural policy is strategically important for the development and modernisation of the country. One of the main tasks of the state authorities in this connection is to create modern programmes and financial instruments to *support culture and art*. The Government will continue working on the data base containing data on *cultural values and cultural heritage sites*. Considerable attention will be paid to the formulation of public policy in the area of literature, publishing and libraries.

*Promotion of physical activity and sport* will help to increase the number of Ukrainians who consciously choose to lead an active and healthy life and to get rid of bad health habits, as well as to raise a generation of healthy young people as the most valuable public asset, who are ready to work productively and to protect national interests of independence, territorial integrity and sovereignty of Ukraine.

In order to promote a positive image of Ukraine in the world sports movement, the Government will give attention to training of high performance athletes, obtaining licences to participate in the most significant sports competitions, promoting various sports in Ukraine, and to promoting sport among Ukrainians with disabilities.

The Government will take action to boost national and patriotic education.

**Key performance indicators for achieving the objectives by 2020**

Human Development Index — TOP-50.

Mortality rate — 10% decrease.

Poverty level (OECD statistics) — 15%.

<b>HUMAN CAPITAL DEVELOPME NT</b>	Problems	Priority actions	Brief description	Link to international commitments
Formulating and implementing effective policies in the areas of education and healthcare	Ineffective current healthcare system, poor services, outdated equipment and procedures, no clear competencies of different levels of government	1. A new system of healthcare organisation based on medical insurance	To create and introduce a new financial model, which provides for clear and transparent state guarantees with regard to the amount of free health care provided, better financial protection of citizens in the event of illness, an effective and fair allocation of public funds and reduction of informal payments; to create incentives to improve the quality of public	in line with objectives under the Association Agreement; in line with Ukraine' s commitment to the IMF

HUMAN CAPITAL DEVELOPME NT	Problems	Priority actions	Brief description	Link to international commitments
			healthcare services provided by state and municipal healthcare institutions, and to increase the efficiency of their provision.	
		2. Development of the public healthcare system	To focus the health care system on the preservation and promotion of health, to increase life expectancy and quality of life, to prevent ill-health, to extend active working age and, as a result, to reduce the burden on the	in line with objectives under the Association Agreement

HUMAN CAPITAL DEVELOPME NT	Problems	Priority actions	Brief description	Link to international commitments
			healthcare budget.	
		3. Making medicines more accessible	To introduce a system for reimbursement of costs of medicines included in the National List of Essential Medicines.	in line with objectives under the Association Agreement
			To reform the principles of state pharmaceutical price regulation based on the experience and principles of the European Union.	
		4. Reforming emergency medical assistance and disaster medicine	To create a new approach to the delivery of emergency medical assistance and to improve the efficiency of the	in line with objectives under the Association Agreement

HUMAN CAPITAL DEVELOPMENT T	Problems	Priority actions	Brief description	Link to international commitments
		5. Improving highly specialised medical services	<p>emergency medical services.</p> <p>To improve the organisation of emergency medical assistance to cardiovascular disease patients, myocardial infarction patients and cerebrovascular insufficiency patients.</p> <p>To ensure the provision of quality highly specialised medical services to the population by increasing the number of transplant organs and other</p>	in line with objectives under the Association Agreement

HUMAN CAPITAL DEVELOPMENT T	Problems	Priority actions	Brief description	Link to international commitments
			anatomical materials, their accessibility, quality and safety. To create a National Organisational and Methodological Transplant Centre and state transplant areas	
		6. Developing social and rehabilitation services in local communities	To ensure the provision of quality social, rehabilitation and counselling services and to introduce new approaches to the organisation of their provision at the local community level	under the UN Convention on the Rights of Persons with Disabilities
	Falling standards of	7. Quality, modern	To improve the quality of	in line with

<b>HUMAN CAPITAL DEVELOPMENT</b>	Problems	Priority actions	Brief description	Link to international commitments
	<p>education, outdated teaching methods</p> <p>Quality of education does not meet the expectations of employers</p>	<p>and accessible secondary education (New Ukrainian School)</p>	<p>secondary education as a whole; to tackle local variances in the quality of education and to transform the content of education on the basis of the competence- based approach.</p> <p>To ensure that the content of education supports the development of creative and self-motivated individuals capable of effectively engaging in society and making proper decisions for the benefit of</p>	<p>Ukraine' s commitment to the IMF</p>

HUMAN CAPITAL DEVELOPME NT	Problems	Priority actions	Brief description	Link to international commitments
			the Ukrainian people and human social and economic development, thanks to their critical thinking, acquired competencies, firm beliefs and value-based attitudes.	
		8. Updating vocational education	To promote quality training of competitive workers, capable of meeting the demands of the modern regional labour market, and to ensure equal access to vocational education	in line with objectives under the Association Agreement
		9. Ensuring quality of	To create new educational	in line with

<b>HUMAN CAPITAL DEVELOPME NT</b>	Problems	Priority actions	Brief description	Link to international commitments
		higher education	programmes in line with the new higher education standards. To boost scientific and academic activities and optimize their results; to promote the observance of academic ethics in universities and scientific institutions.	objectives under the Association Agreement
		10. New science management and finance system	To ensure effective interaction between representatives of the scientific community, the executive authorities and the real economy sector	in line with objectives under the Association Agreement

<b>HUMAN CAPITAL DEVELOPME NT</b>	Problems	Priority actions	Brief description	Link to international commitments
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with a view to formulating and implementing a single state policy in the area of science and technology.

To increase the share of grant financing in total government spending on science and development, which would better motivate scientists to participate in open competitive tenders for projects to be financed by National Research Fund (NRF) grants and would present to young scientists

HUMAN CAPITAL DEVELOPMENT	Problems	Priority actions	Brief description	Link to international commitments
	<p>The current social safety net is not target-oriented. Poor and ineffective services under the public social security system.</p> <p>A large share of the gross domestic product is spent on state funded social security and support services, however the service quality remains low.</p>	<p>11. Creating a fair pension insurance system</p> <p>12. Ensuring an effective social safety net</p>	<p>a real alternative to continuing their career abroad.</p> <p>To introduce consistent approaches to pension calculation, to ensure a proper level of pension benefits, to optimise state budget and Pension Fund budget spending.</p> <p>To promote a targeted approach to the provision of social support to people on a low income and to introduce a comprehensive approach</p>	<p>in line with Ukraine' s commitment to the IMF</p> <p>stipulated by the Loan Agreement (Social Safety Nets Modernization</p>

HUMAN CAPITAL DEVELOPME NT	Problems	Priority actions	Brief description	Link to international commitments
			to tackling the problems of the most vulnerable sections of the population, their social integration and poverty alleviation	Project) between Ukraine and the International Bank for Reconstruction and Development); in line with Ukraine' s commitment to the IMF
		13. Promoting children' s rights	To create a system promoting proper upbringing of children in a family environment by	under the UN Convention on the Rights of the Child and

<b>HUMAN CAPITAL DEVELOPME NT</b>	Problems	Priority actions	Brief description	Link to international commitments
<p>Promoting the development of the individual, culture and sport.</p> <p>Spreading the use of the</p>	<p>Insufficient level of patriotism, usage of the Ukrainian language.</p> <p>Lack of opportunities and support for the realization of personal potential in culture and</p>	<p>14. Strengthening the position of the state language in the cultural and information space</p>	<p>strengthening the abilities and responsibilities of parents, other legal guardians and every basic territorial community; to de-institutionalise childcare; to ensure the safety and well-being of every child.</p> <p>To spread the use of the Ukrainian language in the mass media, culture, education and science. To create the right organisational, administrative and cultural</p>	<p>the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse</p>

<b>HUMAN CAPITAL DEVELOPMENT T</b>	Problems	Priority actions	Brief description	Link to international commitments
Ukrainian language in all areas of life	sport	15. National and patriotic education	<p>conditions to turn the Ukrainian publishing sector into a European-style cultural industry.</p> <p>To boost national and patriotic education, to increase the number of young people ready to honour their duty to defend Ukraine.</p> <p>To promote the assertion of Ukrainian identity and national unity on the basis of shared social and public values: identity, freedom, national unity and dignity</p>	

HUMAN CAPITAL DEVELOPMENT	Problems	Priority actions	Brief description	Link to international commitments
			of the Ukrainian people to counteract external, hostile information and psychological influences on Ukrainian society	
		16. Creating Ukraine' s public television and radio service	To launch Ukraine' s public television and radio service, which would meet the public demand for information, offer a quality and interesting media product in an accessible format, engage the public in the discussion and resolution of the most important social and	under Ukraine' s commitment to the Council of Europe (Resolution of the Parliamentary Assembly of the Council of Europe of 5

HUMAN CAPITAL DEVELOPME NT	Problems	Priority actions	Brief description	Link to international commitments
			political issues.	October 2005 No. 14466)
		17. Developing Ukraine' s cultural and artistic potential	To promote a transparent and effective system of government support for creative projects carried out by Ukrainian artists. To raise the status of art education. To create effective local cultural spaces in communities, which would be based on creative activities by their members. To enable the introduction of transparent mechanisms	under the UN Convention on the Rights of the Child (20 November 1989);  in line with objectives under the Association Agreement

HUMAN CAPITAL DEVELOPME NT	Problems	Priority actions	Brief description	Link to international commitments
			regulating authorised procedures in the areas of cultural heritage protection, museum affairs, the export, import and return of valuable cultural artefacts, and preventing the risk of corruption and misuse.	
		18. Building a healthy nation	To improve the health of various population segments by means of physical culture and sport with a view to extending their active working age; to strengthen the ability of the working population to	in line with objectives under the Association Agreement

HUMAN CAPITAL DEVELOPME NT	Problems	Priority actions	Brief description	Link to international commitments
			<p>adapt to the increasing demands of modern industries; to reduce budget spending linked to sick leave and medical treatment; to enable recovery after work, meaningful leisure activities and active recreation; to enable children and young people to realize their personal potential by going for sports chosen by them.</p>	
		<p>19. Creating new opportunities for young people</p>	<p>To empower young people to participate in social and political life and</p>	<p>in line with objectives under the</p>

<b>HUMAN CAPITAL DEVELOPME NT</b>	Problems	Priority actions	Brief description	Link to international commitments
			help them to become key partners in the formulation of state youth policy	Association Agreement
		20. Promoting a positive image of Ukraine in the world sports movement	Promoting a positive image of Ukraine in the world involves organising official international sports competitions in Ukraine and participation by high-performance athletes in international sports competitions, which can be achieved through persistent and strenuous physical activities.	in line with objectives under the Association Agreement

## **OBJECTIVE 4 — THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION**

### **Definition of the objective**

The rule of law is critical to sustainable and equal growth and social development. The rule of law is a multifaceted concept covering many areas: from personal safety and property rights to conflict resolution and government checks and balances and the fight against corruption. However, the scope of the medium term plan is confined to the state functions which are carried out only by the executive branch of government. Thus, this section only deals with the duties of the Government, ministries and other central and local executive authorities with regard to the fight against corruption and the delivery of justice.

The prevention of and the fight against corruption involve the enforcement of legislation and effective, coordinated and transparent operation of anti-corruption institutions. The government, within the limits of its competence, will cooperate with the National Anti-Corruption Bureau of Ukraine (NABU), the General Prosecutor' s Office, the judicial authorities and other anti-corruption agencies.

Ensuring that Ukraine' s law enforcement agencies as a whole operate effectively, together with the efficient identification, investigation and management of assets derived from corruption and other offences, are all essential components of an effective system to fight corruption and to assert the rule of law. By exposing corruption schemes, the government can save significant budget funds and use them to finance economic development and national prosperity.

The general goals of anti-corruption reform are to minimize the opportunities for corruption; to increase the risk of exposure and punishment of corrupt behaviour and mitigate their consequences; and to reduce tolerance of corruption.

In 2016, Ukraine ranked 131st out of 176 countries in the world Corruption Perceptions Index, which points to systemic corruption in Ukraine's public sector. However, some unique reforms, such as the introduction of the electronic procurement system ProZorro, the establishment of the National Anti-Corruption Bureau of Ukraine and other specialist anti-corruption bodies, the launch of the e-declaration system, which has already been used by some public officials to declare their assets online, give Ukrainian citizens the hope that corruption can gradually be reduced to a more acceptable level. It requires a strong commitment to more decisive anti-corruption reform, which is based on a realistic plan agreed by consensus, on the part of the political, administrative, judicial and private sectors as well as citizens.

### **Key priorities**

The objective of *anti-corruption activities* in 2017—2020 is to further reduce opportunities for corruption in the public sector. The anti-corruption reform priorities, which would enable the Government to achieve this objective, are:

to strengthen the institutional infrastructure as well as the planning and policy-making capacity of the anti-corruption agencies responsible for corruption prevention, in particular, to enable corruption prevention bodies to operate effectively, to finalize the establishment of the State Investigation Bureau and the National Agency for the identification, investigation and management of assets derived from corruption and other offences;

to ensure full-scale operation of the e-declaration system;

to strengthen the system of government control over political parties' financing.

All the newly-created institutions within the framework of anti-corruption reform, including the National Anti-Corruption Bureau of Ukraine, the Special Anti-Corruption Prosecutor's Office, the National Corruption Prevention Agency, the National Agency for the identification, investigation and management of assets derived from corruption and other offences, the State Bureau of Investigation (when established), and the Special Anti-Corruption Court (if the legislation is adopted and the court is created) will receive sufficient funds to organise and ensure the effectiveness of their operations.

The Government will ensure effective coordination of the anti-corruption reform including, among other things, by supporting cooperation, exchange of experience and information between individual agencies for the common purpose of overcoming corruption in Ukraine.

One of the main priorities will be to update the National Anti-Corruption Strategy in accordance with the State Programme for its implementation. The Strategy includes key objectives and indicators of progress with anti-corruption reforms, while the State Strategy Implementation Programme will include a list of specific initiatives, measures, designated coordinators and implementation dates for objectives and milestones identified by the Strategy.

In order to *assert the rule of law*, the Government will:

continue to reform the system of enforcement of judicial rulings, in particular, in 2017, a combined enforcement system will be introduced through the modernization of the state enforcement officers service and

the introduction of private enforcement officers. An accessible, cost effective and viable control system will be created to safeguard the interests of creditors, with due regard to the applicable rights of debtors;

ensure the creation of a flexible free legal aid system, which will enable a prompt response to the legal needs of communities;

implement the probation and social reintegration reform with the aim of building a modern European criminal justice system, which would ensure an effective balance between public security needs and anti-crime activities and also include crime prevention measures and offender rehabilitation. Wider use of non-custodial sentences will make it possible to reduce expenditure and to focus penitentiary system resources on rehabilitation.

### **Key performance indicators for achieving the objectives by 2020**

Corruption Perceptions Index (Transparency International) - TOP-50.

Progress in conducting regular public opinion surveys on corruption perception using methods devised by the National Corruption Prevention Agency.

<b>THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION</b>	Problems	Priority actions	Brief description	Link to international commitments
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<b>THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION</b>	Problems	Priority actions	Brief description	Link to international commitments
Ensuring the effective, coordinated and transparent operation of anti-corruption institutions and the Government	Lack of a systemic approach to anti-corruption reform and lack of coordination between specialist anti-corruption agencies, the central executive authorities involved in anti-corruption programmes, non-governmental organisations and civil society  Poor monitoring, evaluation and reporting of results.	1. To ensure the effective operation of the United state register of asset declarations by public servants at central and local government levels.	To exercise effective control over compliance with legal requirements regarding the declaration of assets by public servants at central and local government levels.  To properly check the declarations submitted and identify violations of fiscal control requirements	under the NATO Programme on strengthening transparency, accountability and integrity and reducing the risk of corruption in the defence and security sector;  in line with Ukraine' s commitment to

<b>THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION</b>	Problems	Priority actions	Brief description	Link to international commitments
	<p>Poor communication with the public and reform stakeholders. The establishment of executive authorities responsible for anti-corruption activities and the identification and investigation of assets derived from corruption and other offences has not been completed.</p>	<p>2. To raise the integrity standards of public servants at the central and local government levels, as well as persons with equivalent status and the public</p>	<p>To introduce a set of measures to eradicate corruption and to prevent conditions which could facilitate corruption</p>	<p>the IMF</p> <p>under the NATO Programme on strengthening transparency, accountability and integrity and reducing the risk of corruption in the defence and security sector;</p> <p>in line with</p>

<b>THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION</b>	Problems	Priority actions	Brief description	Link to international commitments
		3. Ensuring effective general coordination and communication support for anti-corruption reforms	<p>To ensure coordination and effective cooperation between individual anti-corruption agencies</p> <p>To promote positive communications to inform the public of the real results of the anti-corruption reforms.</p>	Ukraine' s commitment to the IMF
		4. To ensure effective operation of the State Investigation	To promote the creation of the institutional system necessary for the effective	

<b>THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION</b>	Problems	Priority actions	Brief description	Link to international commitments
		Bureau and National Agency for the identification, investigation and management of assets derived from corruption and other offences;	fight against crime and for the identification, investigation, assessment, registration and management of assets derived from corruption and other offences in accordance with the laws of Ukraine	
A well organised and	Poor management, implementation and	5. Improving the system of state control over party finances	To ensure transparency of political parties financing to limit the influence of private capital on politics. Information on political parties financing is public.	
		6. Reforming the judicial ruling	To introduce a system which combines public and private	

<b>THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION</b>	Problems	Priority actions	Brief description	Link to international commitments
independent system will change negative perceptions by the public.	communication of reforms	enforcement system  7. Probation and social reintegration reform	enforcement officers and promotes their viable professional self-government  To create a fully-fledged probation system, which is able to ensure the right balance between public safety/crime prevention and the prevention of offending/rehabilitation of offenders	commitment under the Resolution of the UN General Assembly of 14 December 1990 (the Tokyo rules) and relevant Recommendations of the Council of Europe

<b>THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION</b>	Problems	Priority actions	Brief description	Link to international commitments
	Lack of understanding of needs in legal aid, their trends and priorities	8. Equal access to justice and legal aid	To refocus the free legal aid system from provision of legal aid to individuals towards legally empowering local communities and strengthening their legal capabilities; to decentralise the system of free legal aid in civil and administrative cases, piloting the model of civil protection offices in criminal cases, and to create an effective system of legal knowledge management as well as to develop the human potential of the legal	commitment under the Resolution of the Parliamentary Assembly of the Council of Europe of 05.10.2005 No. 1466

<b>THE RULE OF LAW AND THE FIGHT AGAINST CORRUPTION</b>	Problems	Priority actions	Brief description	Link to international commitments
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community and partner networks in the free legal aid system.

## **OBJECTIVE 5 — SECURITY AND DEFENCE**

### **Definition of the objective**

To be able to feel safe in their own country is one of the strongest desires of Ukrainian citizens today. Firstly, this means reliable protection of national sovereignty and restoration of the territorial integrity of Ukraine, which are essential for the fully-fledged development of the Ukrainian state. Therefore, the Ukrainian government will continue to support the country' s ability to counteract any forms of external aggression, including supporting the development of the Ukrainian Armed Forces capabilities. Secondly, the Government has to meet all challenges regarding the minimization of threats to people' s life and property including, among other things, protection from crime, crime prevention, prevention and effective response to emergencies, and ensuring the safety of public spaces and road traffic safety.

### **Key priorities**

The Government' s key tasks in the area of protection and defence are to ensure the country' s national defence capability and information security.

In a situation where there is a permanent military threat, it is necessary to form a united leadership of the defence forces, to create a system of defence management based on a new division of defence powers, functions, tasks, duties and responsibilities, in line with the principles adopted by NATO countries.

Ukraine' s *armed forces capabilities* will be further *developed* to ensure an adequate response to national security threats in the areas of defence, protection of Ukraine and its sovereignty, territorial integrity and

inviolability of its borders. The Armed Forces and other defence forces will be brought into line with modern standards, taking into account the experience gained during antiterrorist operations as well as the principles adopted by NATO and EU Member States.

*Strengthening border security* is another important issue. The urgent need to develop near-border infrastructure and to properly equip the state border of Ukraine is dictated by the need to achieve a qualitatively new level of state border security and border engineering and technological equipment, which will assist Ukraine' s integration into the European security zone.

In particular, the Ukrainian people need to have a defined set of common national values and priorities as well as a developed public information space, in particular, in the area of mass information and support for the mass media and the work of journalists.

The *information sovereignty of Ukraine* must guarantee the enforcement of citizens' constitutional rights and interests in the area of information, by guaranteeing freedom of speech and the dissemination of information of importance to society.

The rights of Ukrainian citizens living in the Donetsk and Luhansk Oblasts and in Crimea to freedom of speech, freedom of expression and free access to information have been violated as a result of the Russian military aggression. These areas have also seen continuing repressions against independent mass media. Furthermore, Ukrainian citizens have found themselves exposed to powerful anti-Ukrainian propaganda, with no access to alternative information resources. They have hardly any access to objective information on current affairs in Ukraine and the world.

The information reintegration of the above-mentioned territories is a priority area of work as far as the territorial integrity of Ukraine and constitutional rights of Ukrainian citizens living on these territories are concerned.

*The information reintegration of the Donbass area and Crimea* is aimed at stepping up information pressure on the Russian occupation authorities at international level, keeping the issue of armed aggression by the Russian Federation in the Donbass area and its occupation of Crimea on the information agenda at national level and overcoming the information blockade of these areas.

In the modern global and geopolitical environment, it is important to have an effective mechanism to promote Ukraine' s interests in the world, to provide objective information about events in Ukraine, to create a positive image of Ukraine, and to increase the number of various types of visitors to Ukraine, from tourists to investors.

Social and economic conditions in the east of Ukraine have significantly worsened as a result of the armed conflict. There are plans to attract resources from international financial institutions and aid organisations *to restore critical infrastructure and key social services* in the east of Ukraine, to ensure economic recovery by developing capabilities in urban economic planning, to implement structural changes, and to provide support to small and medium businesses.

The worsening crime situation in the country, the escalation of social and political problems and high levels of terrorist threats dictate the need to develop the National Guard of Ukraine as a mobile, combat-effective organisation with law enforcement functions, which is able, together with other security and defence agencies,

to carry out certain specific law enforcement and defence missions to counteract threats to the national security of Ukraine.

The Government will continue to reform the State Emergency Service to ensure its optimisation and capacity building and to transfer some fire-fighting and emergency response powers from state to local authorities.

### **Key performance indicators for achieving the objectives by 2020**

The share of security and defence spending must be at least 5% of the gross domestic product for corresponding years, and at least 3% of it must be spend on defence.

Reducing road accident levels — by 30%.

Maintaining consolidated international support for de-occupation of the Donbass area and Crimea

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
Strengthening defence capacity and capabilities	Permanent military threat. Worsening of the	1. Introducing united leadership of the defence forces	To create a system of defence management based on a new division of defence powers, functions,	

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
<p>To ensure cooperation with other countries via integration with European and other international security and defence institutions, with the aim of strengthening national, regional and global security</p>	<p>social and economic situation in the east of Ukraine as a result of the armed conflict.</p> <p>Anti-Ukrainian information campaign conducted by the Russian Federation, lack of objective and current information about Ukraine in the world information space.</p>	<p>2. Introducing an effective policy and a resource planning and management system in the defence sector</p>	<p>tasks, duties and responsibilities, in line with the principles adopted by NATO countries.</p> <p>To bring policy-making and resource planning and management processes into line with Euro-Atlantic principles, thereby ensuring the creation of well-trained, equipped and maintained defence forces, capable of effectively carrying out missions defined in Ukraine' s strategic national security documents.</p>	

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
		3. Building the operational (combat, special) capabilities of the defence forces	To build the capability of the defence forces to reliably repel armed aggression, to effectively respond to threats to national security in the military area, to defend Ukraine, its sovereignty, territorial integrity and inviolability, to ensure compliance with Euro-Atlantic standards and criteria required to become a NATO member	
		4. Introduce an integrated logistics system and a medical	To create an effective integrated defence logistics and supply system	

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
		support system	<p>to be used both in peacetime and during special periods, to introduce modern armed forces support systems and technologies in all areas, to automate weapons, military equipment, missile and ammunition management and recording processes.</p> <p>To create a medical support system, capable of providing appropriate medical support to the defence forces in accordance with NATO</p>	

SECURITY AND DEFENCE	Problems	Priority actions	Brief description	Link to international commitments
		5. To professionalize the military and to create the necessary military reserve	standards. To recruit well-prepared and motivated personnel to the Armed Forces, to create and maintain deployment-ready strategic reserve forces	
		6. To provide more reliable protection and to improve state border security	To improve state border security, so as to ensure an adequate response to modern threats and challenges, including, among other things, terrorist and military threats, and to introduce European standards into the border control system.	

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
		<p>7. Ensuring the combat capability and readiness of the National Guard</p> <p>8. To protect and restore (by political and diplomatic means) the territorial</p>	<p>To develop the National Guard as a mobile, combat- effective organisation with law enforcement functions, which is able, together with other security and defence agencies, to carry out certain specific law enforcement and defence missions to counteract threats to the national security of Ukraine.</p> <p>To further consolidate international political support for Ukraine in its fight against Russian</p>	

SECURITY AND DEFENCE	Problems	Priority actions	Brief description	Link to international commitments
		<p>integrity of Ukraine within the internationally recognized borders</p> <p>9. To address problems in the territories affected as a result of temporary occupation or armed conflict, to protect the rights and</p>	<p>aggression and to increase political pressure on the Russian Federation with the aim of achieving de-occupation of the Donbass area, to launch international negotiations on the de-occupation of Crimea, to make use of practical support provided to Ukraine by NATO</p> <p>To restore critical infrastructure and key social services, to ensure economic recovery by developing capabilities in urban economic planning, to implement structural</p>	

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
		freedoms of internally displaced persons	changes, and to provide support to small and medium businesses. To reintegrate the population of the territories taken out of Ukraine' s control into the constitutional space of Ukraine To ensure access for the population of Donetsk, Luhansk and Crimea to objective information about events in Ukraine and the world	
		10. Formulating and implementing public information security policy and developing	To protect Ukraine' s information space from Russian aggression, to alleviate the consequences	

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
		<p>a system of public strategic communications.</p> <p>11. Promoting Ukraine' s interests in the world</p>	<p>of the information element of this aggression and to implement the principles, priority tasks and main activities of the authorities with the aim of protecting the information sovereignty of Ukraine and shape the national information space</p> <p>To promote Ukraine globally by using the information resources of foreign countries in order to protect its political, economic, social and cultural interests,</p>	

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
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strengthen its national security and restore its territorial integrity; to create a positive image of Ukraine by promoting objective information on its competitive advantages, strengths and important achievements on the global stage and the extensive opportunities for the international community to work together with Ukraine; to coordinate the activities of various agencies aimed at disseminating truthful and objective information

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
To protect human rights, to prevent crime and to ensure the safety of residential areas, public spaces and road traffic, to	Low performance in the area of public order, road traffic safety, migration, poor cyber protection of critical infrastructure facilities, reduced capability to effectively respond to man-made and natural disasters	12. Creating an effective system to protect the public from emergencies and fires	about Ukraine at global level, in particular, information about its individual regions, and to increase Ukraine' s attraction to tourists and investors.  To improve the State Emergency Service and its capability, together with other security and defence agencies, local executive and self-government authorities, to counteract threats to Ukraine' s national security in the area of civil protection. To	in line with objectives under the Association Agreement

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
protect the population and territories from man-made and natural disasters		13. Automating national policy implementation processes in relation to migration	<p>improve public health and safety, to protect people from fires, emergencies and weather events and to reduce economic losses</p> <p>To develop the Unified state demographic register and to create the National system for biometric verification and identification of Ukrainian citizens, foreign nationals and stateless persons.</p> <p>To create the Unified information and analytical system to manage</p>	<p>in line with objectives under the Association Agreement</p>

SECURITY AND DEFENCE	Problems	Priority actions	Brief description	Link to international commitments
		14. Ensuring road traffic safety	<p>migration processes</p> <p>To create traffic police divisions, to select candidates for police jobs and to train them to patrol national and international highways and roads to reduce violations of traffic rules by drivers</p>	
		15. Creation of the National telecommunication network, ensuring cyber protection	<p>To create a multi-level, multi-service special information and telecommunications network based on modern digital technology to be used by the state in peacetime, in emergencies and in war, in order to</p>	

<b>SECURITY AND DEFENCE</b>	Problems	Priority actions	Brief description	Link to international commitments
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enable secure electronic communications (within the National telecommunications network) and to ensure cyber protection of the state sector' s IT by modernising the secure Internet access system in governmental organisations.

## **DONOR COORDINATION AND EUROPEAN INTEGRATION**

The Medium Term Plan will become an effective tool to be used at all levels of dialogue with donor countries and to promote the engagement of the public and private sectors.

It will help to ensure the relevance of international assistance and to channel resources into the priority areas of Ukraine' s development, as defined in the Medium Term Plan. It will serve as a basis for the creation and operation of an integrated, holistic and unified system of coordination, planning, engagement, management and monitoring of international assistance, making it possible to allocate donor funds and expertise effectively and in accordance with government policy priorities.

The Government' s five main objectives will lay the basis for quarterly communication platforms, regular high-level coordination meetings with a view to updating international assistance policy. They will help to create a clear system of interaction between international donors and Ukraine at the political, operational and sectoral levels.

Joint monitoring and exchange of information on the implementation of international assistance projects (programmes), as well as coordination meetings with donor representatives in order to plan and conduct mid-term and final project performance assessments will make it possible to avoid the duplication of efforts and to make full and effective use of the resources received.

Annual donor conferences will become an important element. They will be used to submit reports on the utilization of international assistance in the previous year and to present road maps to attract future international assistance.

Due to the rapid increase in assistance, it is imperative to synchronize it with the Medium Term Plan and country' s budget.

For example, the total cost of grant and loan projects registered as international assistance in 2010-2013 amounted to US\$ 1 640 000 000, and to US\$ 2 954 000 000 in 2014-2016. According to forecasts, the amounts of assistance are likely to increase.

Therefore, the development, together with donors, of performance assessment methods, the creation of a regulatory framework to support the projects and the establishment of the communication platform will make it possible to achieve the Government' s strategic objectives and to effectively allocate resources to the most urgent and important reforms.

The Medium Term Plan will also help to align the strategic medium-term priorities of government policy with Ukraine' s commitments under the Association Agreement with regard to the harmonisation of Ukrainian legislation and the operation of a deeper and more comprehensive free trade area between Ukraine and the EU.

To fulfil its commitments in the area of European integration, Ukraine will have to ensure the harmonisation of its public legal and institutional mechanisms with those of the European Union.

The ultimate goal of this process will be the elimination of non-tariff barriers to trade, full access to the EU market in the defined areas, the improvement of public welfare and the facilitation of transparent competition.

In this connection, the Medium Term Plan includes a number of indicators, the achievement of which will serve as unconditional confirmation of the successful implementation of the measures set out in this Action Plan. In particular, it concerns the decisions to be made by the association bodies created in accordance with the Association Agreement with regard to the opening of services markets, and the

recognition of technical regulations and phytosanitary controls as conforming to the EU standards.

As Ukrainian legislation becomes more aligned with that of the EU in the areas covered by the Association Agreement, Ukraine will move closer to the taking above-mentioned decisions and achieving the aforesaid objectives.

## IMPLEMENTATION PART

To implement the Medium-Term Plan successfully, we need:

- effective leadership of the whole process at Prime Minister level;
- coordination between action taken by ministries and other central executive authorities;
- effective connection with the budget process;
- active incorporation of the aims of the Medium-Term plan into the Government's annual action plans;
- appropriate expert support;
- continuous control and monitoring of progress with implementation of the Plan;
- public accountability.

The implementation model supports the commitment of the Cabinet of Ministers of Ukraine to implement the Medium-Term Plan at the highest level with a view to achieving measurable results for Ukraine's citizens.

### ***Effective leadership of the whole process at Prime Minister level***

Ukraine's Prime Minister shall provide general leadership and control over the implementation of the Medium-Term Plan.

The Prime Minister of Ukraine personally and the Government as a whole shall aim their efforts at engaging stakeholders in a constructive dialogue based on a clear and straightforward mechanism.

### The Medium-Term Plan

<b>The Prime Minister of Ukraine</b>	<b>Secretariat of the Cabinet of Ministers of Ukraine</b> (including the Strategic Planning and State	<b>Reforms Office of the Cabinet of Ministers of Ukraine</b>	<b>Ministries, other central executive authorities</b>
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	Policy Coordination Department)		
General leadership	Creating a planning system  Coordinating implementation of the Medium-Term Plan	Organising and coordinating the implementation of reforms	Developing detailed implementation measures and implementing the Medium-Term Plan
Progress reporting	Monitoring and control system	Implementation progress monitoring and reviewing	Reporting by ministries

Liaising with stakeholders and society

***Coordination between actions taken by ministries and other central executive authorities***

The national planning system shall be established under the responsibility of the Cabinet of Ministers of Ukraine and shall be focused on the implementation of the Medium-Term Plan, on adopting an approach directed at problem solving and on continuing improvement. This will be the main task of the Strategic Planning and State Policy Coordination Department of the Secretariat of the Cabinet of Ministers of Ukraine. The Department shall also provide support to relevant divisions of other central executive authorities, ensure the development of methodologies for strategic document preparation and their progress monitoring and assist ministries in analysing industry policies by using the methods developed.

Successful implementation of the Medium-Term Plan also requires the involvement of civil society and the general public as a whole. To

achieve this, we need to raise the level of communication and trust between stakeholders, with the Government playing a central role in bringing these relationships together.

***Effective connection with the budget process***

The Medium-Term Budget Declaration (Major Directions of Ukraine's Budget Policy) shall be based on the strategic objectives and targets defined in the Medium-Term Plan. Budget policy target indicators and medium-term expenditure thresholds (for each year of the three-year period) shall be approved as part of the Medium-Term Budget Declaration by the Cabinet of Ministers and the Supreme Rada of Ukraine.

The transition from annual to medium-term budget planning in Ukraine shall re-orient the budget policy process towards a strategic approach to the identification of priorities and the respective division of limited resources, and improve predictability in the use of budget resources and the consistency of implementation action plans.

Targets identified in the Medium-Term Plan shall provide the basis for performance indicators for the main budget holders and shall be taken into account in budget programmes. This will ensure the best utilisation of limited budget resources in order to achieve the best value and quality of public services.

Budget documents shall be drafted with due regard to policies included in the Medium-Term Plan and resources headroom.

Policies included in the Medium-Term Plan shall be evaluated in the context of achieving objectives.

A comprehensive cost-benefit and feasibility evaluation of expenditure shall be conducted by ministries with the participation of the Ministry of Finance, the Secretariat of the Cabinet of Ministers of Ukraine, the Reforms Office and other advisory bodies of the Cabinet of

Ministers of Ukraine with a view to achieving savings and releasing resources required for the implementation of defined priorities.

***Active incorporation of the aims of the Medium-Term plan into the Government's annual action plans***

In order to achieve the objectives and to implement the tasks defined by the Medium-Term Plan, the Cabinet of Ministers shall annually approve an operational action plan, which shall include specific actions, names of responsible officers, deadlines and performance indicators.

The Secretariat of the Cabinet of Ministers of Ukraine shall coordinate the planning process. Ministries and other central executive authorities, whose activities are directed via the Cabinet of Ministers of Ukraine, shall submit their proposals on the next year's operational action plan by 1 December, using special forms provided by the Secretariat of the Cabinet of Ministers of Ukraine. Yearly operational action plans shall be reviewed at the end of the relevant year, and any actions which have not been implemented for objective reasons and which are worth implementing in the future, shall be included in the draft operational action plan for the next year.

Following on from the operational action plan for the relevant year and the Medium-Term Plan provisions, ministries and other central executive authorities shall develop detailed action plans to ensure the step-by-step implementation of objectives identified in the operational action plan for the relevant year by the end of the year (each action/step of the operational plan shall include a description of its implementation stages in chronological order, together with a list of responsible parties). If a legal act is required to be adopted, all stages

(actions) prescribed by the Regulations of the Cabinet of Ministers of Ukraine shall be included.

***Appropriate expert support***

The Reforms Office of the Cabinet of Ministers of Ukraine was set up in order to provide the necessary organisational support and to coordinate the implementation of reforms by the Government, in particular to monitor and review the implementation progress. The Reforms Office is a permanent consultative and advisory body of the Cabinet of Ministers of Ukraine headed by the Minister of the Cabinet of Ministers of Ukraine and is directly subordinate to the Prime Minister of Ukraine.

The main objectives of the Office are: to provide appropriate organisational support and to coordinate the implementation of reforms; to draft proposals on mechanisms for the implementation of such reforms; to take part in monitoring the performance of ministries and other central executive authorities in implementing tasks identified by the action plan; to review the performance of ministries and other central executive authorities with respect to implementing tasks identified by the action plan.

Proposals and recommendations by the Office may be implemented through decisions by the Cabinet of Ministers of Ukraine made on the basis of drafts submitted by ministries and other central executive authorities within their remits.

***Continuous control and monitoring of progress with implementation of the Plan***

An effective monitoring and evaluation system is also critical for the successful implementation of the Medium-Term Plan. The Cabinet of Ministers shall closely follow the introduction of reforms and policies included in the Medium-Term Plan by monitoring progress with

operational plans, as well as targets identified in the Medium-Term Plan. Regular progress reviews including reviewing the performance of ministries and other central executive authorities shall be used to identify and remove obstacles to the implementation of the Medium-Term Plan.

To that end, the Secretariat of the Cabinet of Ministers of Ukraine, together with the Reforms Office of the Cabinet of Ministers of Ukraine shall monitor the performance of ministries and other central executive authorities, whose activities are directed via the Cabinet of Ministers of Ukraine, in implementing the Government's operational action plan for the relevant year on the basis of the electronic monitoring and control system, which has been developed by the Secretariat of the Cabinet of Ministers of Ukraine and the E-Governance State Agency. The system will include the operational plan objectives and detailed plan actions approved by ministries and other central executive authorities, whose activities are directed via the Cabinet of Ministries of Ukraine.

Information regarding the implementation of such objectives and actions will be entered into the electronic system by relevant ministries and other central executive authorities in real time and on a permanent basis.

Following the progress review, the Secretariat of the Cabinet of Ministers of Ukraine, together with the Reforms Office of the Cabinet of Ministers of Ukraine, shall submit information on progress with implementation of the plan, as well as on challenging issues and proposals for their resolution, to the Prime Minister.

If a task cannot be completed by the deadline defined in the operational plan, 10 days before the deadline, a responsible officer shall submit proposals on moving the deadline to a later date in the current calendar year, together with an explanation of reasons, to the Cabinet of

Ministers for consideration at a meeting of the relevant governmental committee. The governmental committee may decide to move deadlines for relevant actions to a later date in the current year. A similar procedure shall be used where a responsible officer has to be replaced.

Furthermore, ministries and other central executive authorities, whose activities are directed via the Cabinet of Ministers of Ukraine, shall submit quarterly progress reports with respect to operational plans and targets to the Cabinet of Ministers not later than the 5th day of the following month, using a specially designed form (attached).

A yearly report shall be submitted within a month of the end of a calendar year, using the same form.

***Public accountability***

Information on progress with the Medium-Term Plan shall be published by the Prime-Minister of Ukraine annually, and on the progress of operational plans – quarterly.

**REPORT (INFORMATION)**

on \_\_\_\_\_  
*(outcomes for relevant period)*

**I. (Medium-Term Plan Section Title)****1. (Title of plan subsection)****Goal**

*The Medium-Term Plan goal to be entered here.*

**Outcomes for relevant period**

*Information on the implementation of measures defined in the annual operational plan to be entered here, namely specific actions / what has been done, including the title of any legislative act adopted (where appropriate) (Law of Ukraine of ..... No. ...., Ordinance/Resolution of the Cabinet of Ministers of Ukraine of ..... №..... ). Information on the outcomes of the acts adopted should also be included (quantitative and qualitative indicators), together with their impact on achieving the goal.*

**Targets**

<b>Indicator</b>	<b>Status</b>	<b>Progress</b>
<i>Target as defined by the Medium-Term Plan to be entered here</i>	<i>achieved/ in progress</i>	<i>Actual information on achievement of the target to be entered here</i>

**Actions taken**

*Information on actions taken to ensure the implementation of measures and on missed deadlines to be entered here, as well as on additional actions to be implemented.*

*Where appropriate, describe problems which have required a decision to be taken by the Cabinet of Ministers.*

## I. ECONOMIC GROWTH

### 1. Simplifying tax administration

#### *Main issues to be resolved*

Tax reforms introduced during the last few years with a view to building a just, transparent and predictable tax system have partially improved the situation with regard to the tax burden on businesses and tax administration. However, further effective actions are needed to remedy deficiencies in the tax system, such as: inadequate communication between the State Fiscal Service (SFS) and taxpayers; lack of legislation regulating tax administration; opportunities for the outflow of capital from Ukraine to states (territories) with lower tax levels in order to minimize tax liabilities; abuse of power by inland revenue bodies; shadowing of the economy; opportunities to abuse the simplified tax system in order to evade taxes.

#### *Main quantitative indicators, characterising the situation*

In the World Bank's Ease of Doing Business Index, Ukraine ranks 84th (out of 190 countries) for Paying Taxes.

#### *Goal to be achieved*

Tax legislation improvements will be implemented in order to:

simplify doing business;

simplify tax and levies administration procedures;

create simple and transparent taxation rules;

create a favourable investment climate;

bring provisions of the current Conventions for the Avoidance of Double Taxation in conformity with the OECD Model Convention with Respect to Taxes on Income and on Capital;

reduce the outflow of capital from Ukraine;

build partnership between businesses and regulatory authorities;  
 improve the efficiency of financial crime prevention efforts;  
 eliminate the potential for abuse of the simplified tax system;  
 move Ukraine up in Doing Business ranking.

*Quantitative Targets to be achieved  
 by the end of 2017 and in the medium term*

To create a modern and just tax system, which promotes the equality of all tax payers before the law and the achievement of strategic goals of sustainable economic development. It will enable Ukraine to move up the Doing Business ranking for "Paying Taxes" : to 70th place by the end of 2017 and to at least 30th place by the end of 2020.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

The Memorandum with the IMF.

*Previous Period' s Outcomes*

The unified social security contribution rate was reduced from 41% to 22%, and its withholding from salaries at the rate of 3.6% was cancelled;

A flat rate of personal income tax at 18% was introduced (instead of 15% and 20%);

A unified public register of VAT refund applications was introduced;

Automatic VAT refunds were introduced, based on the order of submission of applications for VAT refunds from the budget.

The Law of Ukraine of 21 December 2016 No. 1797-VIII On Amendments to the Tax Code of Ukraine with respect to improving the investment climate in Ukraine was adopted. This Law is primarily directed at improving the quality of administration, i.e. the tax levying and payment processes, and interaction between taxpayers and the tax service, helping to reduce costs and time for businesses and to remove barriers to their operation and development;

Transfer pricing legislation was improved.

Negotiations with the Netherlands, the UK and Austria were held in relation to revision of Double Taxation Conventions.

Key performance indicators for the Ukraine' s State Fiscal Service were approved.

*Main points of the proposed approach to be implemented  
in the medium term*

During the first stage (by the end of 2017) action will be taken:

to ensure the full scale operation of the Taxpayer' s Electronic Office;

to hold negotiations on the revision of Double Taxation Conventions with Belgium, France, Spain, Turkey and Switzerland;

to replace the tax police with a newly created body with responsibilities for prevention, detection, deterrence, investigation and exposure of criminal offences targeted at financial interests of the State and/or local self-government authorities;

to restructure the SFS to enable it to operate as a single legal entity and to improve its organisational structure;

to introduce a single data base of individual tax consultations to be provided by the SFS in writing and published on the official SFS website;

to improve the simplified tax system with a view to minimizing its use for tax evasion purposes.

In the medium term:

to implement the OECD' s BEPS (Base erosion and profit shifting) Action Plan to address base erosion and profit shifting;

to introduce a single tax and levies account;

to introduce a single reporting system for the unified social security contribution and the personal income tax;

to further reduce the tax burden on salaries;

to introduce a universal income and expense declaration and to establish tax control over citizens' expenses in relation to their incomes with use of indirect methods.

## **2. Customs reform to improve the investment climate**

### *Main issues to be resolved*

The need for Customs reform has been repeatedly discussed at different stages of Ukraine' s national development. However, no final and comprehensive solution to this issue has been found since Ukraine has been independent.

To date, there are a number of key problems impeding Customs development and reform. Among them:

Customs control and clearance procedures that are complex, overly bureaucratic and susceptible to corruption and the existing approval

system, which involves obtaining a large number of approvals and permits;

the need to ensure the right balance between safety and security requirements and the simplicity of Customs procedures.

*Main quantitative indicators, characterising the situation*

Average times to clear goods through Customs are: nearly 2 h and 25 min to clear imports, 1 h and 15 minutes to clear exports, and 1 h and 24 mins to clear transit goods. However, according to the Doing Business Index 2017 (for “Trading across Borders” ), the total time to get exports through border and Customs control is 26 h, and to process documents - 96 h. The time taken to get imports through border and Customs control is 72 h, and to process documents - 168 h.

*Goal to be achieved*

Customs reform is directed at improving the quality and efficiency of Customs by improving its institutional capacity and reducing Customs clearance time for exports and imports.

In the medium term, the Customs reform will enable us:

to introduce best international standards of Customs control and clearance for goods and vehicles; to improve the quality and efficiency of Customs operations;

to improve Ukraine’ s position in the Doing Business ranking;

to introduce new controls over Customs employees’ activities;

to ensure that anti-corruption measures are effective by reducing human factor risks;

to enhance the effectiveness of interactions between Customs and law enforcement and regulatory authorities, the general public and businesses.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Average times to clear goods through Customs in 2017 will be 75 min for imports, 30 min for exports and 15 min for transit goods.

In the medium term, they must be further reduced to 60 min for imports, 20 min for exports and 10 min for transit goods.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement;

the WTO Trade Facilitation Agreement;

the Memorandum with the IMF.

*Previous Period's Outcomes*

The Ministry of Revenues and Duties was reorganised into the State Fiscal Service (by the Resolution of the Cabinet of Ministers of Ukraine of 21 May 2014 No. 160).

The Finance Minister approved the Institutional Changes Plan for the SFS based on the IMF recommendations. The plan involves organisational restructuring (optimisation) of the SFS agencies,

optimisation of its expenditure, modernisation and process automation, etc.

Following the request from Ukraine' s PM V. Groysman to the US Government and the Head of US Customs and Border Protection to assist with the assessment of Customs and SFS operations and to make recommendations on reforming and updating Customs legislation, processes and procedures, an expert panel from US Customs and Border Protection conducted a diagnostic mission. Following the mission, the Cabinet of Ministers of Ukraine submitted a report on policy, procedures and legislation analysis and recommendations on reforming the SFS and addressing shortcomings with a view to creating modern and efficient customs agencies.

As part of the systemic reform of the Ukrainian Customs, the Cabinet of Minister of Ukraine adopted a number of decisions in 2016. Among them:

the Single Window system was introduced, which helped:

- to simplify and facilitate interaction between enterprises and regulatory authorities;

- to ensure that goods are inspected and/or samples are taken by all regulatory authorities at the same time;

an Interagency Task Centre and 20 mobile groups were created with a view to preventing and identifying violations of Customs-related legislation.

According to the Interdepartmental Task Centre, since its creation, during the course of 2016, it drew up 600 reports on Customs rule violations and initiated the temporary seizure of goods worth Hryvnia 33.4 million. The Centre initiated the submission of 39 requests to check the accuracy of goods valuation (classification) for Customs purposes,

which resulted in additional charging of 6.9m Hryvnia in Customs payments and the initiation of 6 criminal cases worth 11.9m Hryvnia;

the use of photographs and video recordings in Customs clearance procedures was introduced, in particular during inspection/re-inspection of goods and vehicles;

a new SFS territorial agency was created with broader capabilities to prevent Customs offences and counteract corruption.

*Main points of the proposed approach to be implemented  
in the medium term*

The Customs reform will ensure that:

Customs procedures are audited and regulated;

the world' s best Customs control practices are incorporated into the Ukrainian legislation;

the relevant agencies have the capacity to take rapid management decisions in matters connected with State Customs;

Customs clearance procedures are automated, the human factor effect is minimized and an effective Customs monitoring and control system is introduced;

IT and risk management systems are upgraded;

Customs operations are modernised and their institutional capacity is strengthened;

all non-tariff regulation procedures are fully audited and brought into conformity with international standards;

the time and place for other regulatory bodies to perform their duties are regulated;

international Customs cooperation is boosted; the State Customs treaty framework is expanded;

requirements concerning port, Customs warehouse, Customs terminal, entry point and Customs clearance point infrastructure are standardised.

### **3. Financial sector reform and development**

#### *Main issues to be resolved*

During 2016, systemic risks in the Ukrainian financial sector were reduced, however, reported non-performing loans remain at historically high levels.

The issue of creditor rights protection also remains problematic. Further delays with the introduction of relevant legislative changes and judicial reform will result in significant losses for the economy due to shortfalls in investment, production output, individual earnings and the budget.

Under-regulation of the non-banking financial services sector prevents the restoration of public confidence in companies in this sector. The current regulatory and supervisory system for non-banking financial institutions (NBFI) has significant shortcomings in comparison with international standards. The handover of responsibility for the regulation and supervision of non-banking financial institutions from the National Commission for the State Regulation of Financial Services Markets to the National Bank of Ukraine and the National Securities and Stock Market Commission will improve NBFI market regulation for the benefit of Ukrainian consumers.

Also, the development of financial infrastructure requires closer attention, since non-cash payments and financial technologies in Ukraine are less developed than in other countries.

The current State-owned bank governance mechanism is characterised by poor accountability and inadequate decision-making processes, and requires improvement. Also, with the increase of State-owned banks' share of bank assets, the Strategy for State-Owned Bank Development needs revising.

*Main quantitative indicators, characterising the situation*

Following the nationalisation of Privatbank at the end of December 2016, the banking sector structure significantly changed: the share of State-owned net assets in the banking sector increased to 51.3% (from 28.1% at the beginning of 2016). The total number of banks at 2016 year-end fell to 99 (compared with 119 in 2015), and their capital increased from Hryvnia 93,670 million to 123,687 million. Also, following a health check of 40 banks, the estimated level of non-performing loans (NPL) has increased from the 19% declared by banks to 43%. However, the actual level in 40 banks is still lower than in 20 major banks (53%).

As at 30 September 2016, 323 insurance companies had insurance licences, including 43 life insurance companies and 280 non-life insurance companies. As at 30 September 2016, the amount of assets not satisfying the criteria specified for insurance reserve funds, was Hryvnia 20.8 billion, or 38% of total assets, and the penetration rate (measured as the ratio of total premiums to GDP) was 1.5%.

The level of financial infrastructure and non-cash payment development is still too low but is showing an upward trend. Thus, the volume of non-cash payments increased almost by Hryvnia 130 billion in 2015 (50.8 %) to Hryvnia 385 billion (31.2% of total payment card transactions). Furthermore, cash volume increased by Hryvnia 31.7 billion in 2016.

*Goal to be achieved*

The main goal of the financial sector reform in Ukraine over the period up to 2020 is to create a financial system capable of maintaining sustainable economic growth by effectively redistributing financial resources within the economy, underpinned by the creation of a fully-fledged competitive market environment in accordance with EU standards. To achieve this goal, we are planning developments in three main areas:

1) To ensure financial sector stability and dynamic development, underpinned by improved requirements regarding capital, liquidity and other financial institution indicators; to facilitate the development of non-cash payments, financial market infrastructure, and State-owned banks; to introduce effective mechanisms to protect creditors' rights, etc.

2) To develop the institutional capacity of financial sector regulators through coordination of their functions; to introduce the XBRL standard; and to facilitate the adoption and development of innovative IT technologies.

3) To improve consumer rights protection by developing and introducing a comprehensive financial awareness programme.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

The financial sector reform involves the achievement of both quantitative and qualitative indicators. One of the qualitative indicators is an expert verification of compliance with international reporting and audit standards in the financial sector as well as common international electronic document management standards. The most important quantitative indicators are:

inflation rates are reduced to 5% per year with a tolerance of  $\pm 1$  percentage point;

the share of non-cash transactions in total payment card transactions is increased by at least 55%;

cash usage in the economy is below 9.5%;

the nominal interest rate on new loans in the national currency is reduced to 12%;

the bank loan-to-deposit ratio is reduced to 110%;

the expert evaluation of regulatory performance is 70% or above;

achieving a ranking in the top 50 most developed financial markets in the Global Competitiveness Index.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Strategy for Sustainable Development “Ukraine-2020” adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement;

the Memorandum with the IMF.

#### *Previous Period’ s Outcomes*

During the first stage of the reform, the major banks segment, which accounts for almost 90% of banking sector assets, has been cleaned up. As at June 2016, the assets of the banks that had been closed down amounted to Hryvnia 416 billion, and their clients were paid Hryvnia 73.5 billion out of the total Hryvnia 81.8 billion of guaranteed deposits. Despite the banks’ removal from the market, total capital growth reached Hryvnia 39 billion (18%).

Since the end of 2015, the National Bank has been actively working on one of the priority reform areas, i.e. the development of non-cash

transactions. According to statistical data, non-cash payments are becoming more popular in Ukraine, with the amount of cash in circulation dropping from 18.1% in 2014 to 14.6% in 2015.

As part of the reform process, the National Bank puts great emphasis on promoting the use of innovative IT technology among banking sector participants and, in particular, on switching to electronic documents and the introduction of a dedicated remote client identification model, BankID.

We have developed the Fundamentals for strategic reforms in the State banking sector.

*Main points of the proposed approach to be implemented  
in the medium term*

Ukraine' s financial sector reform will be implemented in 3 stages:

I. Cleaning up the financial sector — a radical solution to the “past baggage” problem, removing unscrupulous players from the market, and identifying owners of financial sector participants.

II. Rebooting the financial sector — ensuring transparency and equality in the “shareholder-management-client” chain, cancellation of all administrative restrictions imposed due to the crisis, increased capitalisation of financial sector participants, better protection of lender' s, creditor' s and investor' s rights.

III. Facilitating the long-term sustainable development of the financial sector — to ensure the sustainability and reliability of the financial sector in the long term; approximating regulatory standards for bank solvency and liquidity to Basel Committee recommendations, developing a non-State pension system; stimulating the development of insurance and other financial services market and developing financial sector infrastructure and instruments; creating additional safeguards of financial stability in the event of economic recession; increasing the

reliability of systemically important banks; and increasing regulators' institutional capacity.

#### **4. Creating a system to monitor and control the provision of State aids to economic entities**

##### *Main issues to be resolved*

In Ukraine, State aid is often provided to economic entities for purposes banned in the EU, for instance, State aid is granted to support loss-making coal mines, or to build new and to reequip old mines. In the EU, State aid may be granted to coal mines only to cover expenses linked with closure or liquidation.

Provision of State aids to economic entities must have a time limit, whilst Ukraine has been taking actions, which can be qualified as State aid, during the whole period since independence. The principle of competitive neutrality should be applied to the selection of State aid recipients on the basis of transparent criteria. Besides, we should abandon the practice of granting aid primarily to State-owned enterprises.

Granting public aid from State budget funds to bail out banks, without conducting proper feasibility studies and calculations, will not help to achieve the target of their financial restructuring.

According to Treaty Establishing the Energy Community, Ukraine committed to prohibit public aid which distorts or threatens to distort competition, in particular by including the relevant provision into its domestic legal system.

In April 2014, the EC Secretariat initiated a dispute settlement procedure against Ukraine for failure to fulfil its obligations under the corresponding provisions of the Treaty Establishing the Energy Community (namely, Article 6 and Article 18(1)(c) and (2)).

However, if, by the end of 2017 Ukraine has taken effective actions to ensure the fulfilment of the said obligations, for instance, it has started compiling a list of State aid programmes for energy sector, or has initiated the development of secondary legislation, the dispute settlement procedure may be suspended. In the event of Ukraine's failure to fulfil its obligations under the Treaty Establishing the Energy Community and to ensure control over the provision of State aid, proceedings may be initiated against Ukraine for failure to fulfil its obligations under the said Treaty, which will be referred to the EC Ministerial Council.

Under the Association Agreement, Ukraine also undertook detailed commitments concerning the adoption of an effective system to monitor and control the provision of State aids to economic entities. They are:

within three years from the effective date of the Agreement, Ukraine shall develop legislative acts regulating the provision of State aid to economic entities and establish an independent authority entrusted with the necessary powers to fully apply Article 262 of the Agreement. Any new aids granted by Ukraine shall meet the requirements of Articles 262 and 264 of the Agreement within one year after the establishment of that authority;

within five years from the effective date of this Agreement, Ukraine shall create a register of all State aid programmes that have been granted to economic entities before the establishment of the above-mentioned authority and make sure they meet the criteria listed in Articles 262 and 264 of the Agreement within seven years from the effective date of this Agreement;

within five years from the effective date of this Agreement, any State aid granted by Ukraine shall be assessed according to the rules identical to the EU rules.

*Main quantitative indicators, characterising the situation*

According to EU technical assistance experts, State aids granted by Ukraine in 2012 amounted to about 9% of GDP, as compared to 1-2% in EU countries.

In 2015, government spending on subsidies, benefits and other forms of State aid amounted to Hryvnia 90 billion. In 2016, this figure grew to Hryvnia 101 billion. These funds were primarily channelled into unprofitable industries (coal mining, peat mining, metal manufacture). This trend persists: the budget for these expenses in 2017 is almost Hryvnia 170 billion.

*Goal to be achieved*

Creating an effective system to monitor and control the provision of State aids to business entities.

By the end of 2017, all State aids will be granted according to non-discriminatory rules and the Law of Ukraine On State Aid to Economic Entities.

By 2020, the process of bringing all current State aid projects into conformity with the Law of Ukraine On State Aid to Economic Entities will have been initiated; the overall situation with State aid provision in Ukraine will have been assessed; and Ukraine will have fulfilled its commitments under the Treaty Establishing the Energy Community and the Association Agreement.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

By the end of 2017, there will be no significant changes in the State aid-GDP ratio.

By the end of 2020, this ratio is expected to be reduced.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Treaty Establishing the Energy Community;

the Association Agreement.

*Previous Period' s Outcomes*

The following have been adopted:

The Law of Ukraine On State Aid to Economic Entities, which provides a legal framework for monitoring the provision of State aids to economic entities and ensuring its compliance with competition requirements (effective from 2 August 2017);

The Law of Ukraine of 14 May 2015 No. 416-VIII On Amendments to the Budget Code of Ukraine with respect to Decisions of the Authorised Body on State Aid, which aims to prevent the allocation of budget funds for State aid programmes, which may lead to the distortion of competition in product markets.

To enforce the Law of Ukraine On State Aid to Economic Entities, the Antimonopoly Committee has approved the following:

Procedures for monitoring the provision of State aids to business entities;

Procedures, forms and requirements related to submission of information on current State aids to Ukraine' s Antimonopoly Committee;

Procedures for maintaining and accessing the State aid register (Antimonopoly Committee Directive of 28 December 2015 No. 43);

Procedures for the submission and registration of notifications of new State aids and for amending terms of current State aids (Antimonopoly Committee Directive of 4 March 2016 No. 2);

Procedures for examining cases related to the provision of State aid to economic entities (Antimonopoly Committee Directive of 12 April 2016 No. 8);

The Cabinet of Ministers of Ukraine is currently working on draft acts setting the eligibility criteria for State aid as well as on procedures for the return of illegal State aids, which distort competition.

*Main points of the proposed approach to be implemented  
in the medium term*

To provide the legal and institutional framework to support the State aid reform — by 2 August 2017; the State aid monitoring and control system shall be created and ready to use.

State aids, which do not meet the competition requirement, shall not be granted.

To introduce a system of preliminary control of the eligibility of new programmes and measures under the competition criteria.

To bring the current State aids into conformity with the requirements of the Law.

To return the full amount of illegal State aid (with interest).

## **5. Deregulating and promoting entrepreneurship and competition**

*Main issues to be resolved*

The current model of Ukraine's economy has been formed following the collapse of the previous, Socialist model, and is

characterised by excessive and inefficient State regulation as well as underdeveloped competition. Yet, competition is the main market economy tool, which stimulates economic entities to improve production performance, reduce operating costs, improve product quality (goods, works, services), and drives scientific and technological innovations. Instead, large businesses, primarily owned by oligarchs, dominate the Ukrainian market. Yet, the government has failed to create an efficient system to foster market competition or efficient institutional and financial mechanisms to drive small and medium business development.

The situation in the tourism and resort industry is similar: despite its resource potential and infinite tourism opportunities, Ukraine is falling behind the competition, with its tourism infrastructure and quality of service being below the standards of leading countries.

Thus, Ukraine has the following key problems in this area:

a large number of regulatory barriers to setting up and developing businesses;

unpredictability of legislative changes;

excessive concentration and monopolisation of certain product and service markets, which distorts competition and narrows the opportunities for development;

lack of a comprehensive and effective system of support to small and medium enterprises from the government and the international community;

development of raw materials sectors, primarily export-oriented;

inefficient and ineffective use of Ukraine's tourist, natural, curative and recreational resources.

*Main quantitative indicators, characterising the situation*

Ukraine ranks 80th (out of 190 countries) for Doing Business (Doing Business 2017) while Germany ranks 17th, Poland - 24th, France - 29th and Italy - 50th.

Indicators	2011	2012	2013	2014	2015	2016
Ukraine' s ranking in Doing Business Index	152/ 183	140/ 185	112/ 189	87/ 189	81/ 189	80/ 190
	coun tries	coun tries	coun tries	count ries	countrie s	countries
Number of persons engaged in SME, million	7.7	7.5	7.3	6.9	6.5	
SMEs' share in added value (by operating costs), % of total amount	X	X	62.5	57.9	59	
Share of enterprises in overall production (sales), which operate on:						
competitively structured markets, %	49.2	45.7	47.5	42.7	43.4	
markets with collective dominance or oligopoly markets (where the three major players' share exceeds 50%), %	17.7	16.9	15.4	16.7	14.6	
markets with single dominance (where the largest player' s share exceeds 35%), %	25.9	29.9	25.4	30.8	31.3	
monopolised markets	7.2	7.5	11.8	9.8	10.7	
Number of foreign tourists arriving to Ukraine, million				13.2	12.9	13.6
Number of tourism				7	6.8	7.5

Indicators	2011	2012	2013	2014	2015	2016
enterprises, thousands						(forecaste d)
Local budget revenues from tourist tax, million Hryvnia				24.8	37.1	54.1
Consolidated budget revenues (tax and duties) from tourism companies' operations, Hryvnia billion				1.3	1.7	2.5
Number of jobs in tourism, thousand persons				81.9	88	90 (forecaste d)
Number of internal tourists, thousand persons				322.7	357	400 (forecaste d)
Number of sightseers, thousand persons				1174. 7	125.5	135 (forecaste d)

*Source: State Border Guard Service Administration (number of foreign tourists), State Statistics Committee (number of tourist companies), SFS (budget revenues from taxes and duties, including tourist tax)*

#### *Goal to be achieved*

Our long-term goal is to transform Ukraine' s economy into a highly competitive economy, to reduce government intervention into economic activities, to develop a profitable tourism and resorts industry, integrated into the world market.

Our medium-term goal is to transform the small and medium business sector into a source of new jobs and an important link in all production chains; to develop predictable and effective regulatory

policy and system, which do not impede SME' s development; and to foster a proactive government position towards the development of the tourism and resorts industry.

The objectives for 2017 are: to drive SMEs' development by reducing a number of administrative barriers to economic entities; to ensure effective regulation where it is needed by systematically reviewing the regulatory environment; to facilitate SMEs' access to financial (credit) resources; to promote further European integration; to promote international best practices; to reduce market monopolisation; to promote SMEs' internationalisation in the tourism and resort sector.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Ukraine' s ranking in the Doing Business Index: to aim for the top 50 countries for entrepreneurship in 2017, and the top 30 — in 2020.

Introduction of three rules for creating business regulations:

all regulations shall come into effect on 1 January of a new year (except for regulations to simplify or change businesses' responsibilities);

all regulations shall come into effect at least 6 months after their adoption (except for regulations to simplify or change businesses' responsibilities);

for every 100 Hryvnia of regulatory burden created, 200 Hryvnia worth must be removed;

number of persons engaged in SMEs shall be 6.7 million in 2017, and 7 million — in 2020.

share of enterprises operating in competitively structured markets shall be 45% of overall production (sales) in 2017, and 50% — in 2020.

SMEs' share in added value (by operating costs) shall be 60% in 2017, and 70% — in 2020;

number of foreign tourists visiting Ukraine shall be 14 million in 2017, and 21 million — in 2020.

number of internal tourist shall be 500,000 in 2017, and 1,000,000 in — 2020;

number of jobs in tourism shall be 100,000 in 2017, and 150,000 — in 2020.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Programme of Activities of the Cabinet of Ministers of Ukraine;

The Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement;

the Memorandum of Understanding between the European Union as lender and Ukraine as borrower on Macro-Financial Assistance for Ukraine;

the Memorandum with the IMF.

*Previous Period' s Outcomes*

In order to foster a competitive environment and to ensure the development of small and medium enterprises, the environment for doing business was eased:

the number of permits required was reduced by over 40% from 143 to 84;

the number of economic activities subject to licensing was reduced from 56 to 32;

the introduction of electronic administrative service provision for businesses has begun;

the number of regulatory bodies and checks by regulatory bodies was reduced by introducing combined checks;

legislative changes were introduced to transform regulatory bodies from punitive agencies to service providers;

the Business Ombudsman Council was officially launched;

a systemic review of regulatory acts in priority industries was introduced;

an updated regulatory impact assessment methodology was introduced, which incorporates the M-test (assessment of impact on small and medium enterprises).

*In the area of tourism and resort industry development*

Measures have been taken to promote Ukraine and to deliver our brand message (Ukraine is an attractive and safe tourist destination) to the world:

Ukraine hosted a stand at the International Tourism Exchange (ITB-2016), organised the Ukrainian International Travel Market (UITM 2016) and the International Tourism Show UITM 2016 *Ukraine: Travel and Tourism*;

A promotional video about Ukraine' s tourism potential *Experience Ukraine! We are open for Tourism* was filmed and broadcasted by the

State and foreign language UA|TV channel and through social media, and distributed among Ukrainian foreign missions and national airlines;

Ukraine hosted an international conference *Destination Branding: keys to building a successful reputation* with the participation of Mr Taleb Rifai, Secretary General of the World Tourism Organisation (UNWTO) (20-21 June 2016, Kyiv);

the inaugural meeting of the National Tourism Organisation of Ukraine was held on 5 December 2016 in Kyiv;

new licensing terms for tour operators were adopted;

11 national tourism standards were set up in line with international and European directives.

*Main points of the proposed approach to be implemented  
in the medium term*

The key areas of work to achieve these objectives in 2017—2020 are as follows: creating a favourable environment for entrepreneurship, ensuring access to resources, creating a limited and predictable regulatory framework and fostering a proactive government approach to tourism.

The key steps in these areas are as follows:

to continue reducing administrative barriers and time and cost it takes for small and medium enterprises to ensure compliance with State regulations by implementing an action plan to deregulate economic activities and an action plan to implement best regulatory practices as defined by the World Bank Group in the Methodology for Doing Business and by approving licensing terms for all markets where it is required;

to build an effective regulatory system and to ensure equal and transparent access to resources and markets by systemically reviewing regulatory acts and the frameworks for individual markets;

to introduce and improve world' s best regulatory practices;

to optimise the number of government regulation (control) measures;

to strengthen the competition development policy;

to adopt an SME Development Strategy for 2020 and to take actions to implement it;

to simplify access to international online trading platforms, which can become a driver for internationalisation of small and medium enterprises and growth of exports;

to build markets in the areas where monopolisation is present, or to delegate State functions to markets;

to introduce the institution of market self-regulation;

to create and update the legislative framework for the tourist sector with a view to introducing international tourism and resort standards and developing tourism infrastructure;

to promote Ukraine on the world travel market;

## **6. Public property management and privatisation**

### *Main issues to be resolved*

The State is the largest owner of enterprises and assets in Ukraine' s economy, which causes the following problems:

State enterprises/assets can serve as a financial basis for political corruption. The existence of such enterprises can hamper the development of competition in their respective industries and in the

wider economy and affect the competitiveness of Ukrainian products/services on external markets;

the majority of State-owned enterprises/assets are loss-making (or at least inefficient) or non-operational and, therefore, the State does not receive potentially significant revenues from taxes, which could have been paid if they were operating efficiently;

the State does not receive potentially significant revenues from the sale of such enterprises/assets either.

The government does not have sufficient information on the assets it owns (those outside State enterprises it owns) and their value, such as immovable property, infrastructure, natural resources, etc.

*Main quantitative indicators, characterising the situation*

As at 1 October 2016, Ukraine had around 3,500 State-owned enterprises under the management of authorised government corporations. According to the Ministry for Economic Development, the overall asset value of these enterprises was almost Hryvnia 1.5 trillion (excluding State bank assets).

As at 1 October 2016, the overall asset value of the 100 largest State-owned enterprises was Hryvnia 1.3 trillion. And the major part of the asset value was concentrated in regulated industries (63% in the energy sector, 24% in the infrastructure industry);

The total number of persons employed by State-owned enterprises is around 1 million.

Around 1,700 out of almost 3,500 State-owned enterprises are not operational or in the process of liquidation.

At 3rd quarter end of 2016, the remaining State-owned enterprises received in total a net profit of Hryvnia 38.2 billion (in comparison with their net loss of Hryvnia 6.1 billion for the same period last year), where

almost 70% of the total profit amount was attributed to the National JSC “Naftogaz of Ukraine” (Hryvnia 25.5 billion).

In 2016, only 63 enterprises were put up for privatisation, and 52 of them were offered for privatisation at least twice. In total, 17 large-scale privatisation targets were privatised, with proceeds from privatisation being just a little over 1% of the annual target.

The corporate management reform of the National JSC “Naftogaz of Ukraine” had a good start.

In 2016, following a competition to select 10 heads of enterprises, critical to the country’s economy, 5 candidates were selected and only 3 of them have been appointed to date.

In June 2016, the parliament adopted the Law No. 1405-VIII On Amendments to Certain Legislative Acts of Ukraine related to State and Municipal Enterprises, which provides for the creation of independent supervisory boards at State-owned enterprises. The Cabinet of Ministers of Ukraine approved procedures regulating the creation of supervisory boards and the appointment of their members. To date, independent supervisory boards have been created only in “Naftogaz” and “Privatbank” .

#### *Goal to be achieved*

The reform’s ultimate goal is to minimize politicians’ interference in the operations of State-owned enterprises, which could help to minimize the government’s intervention in the activities of State-owned enterprises; to promote competition in relevant sectors (which would positively reflect on consumer welfare) and to improve the competitiveness of the Ukrainian economy as a whole; to increase proceeds from the sale of those enterprises/assets or from taxes to be paid by enterprises, which will remain in State ownership but become viable.

The reform's medium-term goal is:

to significantly reduce the State's presence in the economy, thereby reducing opportunities for misuse of State assets and the motivation to go into politics for those purposes;

to limit opportunities for politicians to intervene in the operation of State-owned enterprises and to improve their performance.

By the end of 2017:

to create an accurate State-owned enterprise register divided into three categories: enterprises to be privatised; enterprises to be liquidated (with sale of their assets); and enterprises to remain in State ownership (with the latter being the smallest of all three categories);

to privatise a large number of State-owned enterprises and to sell non-core assets (not involved in their core operations) of State-owned enterprises on a transparent basis;

to approve the draft Law of Ukraine On Amendments to Certain Legislative Acts of Ukraine concerning the improvement of corporate governance of legal entities, in which the State is a shareholder (founder, participant) and to submit it to for the consideration of the Supreme Rada of Ukraine;

to formulate the ownership policy with respect to the National JSC "Naftogaz of Ukraine" and other key state-owned enterprises;

to create independent supervisory boards at State enterprises, which are critical to the country's economy;

to improve the corporate governance system at State enterprises, in particular, with due regard to the OECD Principles of Corporate Governance;

to appoint, via a transparent competition process, heads of other State-owned enterprises, where governance is poor.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Indicator	2017	2018	2019	2020
<i>General Preparation</i>				
To create an accurate State-owned enterprise registry	to be completed	—	—	—
<i>Privatisation</i>				
To reduce the market share of the public sector (%)	8	7	6	—
Ministries and other governing bodies to hand over enterprises to be privatised to the State Property Fund (%)	100	—	—	—
To privatise those enterprises in the register that are to be privatised, on a transparent basis (cumulatively) (%)	25	50	75	100
To sell assets of those enterprises in the registry that to be liquidated, on a transparent basis (cumulatively) (%)	25	50	75	100
To receive revenues from privatisation in the amount of	UAH 17.1 billion	in accordance with the State Budget of Ukraine for 2018-2020		
<i>Corporate governance reform of State-owned enterprises</i>				
To appoint, via a transparent competition process, heads of other State-owned enterprises, where governance is poor	to be completed	—	—	—
To formulate the ownership policy with respect to National JSC “Naftogaz” of Ukraine and other key State-owned enterprises (number of enterprises);	41	59	in accordance with decisions made by authorised governance bodies	
To create independent supervisory boards at State-owned enterprises, which are	15	26	—	—

critical to the country' s economy (number of enterprises)

To improve the corporate governance system at State-owned enterprises, in particular, with regard to the OECD Principles of Corporate Governance (number of enterprises);	15	26	—	—
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*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement;

the Memorandum of Understanding between the European Union as lender and Ukraine as borrower on Macro-Financial Assistance for Ukraine;

the Memorandum with the IMF.

*Previous Period' s Outcomes*

Privatisation:

a list of State-owned enterprises to be privatised in 2015-2017 was approved (396 enterprises);

privatisation procedures were improved (engagement of advisers on privatisation);

the draft Law of Ukraine On Privatisation of State-Owned Assets was prepared, which simplifies the handover of State-owned enterprises

from their governing bodies to the State Property Fund; accelerates their preparation for privatisation; changes approaches to the determination of initial sale prices of privatisation targets; simplifies the sales process for buyers and ensures better protection of their rights.

#### Corporate governance reform of State-owned enterprises

the parliament adopted the Law of 2 June 2016 No. 1405-VIII On Amendments to Certain Legislative Acts of Ukraine related to State-Owned and Municipal Enterprises (with regard to the introduction of corporate governance principles at State-owned enterprises);

the draft Law of Ukraine On Amendments to Certain Legislative Acts of Ukraine related to the improvement of corporate governance of legal entities, in which the State is a shareholder (founder, participant) was prepared;

the Cabinet of Ministers of Ukraine drafted a number of resolutions, regulating the creation of supervisory boards at State-owned enterprises.

#### *Main points of the proposed approach to be implemented in the medium term*

In 2017:

to develop and adopt the Ownership Policy in accordance with the recommendations of the Organisation for Economic Co-operation and Development (OECD);

to categorize State enterprises depending on whether it is worthwhile to keep them in State ownership in accordance with the Ownership Policy;

to improve privatisation legislation in order to ensure its transparency and openness;

In the medium term:

to optimise the number of State-owned enterprises by closing non-operational enterprises;

to sell assets, included in the “for sale” category, as determined by the State Privatisation Programme;

to set up supervisory boards at State-owned enterprises, which are critical to the country’ s economy;

to appoint heads of State-owned enterprises, which are critical to the country’ s economy.

## **7. Developing public procurement**

### *Main issues to be resolved*

The main areas of the public procurement reform are: to improve transparency, competitiveness and the professional nature of public procurement; to reduce corruption in this field; and to bring Ukraine’ s public procurement system into conformity with EU standards and the WTO Agreement on Government Procurement.

With the introduction of mandatory use of the electronic procurement system ProZorro in 2016, the procurement system became more transparent, the procurement process became more efficient and new potential participants in procurement procedures have been attracted.

However, a number of important issues remain unresolved, which affects public procurement outcomes. Among them:

lack of skills on the part of those responsible for procurement, which results in poor and biased awarding of contracts and, subsequently, leads to inefficient utilization of funds;

low level of competition due to certain barriers to participating in tenders (i.e. the requirement to obtain certificates from authorities and a low level of trust in public procurement among businesses;

unwillingness of customers to use ProZorro to competitively procure products or services, the value of which is below the threshold level defined by the Law of Ukraine On Public Procurement;

subjectivity and non-transparency of the decision-making process during checks conducted by agencies, which are authorised to exercise control over public procurement.

*Main quantitative indicators, characterising the situation*

A phased transition to the procurement of products and services via the electronic ProZorro system, which started in 2016, was completed.

Since 2016, over 64,000 participants were registered and around 20,000 customers used the system. Over this period, around Hryvnia 8.3 billion were saved, which is 10.2% of the total amount of procurements. Yet, around one third of announced procedures were cancelled or recognised as void. This can be explained, in particular, by a low level of competition during tenders and by a lack of skills on the part of those responsible for organising procurements.

*Goal to be achieved*

To build a healthy public procurement ecosystem, which is based on interaction between businesses, government and civil society, is simple, transparent, fair and modern and offers the best value for money.

*Quantitative targets to be achieved*

*by the end of 2017 and in the medium term*

to increase the average participation rate to 3.2 participants by simplifying access to procurements via the electronic procurement system;

to reduce the proportion of cancelled procurement procedures (recognised as void) to 18%.

to save Hryvnia 34 billion through competitive procurements in 2017. In the medium term — Hryvnia 25 billion per year;

to integrate three electronic services used by the Ministry of Justice, the Ministry of the Interior and the SFS with the ProZorro electronic procurement system.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Strategy for Sustainable Development “Ukraine-2020” adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement;

the Public Procurement System Reform (roadmap), approved by the Directive of the Cabinet of Ministers of 24 February 2016 No. 175.

*Previous Period' s Outcomes*

Key areas of the procurement system reform were: introduction of an electronic procurement system and gradual aligning of Ukraine' s public procurement system with EU standards in the timeframe defined by the Association Agreement.

The following main achievements of the procurement reform should be mentioned:

the Law of Ukraine On Public Procurements became effective for all central executive government departments from 1 April 2016 and for all

customers engaged in certain economic activities from 1 August 2016, and the relevant legislative framework was revised;

with support of non-governmental organisations, a business analytical module (bi.prozorro.org) became publically accessible. It enables public interactive access in real time to information on procurements, which are included in the pilot project;

we have ensured that all procurement-related questions and answers are published on the official website of the Ministry for Economic Development;

the Authorised Agency Information Resource centre was created to provide free procurement consultations and a free online procurement training course was developed;

in 2016, the Supreme Rada of Ukraine ratified the WTO Government Procurement Agreement (hereinafter GPA) and set up a pilot project office, GPAinUA, to provide support and advice to Ukrainian companies taking part in international tenders in GPA countries, to analyse impediments and to assist in dispute resolution in cases where a country violates the GPA agreement;

a tender knowledge base has been published on the public procurement website (infobox.prozorro.org) to assist inexperienced State customers with preparation of tender documentation;

two prestigious awards were received: World Procurement Award and Open Government Partnership Award 2016.

*Main points of the proposed approach to be implemented  
in the medium term*

A more transparent public procurement process as well as a more transparent and unbiased monitoring and control system will help to

reduce risks of abuse (corruption) and to increase public trust in this area.

Reducing barriers to participation in procurements will result in increased competition, which, in its turn, will increase the efficiency of the procurement process.

By gradually making the public procurement sector more professionalized and by putting the centralised procurement system to test we can make procurement procedures more efficient and meet customers' needs more efficiently.

Planned activities:

to continue the development of the electronic ProZorro system and to integrate it with other governmental systems;

to improve the legal and regulatory framework in the public procurement area, including below-the-threshold procurements, and to harmonize it with international standards;

to lay the groundwork for effective independent monitoring and control of public procurement, in particular, by introducing a risk management mechanism;

to facilitate access of businesses to public procurement, including foreign businesses;

to set up a public procurement contact centre;

to improve the appeal system in relation to below-the-threshold procurements;

to establish a specialist procurement education system on the basis of universities, business schools and online platforms;

to test the centralised procurement mechanism in pilot mode and to create the necessary legal framework.

## **8. Promoting innovations and reforms in the intellectual property field**

### *Main issues to be resolved*

Ukraine' s economy is currently resource-based and oriented towards the production of traditional industrial and agricultural low-added value products. Even companies in the highly-developed IT industry primarily operate as outsourced service providers, whereby they sell the source code to foreign customers who acquire the copyright to final products and receive income from their sales. At the same time, the technological gap between Ukraine and developed countries continues to grow year after year.

One of the main obstacles to Ukraine' s development is ineffective State policy on innovations in the real sector of economy, resulting in a lack of incentives for start-up and innovative business development, the lack of a State support model to drive innovations and the exodus of highly-qualified workers in all areas. Other consequences are: limited access to finances at early stages of innovation development, a significant "digital gap" , a low level of interaction between businesses and universities and research institutions, a low level of technology transfer, and a gap between market needs and the quality and content of education.

Also, the current system of intellectual property protection is unable to ensure the development of intellectual property as a foundation for Ukraine' s innovative economy.

### *Main quantitative indicators, characterising the situation*

Research and development expenditure in 2015 was 0.61% of GDP, while in EU countries and China it was 2% (2014).

Indicators	2011	2012	2013	2014	2015	2016
R&D expenditure, % of GDP	0.74	0.75	0.70	0.65	0.61	0,54 *
ICT Development Index, rank	x	x	x	x	76	76
Global Innovation Index, rank	60	63	71	63	64	56

*Source: State Statistics Committee, World Bank, ITU, GII*

*\* for 6 months of 2016*

#### *Goal to be achieved*

Our long term goal is to transform Ukraine' s economy from a resource-based economy into an innovative economy.

Our medium-term goal is to promote the development and wide-ranging implementation of innovations in all areas of the economy as well as further transition to the digital economy. In particular, we need to improve the legal and regulatory framework in the area of innovation, intellectual property (IP) and the digital economy, to improve relevant State policies and to launch a number of programmes to promote and support innovations.

In 2017, we are planning to improve the legislation (corporate, tax, intellectual property, currency regulation, etc.) with respect to start-ups, innovations, telecommunications services and information services provision. We are also planning to introduce a two-level IP public management structure. All these will promote the development of cutting-edge technologies and the large-scale introduction of innovative technologies in all areas of the economy.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

to increase the share of R&D expenditure in GDP: to 0.8% in 2017 and to 1.5% in 2020;

to increase the share of high-tech products and services in exports: to 9.5% in 2017 and to 15 % in 2020.

to improve Ukraine' s ranking in the ICT Development Index to 70th position in 2017 and to 50th – in 2020.

to improve Ukraine' s ranking in the Talent Competitiveness index: to 80th position in 2020;

to improve Ukraine' s ranking in the Global Innovation Index: to 50th position in 2020.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Strategy for Sustainable Development “Ukraine-2020” adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Ukrainian State Regional Development Strategy 2020, approved by the Ukrainian Cabinet of Ministers’ Resolution of 6 August 2014 No. 385;

the Association Agreement.

*Previous Period' s Outcomes*

In the area of Intellectual Property Reform

The Cabinet of Ministers of Ukraine approved the concept of reforming the State IP legal protection system in Ukraine (Resolution of the Cabinet of Ministers of Ukraine of 1 June 2016 No. 402) and its implementation plan (Resolution of the Cabinet of Ministers of Ukraine of 23 August 2016 No. 632).

A draft Law of Ukraine On the national IPR protection system in Ukraine has been prepared and presented for public consultation;

Under para 125 of the Action Plan on Association Agreement Implementation 2016-2019 (Section IV), the Cabinet of Ministers submitted the following draft laws to the Supreme Rada of Ukraine:

On Amendments to Certain Legislative Acts of Ukraine in relation to improving legal protection of geographic indications (registration number 6023);

On Amendments to Certain Legislative Acts of Ukraine in relation to improving legal protection of intellectual (industrial) property (registration number 5699);

On Amendments to Certain Legislative Acts of Ukraine to improve the legal protection of inventions (utility models) (registration number 5694);

On Amendments to Certain Legislative Acts of Ukraine in relation to acquisition, disposal and protection of copyright and related rights (registration number 4579);

On Amendments to Certain Legislative Acts of Ukraine in relation to protection of copyright and related rights in Internet (registration number 4629);

On Amendments to Article 5 of the Law of Ukraine On Distribution of Copies of Audio-visual Works, Phonograms, Videograms, Computer

Software, Databases (to fight piracy and improve the investment climate) (registration number 4571).

Other draft laws of Ukraine:

On Amendments to Certain Legislative Acts of Ukraine in relation to the application of harsher penalties for IPR violations;

On Amendments to Certain Legislative Acts of Ukraine in relation to improving legal protection of inventions (utility models);

On Amendments to Certain Legislative Acts of Ukraine (in relation to IPR protection) (amendments are drafted as part of the judicial reform related to a specialised IP court).

The government approved a decision to liquidate the State Intellectual Property Service (SIPS) and hand over all of the SIPS' s assets to the Ministry for Economic Development (Cabinet of Ministries' Resolution of 23 August 2016 No. 585 Certain matters concerning optimisation of the performance of central executive authorities within the State legal IPR protection system).

With expert assistance from the World Intellectual Property Organization, we have prepared a Draft Law of Ukraine On Amendments to the Law of Ukraine On Copyright and Related Rights with a view to improving the performance of collective management organisations. The WIPO mission held consultations with Ukrainian authors, composers, producers, and copyright holders as well as representatives from the EU Delegation to Ukraine, US Embassy in Ukraine and international organisations engaged in the collective management of intellectual property copyright and related rights (CISAC (International Confederation of Societies of Authors and Composers), IFPI (International Federation of the Phonographic Industry), SCAPR (Societies' Council for the Collective Management of Performers' Rights), ICMP (International Confederation Of Music

Publishers) IFRRO (International Federation of Reproduction Rights Organisations)). The draft law is aimed at streamlining the currently chaotic collective management system and creating a transparent system for the collection, distribution and payment of royalties, which is based on the fundamental collective management principles of transparency, accountability and effective management.

*Development of Innovations in the Real Sector of Economy*

The Cabinet of Ministers of Ukraine prepared a draft resolution On Adoption of a High-Tech Industry Development Strategy for the period to 2025 and on Approval of its Implementation Action Plan. It is aimed at creating a new economic development model, i.e. an innovative digital economy.

The Law of Ukraine On Scientific and Technological Activities of 26 November 2015 No. 848-VIII was adopted.

Draft Laws of Ukraine On Support and Development of Innovations, On Amendments to the Tax Code of Ukraine (in relation to driving innovations), On Amendments to the Budget Code of Ukraine (in relation to driving innovations) and On Amendments to Certain Legislative Acts of Ukraine in relation to driving innovations were adopted.

The Cabinet of Ministers of Ukraine submitted a Draft Law On Amendments to Certain Legislative Acts of Ukraine in relation to Technology Parks (registration number 2216a) to the Supreme Rada of Ukraine. It will facilitate the creation of technoparks, provide the relevant legal framework, and boost the development and implementation of projects in the high-tech manufacturing area.

We ensured Ukraine' s integration into the European Research Area by becoming an associate member of the EU Framework Programme for Research and Innovation, Horizon 2020 (the Law of

Ukraine On Ratification of the Agreement between Ukraine and EU on Ukraine' s Participation in the EU Framework Programme for Research and Innovation, Horizon 2020 (2014-2020) of 15 July 2015 No.604-VIII).

The Cabinet of Ministers of Ukraine approved the Action Plan related to the Implementation of the Government' s Innovation Policy Reform Concept for 2015-2019 (Cabinet of Ministers' Directive of 4 June 2015 No. 575).

With the participation of CRDF Global, we have launched the Emergency Fund for Ukrainian scientists.

The Hi-Tech Office Ukraine was founded by domestic and international ICT companies with the support of the Ministry for Economic Development.

*Main points of the proposed approach to be implemented  
in the medium term*

With respect to the Intellectual Property Reform, we shall implement tasks identified by the Concept for reforming the State IP legal protection system in Ukraine and its Implementation Action Plan.

With respect to the development of innovations in the real sector of economy, we shall take actions, specified in the Implementation Plan for the High-Tech Industry Development Strategy. In particular, we will ensure the implementation of a set of programmes, which together would facilitate innovation-driven economic development (Development of an Export Oriented Innovation Ecosystem, Digital Agenda for Ukraine (Digital Economy), Attraction of Innovative TNCs, High-Tech Nation).

We also have to develop and implement legislative changes aimed at facilitating the development of high technology and innovations, introducing technology in all areas of the economy, driving innovations

as well as “retaining” innovators, scientists, start-ups, innovative businesses in Ukraine and attracting talented foreign innovators.

## **9. Developing industrial production and attracting investments**

### *Main issues to be resolved*

A powerful industrial complex was developed in Ukraine back in Soviet times. However, the developments, which started in 1992-1994, have largely destroyed Ukraine’s industrial potential and its high-tech component in particular. The current structure of industrial production is dominated by export-oriented natural resource production, which is typical for the 3rd and 4th waves of innovation and is characterised by a high level of energy and material intensity and is dependent on business cycles on the world markets. With the world transitioning to the 5th and 6th waves of innovation, Ukraine, if it were to keep the current industry and export structure, would be in danger of hopelessly lagging behind and eventually turn it into a country which is only capable of adopting manufacturing processes for products, the markets for which are moving to third world countries.

There are a number of major impediments to this transformation, among them: a low level of interest among businesses in the radical modernisation of their production facilities due to high investment risks (the issue of ownership right protection, regulatory and law enforcement bodies); issues linked to currency exchange regulation; insufficient utilisation of public-private partnership potential in infrastructure and innovation projects; the exodus of highly qualified professionals in all areas and the lack of a model of State support for innovation. Also, Ukrainian enterprises are poorly integrated into global value chains due to overregulation.

Furthermore, Ukraine still has major non-tariff barriers for product exports to EU countries and global markets.

Military actions taking place on our land and the illegal annexation of the Crimea and Sevastopol create the need to develop our defence industry. This will make it possible both to satisfy demand on the internal arms market, and first of all, from the Armed Forces, and to ensure entry to international markets, which have high capacity and export opportunities.

Furthermore, the development of the military-industrial sector has to be directed at the re-equipment of production facilities, the deployment of modern manufacturing lines and production of innovative high-tech weaponry.

*Main quantitative indicators, characterising the situation*

Average weight of gross fixed capital formation (GFCF) in the total gross domestic product was 15.2% in 2016, while in EU countries (28) as a whole it was 19.6% (2016) and in particular — 20 in Germany, 22.9% in Austria, 24.2% in Sweden and 43.3% in China (2015).

Net inflow of foreign direct investments (according to the balance of payments data) in 2016 was US \$ 3.3 billion, while according to the World Bank, it was US \$ 62.1 billion in China, US \$ 20.2 billion in Ireland, US \$ 17.5 billion in Finland, and US \$ 11.9 billion in Turkey. In 2015, net inflow of foreign direct investment per capita in Ukraine was 60 times lower than in Ireland, 40 times lower than in Finland and twice as low as in Turkey.

The rate of depreciation of tangible assets in 2015 was 60.1%, while in the majority of EU countries it was below 50%, and in some countries — below 40% in 2011-2012.

The share of high-tech and medium high-tech products in the total gross value added in the economy as a whole was 3.1% (in 2015), while in EU countries it was 7.2% and in China - 12.3% (for 2011).

The increase in mechanical engineering output in 2016 was 2%.

In 2013, Ukraine ranked 55th in the Global Competitiveness Index, while Germany ranked 1st and China 5th.

In 2015, Ukraine's GDP energy intensity measured at purchasing power parity was 0.316 kilogram of oil equivalent per US\$ 1, while in China it was 0.194 and in Germany - 0.101.

The share of high-tech and medium high-tech products in the total volume of exports was approximately 17.3% (in 2016), while in EU countries it was 41.4% and in China 50.4% (2011).

Indicators	2011	2012	2013	2014	2015	2016
Industrial Output, % change compared with previous year	8	-0.7	-4.3	-10.1	-13	2.8
Mechanical Engineering Output, % change compared with previous year	15.4	-3.3	-13.6	-20.6	-14.1	2
Products and Services Exports measured by volume, % change compared with previous year	2.7	-5.6	-8.1	-14.2	-13.2	-1.6
Share of high-tech and medium high-tech products in the total volume of exports, %	26.1	27.5	24.5	20.4	19.2	17.3

*Source: State Statistics Committee, OECD, calculations by the Ministry for Economic Development*

*Goal to be achieved*

Our long-term goal is to transform Ukraine's economy from a resource-based economy into a high-tech and highly competitive economy.

Our medium-term goal is to promote investments in manufacturing industry, to launch modernisation of industrial production and

infrastructure, to facilitate the development and diversification of exports, and to integrate Ukrainian enterprises into global value chains.

Key areas of work to ensure the achievement of these objectives in 2017 — 2020 are: to develop industrial production and infrastructure, to ensure the protection of investor rights, to develop public-private partnerships, and to remove barriers to exports by Ukrainian businesses.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

average annual growth of industrial production: in 2018 — 2020 – by 7.6%, and in 2017 – by 3.9%;

average annual growth in mechanical engineering output: in 2018-2020 – by 10%, and in 2017 – by 5.5%;

increase of the share of high-tech and medium high-tech products in product exports: up to 25% in 2020 and up to 22% in 2017.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Strategy for Sustainable Development “Ukraine-2020” adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

The Programme of Activities of the Cabinet of Ministers of Ukraine;

The Association Agreement;

The Concept for the development of the security and defence sector of Ukraine approved by the Decree of the President of Ukraine of 14 March 2016 No. 92

*Previous Period's Outcomes*

*In the industrial production area*

The draft State programme for the development of domestic industrial enterprises was produced, taking account of internal consumption needs. Its main task is to encourage organisations to order products from domestic producers and to create new products by phasing out imports.

Protection of domestic producers' interests on the internal Ukrainian market has been ensured: as at 2016 end, 18 anti-dumping, special, compensation measures are in effect.

*In the area of State support for the defence industry*

The pricing procedure for defence products, works and services was approved.

Terms for accessing funds under sovereign guarantees for the implementation of programmes aimed at improving national defence capability were approved.

The legal framework was developed to facilitate further corporatisation of 67 enterprises of the State Concern "Ukroboronprom" .

A number of strategically important facilities were handed over to the Concern.

*In the area of public investment management*

During 2014 and 2015, a new legal framework was created to back the State investment reform: changes to Ukraine' s Budget Code were adopted by the Supreme Rada of Ukraine and the State Investment Projects Selection Procedure was approved by the Cabinet of Minister of Ukraine. New principles for the formation of Ukraine' s State Budget formation were applied in 2016 for the first time, 10 projects were

included in the State Budget (with support from the World Bank as part of the process to implement the Reform Matrix).

In 2016, the introduction of new principles continued: monitoring of State investment projects was introduced and the collection of data to be included into the database of all unfinished construction projects was launched.

*In the area of public-private partnership development*

Legislation in the area of public-private partnership development was improved.

A more effective mechanism for cooperation between the State and territorial communities (State partners) and private partners in public-private partnerships was created through the introduction of complex changes to the Law of Ukraine On Public-Private Partnership.

Work is in progress to introduce international practices for the preparation and implementation of public-private partnership projects; in particular, we have improved the competition procedure to select private partners for public-private partnerships related to State-owned and municipal assets and assets of the Autonomous Republic of Crimea and introduced new approaches to the performance analysis of public-private partnerships.

*Main points of the proposed approach to be implemented  
in the medium term*

To develop Ukraine' s industry, the following is planned:

to develop industrial clusters and to solve regulation-related problems (connection to electric and public utilities, cancellation of the infrastructure contribution during construction of industrial and other facilities). The focus will be on the development of environmentally-friendly and innovative products;

technical re-equipment of Ukraine' s military industrial complex production facilities;

deregulation of customer-supplied raw materials.

*In the area of attraction of investments:*

to optimise the investment project portfolio by identifying opportunities for attracting private investors under public-private partnership arrangements or special purpose privatisation (sale), including privatisation of facilities under construction; by bringing certain State investment projects to completion by the specified deadline;

to introduce strategic planning of State investment taking account of medium term budget objectives, wherein projects to get budget financing will be selected on the basis of complete information on their future benefits and expenditure on their execution as well as the need to ensure basic funding for the current project portfolio;

to actively use various forms of public-private partnerships, including concessions, in order to ensure the development of infrastructure and the provision of public services in the transport, healthcare, energy, heat and water supply sectors;

to simplify the mechanism for joint activities with the participation of budget-funded entities (higher education institutions, research institutions) and business entities;

to reform corporate legislation to ensure the implementation of international best practices and protection of property rights;

to further deregulate the investment process in Ukraine, including the simplification of currency regulation, investment and disinvestment processes, reporting, registration and operation of foreign representations and other aspects;

to create mechanisms to attract private domestic investments in the development of innovation via collective investment institutions by creating venture funds to finance innovative projects.

## **10. Developing exports and expanding foreign economic relations**

### *Main issues to be resolved*

Due to the armed aggression and occupation of a part of Ukraine by Russia (the Autonomous Republic of Crimea and some territories of the Donetsk and Luhansk oblasts), Ukraine's economy has lost a large part of its industrial facilities. This has resulted in lower GDP, national currency devaluation, outflow of foreign investments and lower goods and services exports.

Furthermore, the Russian Federation has in fact has been waging a trade war against Ukraine, where it has introduced a number of systemic prohibitive and restrictive measures against Ukraine in the trade in goods and services and trade-related aspects of intellectual property rights. Apart from Ukraine losing the Russian market, the actions of the Russian Federation have led to a significant reduction in Ukraine's external trade with Central Asian countries, i.e. Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan.

By seeking new markets and re-orientating Ukraine's foreign economic ties towards alternative markets for Ukrainian products, we will be able to renew the positive dynamics demonstrated by Ukraine's foreign trade before the Russian armed aggression against our State.

In addition, the implementation of the Association Agreement remains a topical issue as it will enable an increase in exports from Ukraine to Europe. Key issues are linked to the harmonisation of technical and food safety and quality regulatory systems and the market surveillance system and any other aspects that are ultimately aimed at

enabling the conclusion of agreements on mutual recognition of regulatory regimes and trade facilitation in the free trade area.

*Main quantitative indicators, characterising the situation*

During 2014—2016, domestic goods and services exports decreased from US\$ 76.5 billion (at 2013 year-end) to US\$ 46 billion, i.e. by 39.9%.

During the same period, the volume of domestic goods exports dropped from US\$ 62.3 billion (at 2013 year-end) to US\$ 36.4 billion, i.e. by 41.6%.

As a result of the trade war initiated by Russia against Ukraine, total domestic goods exports to the Central Asian countries during 2014-2016 decreased from US\$ 3.01 billion (at 2013 year-end) to US\$ 0.72 billion, i.e. by 76.2%. In 2016, goods exports to Kazakhstan (by 43.9%) and Kyrgyzstan (46.5%), which are members of the Eurasian Economic Union (EAEU), showed the highest rates of decrease.

Indicators	2011	2012	2013	2014	2015	2016
Share of goods exports to the Russian Federation in the total volume of exports, %	29	25.6	23.7	18.2	12.7	9.9
Share of goods exports to the EU in the total volume of exports, %	26.4	25	26.6	31.5	34.1	37.1

*Source: State Statistics Committee, calculations by the Ministry for Economic Development*

*Goal to be achieved*

Medium term goal: to promote the development and diversification of Ukraine' s foreign economic relations, to develop exports of goods and services.

Goals for 2017: to preserve the existing market penetration, to open alternative markets, to simplify and harmonise trade procedures, to harmonise market surveillance, technical regulation, and food safety and quality systems, the Ukrainian side to fulfil the conditions necessary to enable the conclusion of the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) with the EU for priority goods, to facilitate foreign investments.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In the medium term: to renew the positive dynamics in the growth of exports and to attract foreign investments to Ukraine;

average annual growth in goods and services exports (measured by volume): in 2018-2020 – by 5%, and in 2017 – by 2%;

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with the Association Agreement

*Previous Period' s Outcomes*

The Association Agreement was signed and ratified.

In 2014-2015, autonomous trade preferences with the EU were granted to Ukraine, enabling Ukraine to export goods to the EU.

On 1 January 2016, the provisional application of trade provisions under the Association Agreement was launched.

The EU became a major trade partner of Ukraine and the only significant trade partner of Ukraine with positive trade growth dynamics.

Ukraine' s Draft Strategic Trade Development Roadmap was prepared together with its Implementation Action Plan.

WTO' s review of Ukraine took place (First Review Trade Policy Review), which proved Ukraine' s commitment to one of the WTO principles, trade policy transparency.

The Canada-Ukraine Free Trade Agreement was signed on 11 July 2016, and ratified by the Supreme Rada of Ukraine on 14 March 2017.

In 2016, Ukraine' s exporters and investors council provided assistance to over 450 Ukrainian companies with the promotion of their products on external markets and with the resolution of challenging issues. We ensured the participation of Ukrainian enterprises in over 80 high-profile international trade fairs abroad, where a number of contracts were signed. Following the participation in over 60 international tenders, Ukrainian enterprises won contracts to deliver works, provide services and supply Ukrainian products to foreign markets.

Work is under way to provide information as well as organisational and consultation support, in particular by the export promotion project office at the Ministry for Economic Development: 7 business forums and 6 trade missions were organised; promotional videos on Ukraine were produced for various areas; brochures and leaflets "INVEST UKRAINE Open for U" were published in 4 languages.

An action plan was approved to ensure the implementation of Section IV "Trade and Trade Related Issues" of the Association Agreement between Ukraine, of the one part, and the European Union and the European Atomic Energy Community and their members, of the

other part, for 2016-2019 (Ordinance of the Cabinet of Ministers of Ukraine of 18 February 2016 No. 217).

High Level Ukraine-EU Dialogues in Horizontal and Specific Industrial Sectors were initiated and launched.

Ukraine initiated the procedure to join the Convention on Pan-Euro-Mediterranean preferential rules of origin.

A procedure to ensure the protection of Ukraine's rights and interests in the trade and economic area within the WTO framework was approved.

Ukraine initiated two disputes under the WTO Dispute Settlement Rules and Procedures against the Russian Federation: in respect of railway equipment imports and transit restrictions (cases DS 499 and DS 512).

Trade barriers for Ukrainian products in the USA, Canada, Argentina, EU, Turkey, Egypt, India, Belarus, Moldova and other countries were cancelled, or their introduction prevented; as a result, access for Ukrainian products worth a total of over US \$ 598 million to foreign markets was renewed or preserved.

Ukraine's framework legislation and a part of sectoral legislation were harmonized with the European technical regulatory framework; all harmonized standards, compliance with which provides a presumption of conformity for products, related manufacturing processes or methods or other items to technical regulations in the sectors, which are covered by the ACAA Agreement, were adopted as national standards; the necessary preconditions were created to enable the conclusion of the ACAA agreement for three product groups and the Ukrainian side initiated its signing.

The Ukrainian side invited and received an EU mission to assess technical regulatory framework harmonisation and prospects for signing the ACAA Agreement for the priority groups of products.

*Main points of the proposed approach to be implemented  
in the medium term*

We are working to improve opportunities for preferential exports of Ukrainian high value-added goods and to ensure the presence of Ukrainian goods on international markets; to create an effective system to promote and support exports by consolidating and coordinating actions and measures across all relevant public authorities.

To continue the harmonisation of Ukraine's legislation with the EU technical regulatory framework and to update harmonised European standards, compliance with which provides a presumption of conformity of products, related manufacturing processes or methods or other items to technical regulations in the sectors, which are covered by the ACAA Agreement. To lay the groundwork, to sign the ACAA Agreement in priority sectors and to gradually expand it to other sectors, which will have to be brought into conformity with EU legislation in accordance with Annex III of the Association Agreement.

To ensure the expansion and re-orientation of Ukraine's foreign economic relations, we have to:

strengthen the role of joint intergovernmental commissions on economic co-operation aimed at the development of Ukraine's foreign economic relations;

use mechanisms provided by the Exporters and Importers Council to increase exports;

use opportunities provided by participation in foreign trade fairs and shows to showcase Ukrainian products and hold direct negotiations between executives of Ukrainian companies and foreign distributors;

use modern means of communication (PEI site, official Facebook and Twitter accounts) in order to promote the interests of Ukrainian business.

## **11. Regional economic development**

### *Main issues to be resolved*

The new public regional development management system created in 2015-2016 requires further definition for the next period of implementation of the Ukrainian State Regional Development Strategy 2020 (Ukrainian Cabinet of Ministers' Resolution of 6 August 2014 No. 385) as well as clearly defined development priorities, tasks and actions, the implementation of which will help to enhance the regions' competitiveness and at the same time ensure their sustainable and predictable financing. The current system used to finance regional development programmes and projects requires further improvement, as it involves a long decision-making process for the approval of selected regional development investment programmes and projects under the regional development fund; there are no provisions to guarantee stable financing of regional development programmes and projects during the entire implementation period, which results in unfinished construction projects and failure to achieve the expected outcome of such projects. Furthermore, we need to focus budget and local financial resources on priority regional development projects as identified by action plans under the State and regional development strategies; to improve the quality of projects to be financed from the State Regional Development Fund and of the selection process; to shift the focus from financing projects aimed at resolving current local issues to financing projects, which create jobs, increase the share of innovative products in the total production output, improve the quality of services and living standards, and enhance the regions' competitiveness.

*Main quantitative indicators, characterising the situation*

To ensure that during 2015 and 2016 82% of regional development projects financed from the State Regional Development Fund are in conformity with regional development strategies and action plans for their implementation.

*Goal to be achieved*

To create an effective system of regional development planning and to ensure sustainable financing of regional development programmes and projects.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To ensure that 100% of regional development projects financed from the State Budget (State Regional Development Fund, EU sectoral support) are in conformity with regional development strategies, action plans for their implementation and the State Regional Development Strategy objectives.

To develop regional development institutions in regions, in particular to ensure that the regions adopt decisions to create 25 regional development agencies.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

Ukrainian State Regional Development Strategy 2020, approved by the Ukrainian Cabinet of Ministers' Resolution of 6 August 2014 No. 385;

State Cross-Border Co-operation Development Programme for 2016-2020, approved by the Ukrainian Cabinet of Ministers' Resolution of 23 August 2016 No. 554;

Additional Agreement No. 1 to the Agreement on Financing of the Sectoral Policy Support Programme - Support to the regional policy of Ukraine, signed on 19 July 2016;

the Association Agreement.

#### *Previous Period's Outcomes*

The Implementation Action Plan for the State Regional Development Strategy for 2020 (Resolution of the Cabinet of Ministers of Ukraine of 7 October 2015 No. 821) was approved; Draft Laws of Ukraine On Amendments to the Budget Code of Ukraine and On Amendments to the Law of Ukraine On the State Regional Policy Framework, which provide for a simpler and a quicker decision-making process in relation to regional development project financing and their sustainable financing during the entire implementation period and facilitate access to resources in accordance with the regional development priorities were prepared; the State Cross-Border Cooperation Development Programme for 2016-2020 (Cabinet of Ministers' Resolution of 23 August 2016 No. 554) was adopted; the Decision of the Cabinet of Ministers of Ukraine on the transfer of responsibilities from the Ministry for Economic Development to the Ministry for Regional Development in relation to organisational and analytical support for the Coordination Centre for the Implementation of Activities Related to Ukraine's Involvement in the EU Strategy for the Danube Region (Resolution of the Cabinet of Ministers of Ukraine

of 26 October 2016 No. 765) was adopted; the Procedure for utilization of finances allocated from the State Budget for support of the regional policy and the Procedure for the competitive selection of regional development projects to be financed from the State Budget Funds received from the European Union (Resolution of the Cabinet of Ministers of Ukraine of 16 November 2016 No. 827 Certain matters connected with the financing of regional development programmes and projects) were adopted.

In 2016, the European Commission made a decision to provide assistance to Ukraine under the Danube Transnational Programme, which is a financial instrument to promote the development of interregional cooperation and integration in the Danube region under the EU Danube Strategy.

25 regional development strategies were drafted and adopted, as well as 24 action plans for their implementation. 9 Regional Development Agencies were established and registered in the regions and a decision to create 19 such agencies was adopted. Six All-Ukrainian workshops were organised for heads of structural divisions of local state administrations, responsible for regional development. They dealt with regional development strategic planning and financing, institutional support, decentralisation and local government reforms, which ensured better co-ordination of efforts to implement regional policies.

*Main points of the proposed approach to be implemented  
in the medium term*

to improve the efficiency of managerial decisions made by executive authorities and local self-government authorities in relation to strategic planning and regional development financing by improving the quality of social and economic development planning in the regions

and by focusing financial resources on the objectives of the State Regional Development Strategy, regional development strategies and their implementation action plans;

to ensure sustainable financing of regional development programmes and projects during the entire implementation period, which, in due time, make it possible to achieve the expected outcomes from such projects and prevent facilities from being left unfinished;

to prevent the dispersal of State budget funds and to ensure financing exclusively for developmental projects which create jobs, increase the share of innovative products in the overall production output, enhance the regions' competitiveness, improve the quality of services and living standards; and prevent the dispersal of budget funds to finance activities aimed at resolving current local issues;

to increase access to European regional development financial vehicles, including instruments supporting the development of cross-border co-operation;

to improve project management quality in accordance with European approaches by introducing the relevant requirements and criteria with respect to the preparation and selection of projects and the provision of workshops and training.

## **12. Promoting productive employment; reform of the labour market**

### *Main issues to be resolved*

Low level of economic activity and employment amongst the population.

Large volumes of informal employment.

Significant over-regulation of employer-employee relationships.

Archaic labour legislation, which is at odds with modern day realities and Ukraine's commitments under the Association Agreement.

Low wages, in particular, in the public sector.

Lack of a reliable mechanism to protect employees of insolvent enterprises with regard to ensuring settlement of wage arrears and other payments.

Ineffective labour market institutions.

*Main quantitative indicators, characterising the situation*

In 2016, the number of persons in employment (16.3 million) at the 15-70 age group fell by 166.3 million in comparison with 2015; the level of employment decreased from 56.7% to 56.3%.

The average monthly wage in 2016 (UAH 5,183) increased by 23.6% in comparison with the previous year. The real wage growth rate for this period was 9%.

In January-February 2017, real wages increased by 19.7% in comparison with the corresponding period of 2016.

As at 1 March 2017, wage arrears in Ukraine were Hryvnia 1,995.3 million, wage arrears owed to employees of enterprises in liquidation were 32.6% of the total arrears.

*Goal to be achieved*

To gradually increase the level of employment by reducing the volume of informal employment and by encouraging a shift from the informal to the formal sector, among other measures.

To create a system assisting the transition from studying to getting a job as well as a system of lifelong learning.

To increase wages and to reduce the poverty level among the employed.

To introduce European labour standards.

In 2017:

to introduce an effective monitoring system to prevent unreported employment;

to increase the earnings of those in employment;

to bring labour legislation into conformity with European standards;

to implement the provisions of the General Agreement for 2016-2017;

to improve services provided by the Employment Service underpinned by its development and better interaction with private employment agencies;

to reform the system of social support for the unemployed in order to encourage them to actively look for jobs;

by engaging parties in social dialogue, to develop a mechanism to economically motivate employers to take action to protect the health and safety of their workers and to reduce occupational injuries and illnesses;

to update the qualification requirements for employees on the basis of current labour market requirements.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

During the first year of the reform, the number of persons in employment will increase by approximately 120,000.

The number of persons in employment in 2020 will be approximately 16.6 million.

The level of unemployment in 2016 was 9.3%; in the medium term it will gradually decrease to 8.9–8.5%.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

International Labour Organisation Conventions No 81, 1947 (concerning Labour Inspection in Industry and Commerce), No. 129, 1969 (concerning Labour Inspection in Agriculture) and No. 173, 1991 (concerning the Protection of Workers' Claims in the event of the Insolvency of their Employer);

the Poverty Elimination Strategy, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 16 March 2016 p. № 161;

the Implementation Action Plan for the National Human Rights Strategy 2020, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 23 August 2015 No. 1393.

*Previous Period's Outcomes*

Public sector wages were increased, in particular, the basic wage of 1st pay grade employees under the Unified Wage Rate Scale (regular rate of pay) was increased by 6.5% from 1 May and by 12.7% from 1 December 2016.

From 1 January 2017, the basic wage of 1st pay grade employees was raised to Hryvnia 1,600, which is almost a 44% increase in comparison with January 2016.

On 23 August 2016, representatives of the parties to the social dialogue signed the General Agreement on the Regulation of Basic Principles and Implementation Standards with respect to the Social and Economic Policy and Labour Relations in Ukraine for 2016-2017.

On 6 December 2016, the Supreme Rada of Ukraine adopted the Law of Ukraine On Amendments to Certain Legislative Acts of Ukraine No. 1774-VIII, which improved the definition of the minimum wage with a view to bringing Ukrainian legislation in conformity with European practice and international standards and to enforcing labour and employment legislation.

The Law of Ukraine On the State Budget of Ukraine for 2017 doubled the minimum wage in force in December 2016, raising it to Hryvnia 3,200.

*Main points of the proposed approach to be implemented  
in the medium term*

Planned activities:

to adopt an active employment policy and to reform the public employment service by transforming it into a client-oriented provider of a wide spectrum of services, which organises training in accordance with the needs of the economy and uses innovative technology and approaches;

to introduce amendments to legislation, including the Laws of Ukraine On Employment, On Mandatory State Social Unemployment Insurance, On Management of State-Owned Assets and On Advertising, in order to improve State employment policy, to align it with economic policy, to define new approaches in the system of State support for the unemployed with a view to motivating them to actively look for jobs;

to create a system to support highly-skilled employees and to protect workers' health as well as to ensure the protection of citizens' labour rights;

to introduce medium-term labour market forecasting;

to set up a procedure for the development of professional standards, which will help employers, their organisations and associations, industry (inter-industry) councils, central executive authorities, and academic institutions to draft 150 professional standards;

to further reform the labour remuneration systems;

to conduct joint negotiations on concluding the General Agreement for the next period on the basis on the new legislative framework; to improve social dialogue and to enhance the role of agreement-based regulation in the development of the labour market;

to ensure a gradual transition to employee-employer relationships based on fixed-term agreements;

to adopt the Labour Code of Ukraine in accordance with new global standards and Ukraine's commitments under the Association Agreement;

to finalize the institutional development of the Social Insurance Fund of Ukraine;

to introduce a new State supervision and control procedure to enforce labour and employment legislation in accordance with provisions of International Labour Organisation Conventions No 81, 1947 (concerning Labour Inspection in Industry and Commerce) and No. 129, 1969 (concerning Labour Inspection in Agriculture) ratified by Ukraine;

to develop proposals on finding a legal solution to the issue related to the creation and operation of a Guarantee Institution to protect workers' claims in the event of the insolvency of their employer.

### **13. Land reform**

#### *Main issues to be resolved*

The moratorium on the sale of agricultural land, which is in place in Ukraine, denies a significant proportion of Ukrainian citizens the opportunity to exercise their constitutional right and holds back the development of agricultural market.

The dispersal of powers related to the management of public and communal land between numerous executive and local government authorities has resulted in a large number of conflict situations and creates opportunities for corruption.

There existed a duplication of State supervisory functions in the area of State control over the land use and protection, which has a negative effect on compliance with land legislation.

The inventory of land plots in public, communal and private ownership, including those occupied by forest shelters, needs to be finalized. The plots have to be registered in the State Land Register, which has to be updated with current information on land plots and accessible to a wider circle of stakeholders.

#### *Main quantitative indicators, characterising the situation*

The ban on agricultural land transfer and change of designated use restricts land owners' rights, who currently own 27.6 million hectares of farmland, which have been transferred to the ownership of 6.9 million citizens.

#### *Goal to be achieved*

To launch the land market, based on a model acceptable to citizens, which has been discussed at national level.

To support the voluntary association of territorial communities with a view to forming local self-government authorities, capable of exercising their powers.

To optimise legislative regulation in relation to State control over the use and protection of land.

To create and organise State Land Registry databases.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To launch an agricultural land market, the model of which will be defined through public discussion at national level.

To increase the resources to be managed by local self-government authorities; to transfer land from State to communal ownership within unified territorial communities; to introduce an effective control system, which would ensure additional budget revenues in the amount of approximately Hryvnia 1 billion.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Memorandum with the IMF.

*Previous Period' s Outcomes*

The Draft Law of Ukraine On Amendments to Certain Legislative Acts of Ukraine in relation to broadening the powers of local self-government authorities in the area of land resource management and

strengthening State control over land use and protection (registration number 4355) was adopted at the first reading.

According to the Law of Ukraine of 6 October 2016 No. 1669-VIII On Amendments to Section X “Transitional Provisions” of the Land Code of Ukraine concerning Extension of the Ban on the Sale of Agricultural Land, the Cabinet of Ministers of Ukraine was instructed to develop and to submit to the Supreme Rada of Ukraine a Draft Law of Ukraine On Transfer of Agricultural Land. In this connection, the Ministry for Agrarian Policy together with the State Land Registry set up a working group to prepare the Concept for Agricultural Land Transfer with the participation of representatives of Ministries, relevant central executive authorities, parliamentary factions and groups, the World Bank and local self-government associations.

*Main points of the proposed approach to be implemented  
in the medium term*

To organise a nation-wide discussion concerning the introduction of an agricultural land market. To build a market in accordance with a model to be defined during the national discussion.

To optimise and rationalise the system of State control in the area of land relations, to introduce State Land Register databases.

**14. Improving mechanisms to facilitate the development of the  
agro-industrial complex**

*Main issues to be resolved*

The system of State aids to agricultural producers, which has been in place for the last three years, has proved to be ineffective in delivering its objective since it is non-transparent, too generalized and does not focus on areas which should have been recognized as State priorities.

At the same time, further introduction of some support actions such as the special VAT regime has caused serious problems, among them: withdrawal of working capital, use of a specific refund scheme and a complicated VAT administration process. All these led to the decision to cancel this tax regime at the end of 2016.

*Main quantitative indicators, characterising the situation*

The special VAT regime was used to boost production by refunding a certain amount of the tax paid, in particular:

for operations with livestock products, at 80%;

for operations with grain crops, at 15%;

for other operations with agricultural goods/services, at 50%.

At the same time, up to 50% of agricultural products consumed in Ukraine are agricultural products produced by households (which are not VAT payers), and therefore small producers did not have an opportunity to benefit from this kind of State aid.

*Goal to be achieved*

New State aid instruments will be developed during year with a view to creating a reimbursement mechanism for expenses related to the transition of agricultural producers to the general VAT regime.

In future, new mechanism will have to be focused on ensuring food security, predictability and stability of product markets through:

Increasing the competitiveness of small and medium enterprises, increasing the production of high added value agricultural products;

diversifying business opportunities in the agro-industrial sector.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

To allocate funds from the State Budget of Ukraine for State support to agricultural producers in the amount of at least 1% of the agricultural production output.

In 2017:

the number of business entities in the agro-industrial complex to receive partial compensation of the interest on credits is 663;

the size of loans, the cost of which has become cheaper due to the receipt of funds from the State budget is Hryvnia 12,555,456,000.7;

the number of agricultural producers to receive transfers from the budget is 12,000;

the number of agricultural producers to receive compensation for purchases of agricultural machinery and equipment is 4,000;

agricultural machinery and equipment, the cost of which has become cheaper due to the receipt of funds from the State budget is worth Hryvnia 2,750,000,000;

the number of items of agricultural machinery, the cost of which has become cheaper due to the receipt of funds from the State budget is 3,815, including 525 tractors, 40 grain carriers, 40 soil processing machines and 3,250 sowing machines;

the number of items of agricultural equipment, the cost of which has become cheaper due to the receipt of funds from the State budget is 520.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;  
the Association Agreement.

*Previous Period' s Outcomes*

In order to ensure the predictability of aid in the future, the Law of Ukraine of 20 December 2016 No. 1789-VIII On Amendments to the Budget Code of Ukraine for the first time provides for the allocation of funds from the State Budget of Ukraine for State support of agricultural producers in the amount of at least 1% of agricultural production output in 2017-2021.

The Draft Law of Ukraine On Boosting the Development of Ukraine' s Agro-Industrial Complex was approved.

The Draft Targeted Programme for Agrarian Sector Development for 2021 was prepared.

The Cabinet of Ministers of Ukraine adopted the Resolution of 8 February 2017 No. 83 On Approval of the Procedure for Budget Transfers Allocated for the Development of Agricultural Producers and Boosting Agricultural Production in 2017, according to which budget transfers will be allocated automatically.

*Main points of the proposed approach to be implemented  
in the medium term*

To develop and implement effective and transparent State aid instruments for the agro-industrial complex, which will be based on reliable information diagnostic tools, economically justified calculations and clear criteria.

To create the Unified Registry of Agricultural Producers receiving State financial aid (from all support programmes).

**15. Ensuring food quality and safety**

*Main issues to be resolved*

The lack of a mutually recognized food quality and safety system, which is in conformity with EU requirements, and shortcomings in the State control system create a number of problems. Among them:

presence on the market of food products which do not meet safety and quality criteria and present a public health threat as well as distort competition (since market operators which work in accordance with statutory regulations are unable to withstand the competition);

a complicated procedure for Ukrainian food products to enter the EU market (due to the non-recognition of safety system equivalence and the need to follow individual audit procedures for individual food products);

outdated, Soviet-period regulatory standards impede investment in the food industry.

Illegal imports to Ukraine of products of questionable quality and counterfeit products are of particular concern. There have been cases of complete crop destruction as a result of poor quality herbicides and the use totally ineffective insecticides and fungicides.

Further improvements need to be made to ensure the safe use of pesticides (plant protection products) taking account of European statutory regulations in accordance with the Law of Ukraine On the National Programme for the Approximation of Ukrainian Legislation to the Legislation of the European Union. Thus, European legislation on the safe use of pesticides (plant protection products) is based on various pieces of EU legislation (Directive 2009/128/EC of the European Parliament and of the Council, Regulation (EC) No 1185/2009 of the European Parliament and of the Council, Regulation (EC) No 1107/2009 of the European Parliament and of the Council (EC)), certain provisions of which should be taken into account when introducing amendments

to the Laws of Ukraine On Plant Protection and On Pesticide and Agrochemicals.

*Main quantitative indicators, characterising the situation*

Number of market operators' facilities (food products) - around 142,000.

Number of food production facilities which have been granted operating licences - 984.

Number of enterprises permitted to export food to EU countries - 98 (including 15 milk and milk product producers, 6 poultry meat producers, 2 poultry meat product producers, 19 fish and fish product producers, 2 egg and egg product producers, 52 honey producers, 1 raw casings manufacturer, and 1 collagen producer.

Number of State control measures related to food product safety (in 2016) - 9704 (including 3577 ad hoc measures).

Number of persons held liable for breaching food safety and veterinary legislation - 12,020 (to the sum of Hryvnia 693,373).

Number of diarrhoeal disease outbreaks (in 2016) - 142, during which 2877 people fell ill (including 1,374 children).

The proportion of dubious quality chemicals and counterfeit agrochemical products in Ukraine's plant protection market is 20% - 30% (according to the FAO, the proportion of counterfeit agrochemicals globally is 7% - 9% of total sales).

*Goal to be achieved*

The goal is to introduce a mutually recognized food quality and safety system, which is in conformity with EU requirements. The main objectives to be achieved in the sanitary and phytosanitary area:

to introduce an effective system of State control of food, feed and animal by-product safety;

to set up requirements for the production and use of innovative food products, food additives and articles and materials in contact with food;

to improve the legislation on the provision of food information to consumers;

to reform the State mechanism regulating the production and use of feed;

to improve legislation on genetically modified organisms in food products and feed;

to improve the State mechanism regulating the production and use of veterinary preparations;

to improve the legislation on animal health and welfare;

to improve the epizootic situation in Ukraine, to fight infectious and other animal diseases, to improve the relevant legislation;

to improve the phytosanitary situation in Ukraine and to ensure plant health protection, to improve the relevant legislation;

to resolve other problems, which are being addressed through actions set forth by the Ordinance of the Cabinet of Ministers of Ukraine of 24 February 2016 p. № 228.

The main task for 2017 is to approve and to implement the requirements of the Law of Ukraine On State Control of Compliance with Legislation Related to Food and Feed Safety and Quality and Animal Health and Welfare (registration No. 0906).

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Target	Quantitative Indicator	
	2017	2020
To increase the number of market operators' facilities (food products), %	30	100
To increase the number of food production facilities, which have been granted operating licences, %	3	10
To increase the number of enterprises permitted to export food products to the EU, %	3	10
To increase the number of State control measures related to food product safety, %	30	100
To reduce the proportion of questionable quality and counterfeit agrichemical products	to 10% of total sales	
To accredit inspection bodies according to DSTU (State Standards of Ukraine) EN ISO/IEC 17020 - Conformity Assessment. Requirements for the operation of various types of inspection agencies.	5 units	

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with the Association Agreement

*Previous Period's Outcomes*

A single competent authority was created, Ukraine's State Service for Food Safety and Consumer Protection, which is tasked with the implementation of the State food safety policy and individual food quality indicators.

We are constantly seeking market diversification opportunities for Ukrainian products.

The Law of Ukraine On Basic Principles and Requirements for Food and Feed Safety and Quality was adopted as part of the approximation of Ukrainian legislation with EU standards. The Draft Law of Ukraine On State Control of Compliance with Legislation Related to Food and Feed Safety and Quality and Animal Health and Welfare (registration No. 0906) was prepared for a second reading. The Committee on Agrarian Policy and Land Relations of the Supreme Rada of Ukraine recommended the following draft laws of Ukraine for consideration at first reading: On Feed Safety and Hygiene (registration No. 2845), On Requirements for Articles and Materials in Contact with Food (registration No. 4611), On Amendments to Certain Laws of Ukraine in relation to Food Safety (registration No. 4589). A number of other draft laws and secondary regulatory legal acts are at different stages of development.

In 2015, a TWINNING Project Proposal on “Approximation of Ukrainian legislation with the EU in the field of plant protection products and plant health and strengthening associated inspection and laboratory services” was agreed and supported by the EU.

In December 2015 and January 2016, the Twinning Fiche was prepared with the participation of an EU representative and submitted to the EU.

*Main points of the proposed approach to be implemented  
in the medium term*

The approximation of Ukraine’s sanitary and phytosanitary legislation to the EU legislation will be implemented by adapting Ukrainian legal standards in accordance with EU requirements. This method provides for the creation of new legal acts, as well as for the amendment and repeal of current legislation.

At the same time, it is planned to reform the organisational structure of executive authorities in the area of food safety and quality as well as procedural aspects of their operation, to conduct training and continuing professional development of relevant staff and to provide methodological and logistic support.

To improve the efficiency of the laboratory network, it is planned to optimize laboratories (including their re-equipment and accreditation).

To make State control procedures more transparent and to implement anti-corruption measures, it is planned to introduce the use of video recording by officials of the State Service for Food Safety and Consumer Protection during scheduled and ad hoc inspections.

With the aim of implementing the defined objectives, it is planned to intensify negotiations with international partners on the basis of legislative and institutional changes.

## **16. Developing the organic food market**

### *Main issues to be resolved*

Inadequate legislation concerning organic production has a negative effect on the operation of the domestic organic market and Ukraine's reputation on the global organic food market and creates trade barriers for exporting producers. As a result, the consumer is not protected from counterfeit organic food and the producer is not protected from unfair competition.

### *Main quantitative indicators, characterising the situation*

In Ukraine, the total land area used for organic agriculture is growing (164,449 hectares in 2002, 241,980 hectares in 2005, 270,226 hectares in 2010, 393,400 hectares in 2013, and 410,550 hectares in 2015), which indicates that there are good prospects for further

sustainable development. With that, the domestic organic food market is estimated at EUR 18 million, and the sector's export potential, at EUR 50 million.

Although the organic farmland area increased by a factor of 1.5 in 2015 in comparison with 2010, its share was only 1% of total agricultural land.

Thus, the organic farmland area in Germany is considerably larger than in Ukraine (1,088,838 hectares) and its share is 6.5% of total agricultural land (2015). However, organic food suppliers are unable to meet the demand from the German market. The country has to import organic food. A similar situation exists in other countries. It creates opportunities for Ukraine to make a name for itself as a reliable organic products supplier to the global market.

#### *Goal to be achieved*

The priority tasks are to improve the regulatory framework for organic food production, sale and labelling and to create a proper control system for the organic market which, in its turn, will help to prevent the sale of counterfeit products and to ensure prosecution of market participants for breaching the relevant legislation. As a whole, it will have a positive effect on sales opportunities on foreign markets and on Ukraine's positive image on the global organic food market.

#### *Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

To increase the total land area used for organic agriculture to 450,000 hectares in 2017. To increase the proportion of this land in total agricultural land by 0.05% per year.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with the Association Agreement.

*Previous Period's Outcomes*

Amendments were introduced to the Procedure for utilizing State budget funds allocated for farmers' support, approved by the Resolution of the Cabinet of Ministers of Ukraine of 25 August 2004 No. 1102 (Resolution of the Cabinet of Ministers of Ukraine of 8 September 2016 No. 609). As a result, farming enterprises, which are engaged or are planning to engage in organic food production have an opportunity to receive State aids, in particular:

repayable financial aid is be granted on a competitive basis with a ceiling of Hryvnia 500,000, with measures to ensure the fulfilment of obligations to repay budget funds, in particular, for the purpose of conformity assessment of organic products (raw materials);

under otherwise equal conditions, farming enterprises which have applied to switch to organic production (raw materials), are given preference over other farming enterprises seeking financial aid.

The Cabinet of Minister of Ukraine has submitted for consideration by the Supreme Rada of Ukraine the Draft Law of Ukraine On Basic Principles and Requirements for Organic Production, Marketing and Labelling (registration No. 5448).

*Main points of the proposed approach to be implemented  
in the medium term*

In the medium term, we need to draft and adopt the regulatory legal acts required for the implementation of the Law of Ukraine On Basic Principles and Requirements for Organic Production, Marketing and Labelling as well as to strengthen the institutional capacity of the relevant central executive authorities in order to implement the Law.

**17. Increasing energy independence**

*Main issues to be resolved*

Low energy efficiency and dependence on imported energy resources (natural gas, anthracite coal, nuclear fuel for atomic power stations, oil and petroleum products) present a challenge to the national economy' s competitiveness.

Another serious problem is the significant depreciation of the fixed assets forming part of our energy infrastructure and the industry' s poor investment prospects due to price and tariff distortion and lack of transparent and competitive rules for enterprises.

Despite sufficient capacity within the country' s oil refining industry, crisis situations still occur. Rundown technical equipment, obsolete production facilities, a low oil conversion ratio and high production costs caused the 7-10% decrease in Ukrainian refinery utilization in 2013 and 2014. Around 80% of petroleum products available on the Ukrainian market are imported.

The lack of an approved strategic vision for Ukraine' s fuel and energy complex causes imbalances between various energy resources and sources and prevents domestic producers from improving the energy performance of their production processes, which affects the competitiveness of the national economy and the country on the global market.

*Main quantitative indicators, characterising the situation*

Natural gas production – 19,896 million cubic metres (2015).

Oil production – 2,461,700 tonnes (2015).

Electric power consumption (kW·h per capita per year) — 3,600.23 (2013).

Fossil fuel energy consumption (% of total) – 78.23 (2013).

Energy imports, net (% of energy use) – 26.017 (2013).

Total natural resources rent (% of GDP) – 8.13 (2013).

Fuel exports (% of goods exports) – 1.07 (2015).

*Goal to be achieved*

In 2017:

to begin the transition of Ukraine' s energy sector to market principles and the development of competition to increase the economic performance of energy sector participants and the efficient utilization of energy resources;

to approve the Energy Strategy of Ukraine for the period up to 2035;

to increase natural gas production to 20.3 billion cubic metres by facilitating investments in production facilities and, in particular, by offering tax incentives for new drilling operations and by reforming the licensing and approval system, by facilitating access to land and by conducting transparent auctions of new land plots.

In the medium term up to 2020:

to phase out Ukraine' s total dependence on external sources of energy supply, to diversify routes and sources of energy supply;

to transition to a new energy market model, which is based on market principles and envisions the development of competition with a view to improving the quality of services and reducing energy prices;

to integrate the Ukrainian energy sector into the EU energy markets and the European energy security system;

to implement the European energy security system with a focus on cyber security and energy supply security;

to improve energy consumer rights protection (the general public and small businesses), to create the Energy Ombudsman Office;

to increase domestic energy production.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

share of energy from renewable sources in gross final energy consumption in 2017 – 8.3% and in 2020 – 11%;

domestic natural gas production, million cubic metres: 2017 (20.3); 2018 (23.5); 2019 (26.2); 2020 (27.6);

share of one source in total annual imports (coal, natural gas, oil and petroleum products, nuclear fuel) – 30% maximum.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Strategy for Sustainable Development “Ukraine-2020” adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement.

*Previous Period' s Outcomes*

The National Institute for Strategic Studies together with the Ministry of Energy and Coal Industry are working on an updated draft of the Energy Strategy of Ukraine for the period up to 2035.

The Ordinance of the Cabinet of Ministers of Ukraine of 28 December 2016 No. 1079 approved the Concept for the Development of Ukraine's gas production industry, together with the action plan to implement the Concept. Strategy 20/20 for PJSC “Ukrigasvydobuvannya” was adopted, according to which the company shall increase its gas production to 20 bcm by 2020 by

attracting external contractors to stimulate production. The gas sale price for PJSC "Ukrigasvydobuvannya" was increased and the tax burden was aligned, which should provide the company with additional income from natural gas sales sufficient to enable it to make capital investments, cover operational expenses, including the cost of capital, and to increase domestic natural gas production in the public sector of the market accordingly.

Actions were taken to diversify nuclear fuel supply sources for Ukraine's atomic power stations. Since the beginning of 2016, there have been 13 deliveries of nuclear fuel, 9 of which were supplied by AT "TVEL" (Russian Federation) and 4 - by Westinghouse. This is compared to 14 fresh fuel deliveries in 2015, 13 of which were supplied by AT "TVEL" and 1 - by Westinghouse.

*Main points of the proposed approach to be implemented  
in the medium term*

To promote the development of the fuel and energy complex by transitioning towards energy efficient and energy saving use of energy resources as well as by increasing domestic energy production. To increase investment and to attract private domestic and foreign investors to facilitate the development of Ukraine's fuel and energy complex.

To update the energy infrastructure and to integrate Ukraine's energy system with the European ENTSO-E. To transition towards energy efficient and energy saving use and consumption of energy resources.

To provide economic incentives for an increase in drilling operations at existing fields and new natural gas deposits by introducing a taxation scheme, which is clear to investors, reasonable and competitive in the region. To introduce modern exploration

technologies to stimulate production and increase the hydrocarbons recovery factor.

To ensure substantial deregulation of the exploration industry in order to ease the excessive administrative pressure, to reduce the number of licences and approvals by regulatory authorities, to cancel outdated requirements and to comprehensively update the subsurface use system in Ukraine.

To continue the diversification of nuclear fuel supply sources by phasing out supplies from Russia.

## **18. Introducing the principles of the EU Third Energy Package**

### *Main issues to be resolved*

The non-completion of Ukraine' s energy market reform poses major challenges to the development of its energy industry. The existing market operation models in Ukraine impede the creation of reliable sources of finance to meet even the most urgent needs of the energy sector, such as keeping energy sector enterprises operating at the current level.

The lack of competition, subsidies to producers, cross-subsidies between consumer groups, subsidised energy procurements, low protection of consumer rights (the general public and small business) not only reduces the incentive to save energy, but eliminate the motivation to invest in development of the energy sector in Ukraine. Considerable monopolisation and over-regulation of the energy sector significantly reduce the efficiency of energy systems and result in numerous risks of non-transparency and abuse.

The operation of the natural gas market remains distorted, despite a number of positive legislative changes. Ukraine' s legislation has not been brought into conformity with the Law of Ukraine On the Natural Gas Market, which impedes the development of the natural gas market

in Ukraine. Deregulation of the electricity market was not started because of the long delay in adoption of the relevant law.

*Main quantitative indicators, characterising the situation*

Current assessment by the Secretariat of the Energy Community in relation to Ukraine' s performance under its commitments to change its national legislation by transposing and implementing EU regulations and directives, which form the Third Energy Package (under Ukraine' s commitments undertaken when acceding to the Treaty Establishing the Energy Community), i.e. sustainability 50%, gas 71%, electricity 41%, and oil and petroleum products 28%.

Electricity production in 2016 – 153,407 million kW·h, which is 4,227.8 million kW·h (or 2.7%) less than in 2015.

Electricity consumption (gross) during 2016 – 145,595 million kW·h, which is 4,860.6 million kW·h (or 3.2%) less than in 2015.

*Goal to be achieved*

To ensure reliable energy and natural gas supply to consumers at competitive prices by bringing national energy and gas legislation into line with the requirements of the EU Third Energy Package, thereby promoting the deregulation of the electricity and natural gas markets, increasing the reliability of electricity supply to consumers taking account of their interests, reducing expenses related to electricity supply services and, in the long term, reducing average retail prices and tariffs.

To ensure opportunities for the integration of Ukraine' s energy system with the European energy system; to launch a new electricity market model and promote its further integration into European electricity markets in order to attract investment for the modernisation of existing electricity generating facilities and for the renovation of energy infrastructure; to introduce a special responsibilities system to ensure the protection of national interests in the electricity market; to

develop and approve a temporary support mechanism for individual central heating plants to enable their reconstruction, as well as eligibility criteria for receiving the support; to update the system of consumer rights protection.

To create the framework for natural gas trading on commodity exchanges, in particular, to ensure unobstructed cross-border gas flow and optimum use of gas transportation infrastructure, modernisation of the gas metering and balancing system by a gas transportation system operator, to fully implement the concept of non-discriminatory third party access to gas transportation infrastructure.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

According to the projected balance for Ukraine's integrated energy system, electricity production in 2017 will be 157,852 million kW·h, which is 4,445 million kW·h (or 2.9%) more than in 2015. Forecasted electricity consumption (gross) during 2017 will be 148,000 million kW·h, which is 2,405 million kW·h (or 1.7%) more than in 2016.

According to forecasting calculations, public and private gas producers in Ukraine will increase gas production to 27.6 billion cubic meters by 2020.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Association Agreement;

the Protocol on the Accession of Ukraine to the Energy Community;

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Strategy for Sustainable Development “Ukraine-2020” adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Paris Agreement;

the Memorandum with the IMF.

*Previous Period’ s Outcomes*

The Draft Law of Ukraine On the Electricity Market of Ukraine (registration No.4493) was prepared and submitted for the consideration of the Supreme Rada of Ukraine. On 22 September 2016, the Draft Law was adopted by the Supreme Rada of Ukraine at the first reading.

The Resolution of the Cabinet of Ministers of Ukraine of 1 July 2016 No. 496 On Separation of natural gas transportation and storage (injection, withdrawal) operations was adopted.

The Resolution of the Cabinet of Ministers of Ukraine of 16 November 2016 No. 837 On Issues concerning the Public Company “Main Gas Pipelines of Ukraine” was adopted, which approved the company’ s Charter.

*Main points of the proposed approach to be implemented  
in the medium term*

In 2017:

to implement the provisions of the Law of Ukraine On The Electricity Market of Ukraine (following its adoption) and approval of secondary regulatory legislation to ensure the introduction of the new market model for electricity in Ukraine;

to complete the preparation stage for the introduction of the new electricity market model;

to prepare draft regulatory acts to create a legal basis for the full implementation of the Law of Ukraine On the Natural Gas Market, to bring Ukrainian legislation into compliance with its provisions, in order to ensure, among other things, the framework for natural gas trading on commodity exchanges.

In the medium term up to 2020:

to launch a fully-fledged electricity market;

to take actions to ensure integration of Ukrainian energy systems with the European ENTSO-E.

## **19. Coal industry reform**

### *Main issues to be resolved*

The poor state of State-owned coal enterprises is caused by the long-term interaction of several factors, both objective and subjective. Among them:

difficult environmental and geological conditions affecting coal mining operations;

lack of capital expenditure on new construction and replacement of fixed assets of coal producers as well as the purchase of modern stoping and mining equipment, vehicles and the introduction of innovative coal mining methods;

lack of a strategic vision for the industry's development;

inadequate pricing and tariff policy taking account of coal products calorific value and non-transparency of the market;

lack of systemic actions towards mine privatisation;

poor investment prospects of State-owned coal producers;

lack of systemic actions to ensure social protection of redundant miners and use of the human capital and infrastructure of mines being closed down;

lack of a clear State aid reduction mechanism for coal producers;

lack of strategic planning for coal production based on demand;

almost all coal producers' assets are attached or under a tax lien;

the need to retrain coal sector workers following the significant cuts due to mine closures and to make an objective calculation of staffing requirements for labour pool planning.

*Main quantitative indicators, characterising the situation*

In 2015, coal producers under the Ministry of Energy and Coal Industry produced 6.7 million tonnes of ROM coal. In 2016, the overall output was 5.8 million tonnes (80% of the target). As at 1 January 2017, there were 33 economically active mines under the management of the Ministry of Energy and Coal Industry.

*Goal to be achieved*

The main goal of the coal mining sector reform is to ensure its economic viability (not operating at a loss and self-sufficient).

In 2017:

to optimize the structure of State-owned coal producers;

to develop a regulatory act with respect to lifting attachments and tax liens imposed on assets of State-owned coal producers;

to create annual projected balance of coal and coal products;

to begin the transition towards market pricing of power-generating coal, including the development of regulatory acts in this respect;

to ensure the transparency of purchases made by State-owned coal producers;

to begin the implementation of the Concept for provision of social support to coal sector workers and the population of the territories where coal mining and coal producing enterprises undergoing liquidation (conservation) are located;

to finalize liquidation of five mines, to hand over four mines to be prepared for liquidation and to start liquidation of five mines;

to reduce the number of social infrastructure facilities by handing them over from coal producers to local self-government authorities.

In the medium term up to 2020:

to create an economically viable coal industry (break-even performance), capable of fully meeting the national economy's demands for coal production at market prices;

to optimize the State aid system to coal industry, which provides for gradual reduction of State aid only for the purposes of water disposal and social support to miners;

to denationalize the industry to the maximum extent (mine privatisation);

to deregulate the coal product market and to transition to market pricing for coal products;

to change the approach towards mine liquidation, i.e. to ensure further use of human capital (redundant workers) and mine infrastructure to create new manufacturing plants, industrial estates, energy parks, etc.;

to finalize the liquidation of loss-making coal producers;

to implement the Concept for provision of social support to coal sector workers and the population of the territories where coal mining and coal producing enterprises undergoing liquidation (conservation) are located;

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To ensure the sufficient production of coal products to maintain energy security and Ukraine' s independence in terms of electricity production.

To reduce State aid to coal producers annually, ultimately keeping only aid in relation to environmental and security expenditures.

To denationalize the coal industry to a maximum extent (what has not been privatized, will be subject to liquidation, conservation or converted into industrial estates or energy parks).

To use a Ukrainian market price indicator for coal products (electronic stock trading, public registration of direct contract information, import and export parity price).

To utilize the human capital and infrastructure (electrical power transmission lines, electrical substations, etc.) of mines undergoing liquidation in order to create new jobs, in particular, in the area of renewable energy.

*How the priority fits in with the Programme of Activities of the Cabinet  
of Ministers of Ukraine, other strategic documents, and international  
commitments*

The priority is consistent with:

the Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Programme of Activities of the Cabinet of Ministers of Ukraine;  
the Association Agreement.

*Previous Period's Outcomes*

The Law of Ukraine On The Special Features of Coal Mining Enterprise Privatisation was adopted.

The Concept for transitioning to exchange trading in coal was approved, which provides for the introduction of electronic trading in coal.

Draft Laws of Ukraine On the Coal Market and On Optimisation of State Aid to the Coal Industry were adopted.

*Main points of the proposed approach to be implemented  
in the medium term*

To improve the financial and economic, technical and technological state of coal mining enterprises; to create a favourable environment to attract private investments; to relieve the industry of non-core assets; to meet the national economy's need for quality domestic coal products, actions shall be taken:

- to denationalize the industry to the maximum extent (privatisation);
- to ensure the full transition to market relations in the coal industry;
- to ensure the rational utilisation of available equipment, technical and physical resources of enterprises;
- to optimize non-core assets of coal mining enterprises;
- to transfer social infrastructure facilities to the local self-government authorities;
- to gradually reduce State aids to the coal industry and to provide State aids on a full scale for the purposes of environmental protection, coal industry restructuring and social support to redundant workers;

to introduce viable mechanisms of social protection for workers who will be made redundant due to mine liquidations, as well as to address environmental problems in mining regions.

## **20. Developing renewable energy**

### *Main issues to be resolved*

The use of renewable energy sources is one of Ukraine's most important policies directed at saving traditional fuel and energy resources and at environmental protection. An increase in the share of renewal energy sources in Ukraine's energy balance will enable it to further intensify the diversification of energy sources, which will strengthen the country's energy independence. First of all, new renewable energy facilities in the energy balance will replace energy facilities already in use.

According to the calculations made by the Renewable Energy Institute of the National Academy of Sciences, the currently technically achievable energy potential of renewable sources in Ukraine is 68.6 million tonnes of oil equivalent, which is around 50% of the total energy consumption in Ukraine.

Under the Treaty Establishing the Energy Community, Ukraine committed to implement Directive 2009/28/EC of the European Parliament and of the Council on the promotion of the use of energy from renewable sources and to increase the share of energy from renewable sources in total final energy consumption to 11% by 2020.

One of the main areas in which the use of energy from renewable sources can be increased is district heating, where there is an opportunity to use local sources of thermal energy, such as industrial waste heat and biomass.

For the renewable thermal industry to develop, it is necessary to ensure equal business conditions and access to the thermal energy market for producers of thermal energy from renewable sources. To achieve this, we have to gradually introduce a competitive thermal energy market, which will create a fair business environment for thermal energy generating organisations using various fuels, as well as the necessary incentives to increase the share of renewable energy sources in the overall heat supply to residential areas.

The reform of the district heat supply system with a view to increasing competitiveness and stimulating market relations will also result in the renewal of infrastructure, more efficient thermal production, reduced use of natural gas and lower thermal energy tariffs.

*Main quantitative indicators, characterising the situation*

Renewable energy production	2009*	2015*
Energy from renewable sources in power engineering, GW·year	12,118	7103
Energy from renewable sources in heating systems, thousand Gcal	11,940	15,345
Energy from renewable sources in the transport sector, thousand tonnes of oil equivalent	50	76

\* Calculated according to the rules of the Directive No. 2009/28/EC of the European Parliament and of the Council on the basis of Ukraine' s energy balance data.

*Goal to be achieved*

An increase in the share of energy from renewable sources in the structure of total energy end-use will make it possible to:

- optimize Ukraine' s fuel and energy balance;
- increase Ukraine' s energy independence;
- increase the national economy' s competitiveness;
- to ensure the renewal of fixed assets in Ukraine' s energy industry (to increase the overall rated capacity of renewable energy facilities up to 10.9 GW);
- to reduce greenhouse gas emissions;
- to create jobs in the energy sector and other industries.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To increase the share of energy from renewable sources in final energy consumption to at least 8.3% in 2017 and 11% in 2020;

Renewable energy production	2017	2020
Energy from renewable sources in power engineering, GW·year	20,678	26,000
Energy from renewable sources in heating systems, thousand Gcal	41,390	58,500
Energy from renewable sources in the transport sector, thousand tonnes of oil equivalent	351	505

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Association Agreement;

the National Action Plan for the Renewable Energy Sector for the period up to 2020 approved by the Ordinance of the Cabinet of Ministers of Ukraine of 1 October 2014 No. 902;

the Decision of the Ministerial Council of the Energy Community of 18 October 2012 No. D/2012/04/MC-EnC on the implementation of Directive 2009/28/EC and amending Article 20 of the Energy Community Treaty.

#### *Previous Period's Outcomes*

The National Action Plan for the Renewable Energy Sector for the period up to 2020 and its Implementation Plan approved by the Ordinance of the Cabinet of Ministers of Ukraine of 1 October 2014 No. 902;

The Action Plan for the implementation of Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 3 September 2014 No. 791.

In order to assist the development of the renewable energy industry, during 2014-2016, the Supreme Rada of Ukraine adopted the Law of Ukraine of 4 June 2015 No. 514-VIII On Amendments to Certain Laws of Ukraine concerned with ensuring competitive conditions for generating electricity from alternative energy sources, according to which:

the "green" tariff will be calculated in accordance with the EURO exchange rate up to 2030 in order to avoid inflation risks;

a “green” tariff has been introduced for geothermal power installations and for private households’ solar and wind power installations up to 30kW;

the scope of the definition of “biomass” has been expanded enabling producers of electricity not only from solid waste but also from agricultural and forestry waste to qualify for the “green” tariff;

the rate of the “green” tariff for electricity generated from biomass and biogas has been raised by 10%;

the “local component” requirement has been cancelled, and the premium on the “green” tariff rate has been increased by 5% and 10% for utilization of Ukrainian-made equipment at a level of 30% and 50%, respectively.

Considering the need to reform the district heat supply system in Ukraine, the State Agency on Energy Efficiency and Energy Saving of Ukraine initiated the creation of a task force to come up with proposals regarding the development of a competitive environment in the thermal energy production sector in Ukraine. The task force included experts from the State Agency on Energy Efficiency and Energy Saving, MPs, representatives of executive authorities, NGOs, thermal energy enterprises and leading heat supply experts.

The formation of the task force was the logical consequence of the efforts by the Cabinet of Ministers of Ukraine to reduce natural gas consumption and to develop renewable energy sources.

In order to develop a legislative and regulatory framework promoting the introduction of a competitive thermal energy market in Ukraine, the State Agency on Energy Efficiency and Energy Saving, together with the USAID Municipal Energy Reform Project in Ukraine and relevant experts, developed the Concept for Introducing Competition into District Heating in Ukraine and prepared proposals on

the Draft Law of Ukraine On Introduction of Amendments to Certain Laws of Ukraine concerning the introduction of competition in heat supply systems.

*Main points of the proposed approach to be implemented  
in the medium term*

To implement the State policy on support for renewable energy development, namely:

to improve the renewable energy legislation in order to attract investments to this sector;

to promote the utilization of renewable energy sources in the heat supply sector by creating a competitive heat market;

to promote the creation of a liquid biofuel production and utilization market.

## **21. Energy efficiency and conservation**

*Main issues to be resolved*

Energy overconsumption in Ukraine results in significant expenses and risks in the areas of energy security, government expenditure, trade balance, economic and social activity and environmental protection. The residential and public buildings heating sector is one of the areas with the greatest improvement potential in terms of energy efficiency, since annual economic losses due to energy overconsumption for heating purposes are estimated at US \$ 3 billion (or 3% of GDP).

Annual consumption of natural gas in Ukraine is estimated at 18.6 billion cubic metres (annual gas consumption is estimated on the basis of moderate temperatures during the heating season and a moderate rate of industrial renewal). And within that figure, the household sector is the largest consumer. The majority of available residential buildings (85%) in Ukraine were built before independence and are not geared

towards the economic use of thermal energy and therefore are in need of urgent thermal modernisation. According to expert assessments, the specific consumption of heat and hot water in Ukraine is twice as high as in EU countries with similar climates. In other words, Ukraine has a real opportunity to achieve a reduction in natural gas consumption and imports by more than 9 billion cubic meters through thermal modernisation of residential and public buildings.

However, progress in achieving reductions in the consumption of energy resources, including by thermal modernisation of buildings, has been very slow. Thus, under the State Targeted Economic Programme on Energy Efficiency and Development of Energy Production from Renewable Sources and Alternative Fuels for 2010-2017, 670 associations of multi-apartment housing co-owners and housing cooperatives received loans to introduce energy efficient improvements. This warrants not only its extension for the next few years, but also the inclusion of a wider range of organisations entitled to received State support for the implementation of energy efficient projects, such as management companies and economic entities, which have concluded agreements with co-owners of multi-apartment housing, their associations, housing cooperatives and managers of multi-apartment housing.

*Main quantitative indicators, characterising the situation*

Average specific energy consumption for heating purposes in Ukraine stands at 264 kW·year per sq m, while in EU countries it is 130 kW·year per sq m.

As at 1 November 2016, 61% of buildings were equipped with heat energy metering devices.

Over the duration of the State Targeted Economic Programme on Energy Efficiency and Development of Energy Production from

Renewable Sources and Alternative Fuels for 2010-2017 (as at 6 March 2017), over 164,000 energy efficiency loans worth Hryvnia 2,754 million were issued, covering over 217,000 households. To date, Hryvnia 1,164,935 has been repaid. 670 associations of multi-apartment housing co-owners took part in the programme.

*Goal to be achieved*

To reduce energy resource consumption, to introduce modern energy efficient technologies, to improve the quality of housing and utility services.

To set up a system for the energy certification of buildings, to introduce an effective energy management and audit model. To introduce a scheme to finance energy saving measures on a regular basis, including by monetisation of utilities subsidies and benefits and using the remaining funds to finance such measures.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

In the medium term (3-5 years):

to get 67,581 participants (physical persons and associations of multi-apartment housing co-owners and housing cooperatives) involved in the Programme in 2017 and to provide loans worth of Hryvnia 1,193.5 million (from the sum of Hryvnia 432.44 million allocated from the 2017 State budget for the Programme);

to save 1 billion cubic meters of gas per year;

to create a new market for energy efficiency measures with a capacity of up to Hryvnia 30 billion;

to increase tax revenues up to Hryvnia 5 billion per year;

to create up to 40,000 new jobs.

Specific energy consumption by households and public agencies to be brought in line with European indicators (approximately 130 kW-year per sq m). At the same time, general energy saving targets are set at 5% in 2017 and at 9% in 2020 (based on energy end use in 2005-2009).

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Implementation Plan for the National Energy Efficiency Action Plan 2020, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 25 November 2015 No. 1228.

Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency under the Treaty Establishing the Energy Community, ratified by Ukraine, taking account of the Protocol on the Accession of Ukraine to the Energy Community;

#### *Previous Period's Outcomes*

Aiming to encourage the public, associations of multi-apartment housing co-owners and housing cooperatives to introduce energy saving measures, we introduced a mechanism providing partial compensation on energy efficiency loans (purchase of energy efficient equipment and/or materials) and extended funding under the government's scheme of support to the general public for the introduction of energy efficient measures in residential buildings in

2016 and 2017.

The key tasks during previous periods were focused on the development of framework energy efficiency and energy saving legislation to ensure the implementation of the Association Agreement, in particular, the Directives of the European Parliament and of the Council Nos. 2012/27/EC, 2010/30/EC and 2010/31/EC. Draft Laws of Ukraine On Energy Efficiency of Buildings, On Commercial Metering of Utilities and On the Energy Efficiency Fund were developed and submitted to the Supreme Rada of Ukraine and a number of technical regulations on energy labelling of consumer electrical appliances were developed. A number of subordinate regulatory legal acts are expected to be developed after the laws are passed.

*Main points of the proposed approach to be implemented  
in the medium term*

To develop framework legislative acts in order to ensure the full implementation of the EU energy efficiency and energy saving legislation and to continue the development of the relevant secondary legislative framework. To create a modern legislative environment in accordance with European standards. To continue and optimise the mechanism for co-financing of energy efficiency measures for the general public under the Programme, to implement the Law of Ukraine On the Energy Efficiency Fund with a view to improving the efficiency of State support and to attracting international donor funds. To ensure that the mechanism for channelling part of the funds provided to households as utility benefits and subsidies to finance energy efficiency measures becomes operational as soon as possible.

**22. Increasing the efficiency of thermal energy production and supply**

*Main issues to be resolved*

The district heating sector is one of the largest consumers of natural gas and is ineffective in terms of thermal energy production and transportation, which results in the waste of 2.4 billion cubic metres of natural gas per year. Importantly, the sector has to be modernised with a view to reducing thermal energy consumption, which will make it possible to minimize both capital expenditure on modernisation and the operating expenditure of sector enterprises.

Future development of the heat supply system is not clearly defined, since strategic planning in this area is neither comprehensive nor integrated and fails to factor in territorial and energy planning results. Urban heating schemes are developed without due regard or no regard to territorial development schemes and general urban plans in relevant areas. This prevents from ensuring the optimal future development of the system based on the integration of district, distributed and autonomous heat supply systems.

Furthermore, historically, the heat supply sector was characterised by predominantly non-market relations and was heavily subsidized, whereby the State financed the gaps in their cash flow from operations and the existing relations led to the accumulation of debts for energy resources consumed. An integrated approach to reform of the sector is needed in order to change the financial and economic environment in the sector, i.e. to revise the tariff-setting and settlement system to resolve accumulated problems (debt restructuring). These reforms will make it possible to renew enterprises' financial health and open the way to attract large-scale investment to the sector.

*Main quantitative indicators, characterising the situation*

Around 60% of boiler facilities in Ukraine have already reached the end of their service life and 38% of boiler facilities operate low efficiency

and low performance boilers, which leads to significant fuel waste. Almost 40% of heat supply units are in critical condition, which causes constant disruptions in hot water supply and waste of fuel and energy resources. Heat networks are largely worn out and are not equipped with modern heat and water proofing systems; 15.8% of the overall network is in a critical condition. The operation of out-of-date and worn-out equipment causes fuel waste (which is 20% above the worldwide average) and significant environmental pollution. In 2015, the gap between revenues and operational expenditure in the district heating sector (DHS) was Hryvnia 5.4 billion, and its liquidity gap was Hryvnia 7.9 billion. To cover the DHS' s losses in 2015, Hryvnia 3 billion was provided from the State and municipal budgets.

*Goal to be achieved*

To ensure the financial recovery of thermal energy enterprises, to attract investments to modernise technical facilities, to increase operational efficiency, and to reduce energy consumption

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

In the medium term (3-5 years):

- to make heating supply companies less loss-making;
- to attract EUR 1 billion in investments to update technical facilities;
- to reduce the level of technological and above-standard expenses in thermal energy production;
- to update and optimize district heating schemes;
- to increase the share of alternative and renewable energy sources in overall thermal energy production;
- to save up to 0.5 billion cubic meters of gas per year;

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Strategy for Sustainable Development “Ukraine-2020” adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Implementation Plan for the National Energy Efficiency Action Plan 2020, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 25 November 2015 No. 1228.

Directives 2012/27/EU and 2010/31/EC of the European Parliament and of the Council under the Treaty Establishing the Energy Community, ratified by Ukraine.

*Previous Period's Outcomes*

The Law of Ukraine On Measures to Settle the Debts of Heating and Heat-Generating Companies and Centralized Water Supply Companies for Energy Consumed was adopted in November 2016. It defines a set of organisational and economic measures to ensure the sustainable operation of heat supply and heat-generating companies and, in particular, will make it possible to restructure accumulated debt for natural gas.

*Main points of the proposed approach to be implemented in the medium term*

To facilitate investments and to introduce market relations in the heat supply industry by ensuring the transition towards incentive-based

tariff-setting as well as to simplify the procedure for attracting investments and to protect investor' s rights.

To ensure that local self-government authorities review the approved heat supply schemes in towns and villages and improve them with a view to improving the efficiency and productivity of thermal energy production and supply.

### **23. Developing the housing and utilities sector**

#### *Main issues to be resolved*

Since independence, Ukraine' s housing sector has been comprehensively transformed (for instance, the public and municipal housing stock has been privatised), which has had a positive effect, but has caused certain problems. Among them:

public and municipal housing stock was privatised without creating a relevant legal concept for privatised housing management;

the issue of financing the renovation of residential properties;

Thus, the housing maintenance financing system remained inadequate for a long time, while housing maintenance services were over-monopolised, which resulted in rapid depreciation and deterioration of the housing stock.

#### *Main quantitative indicators, characterising the situation*

The total number of multi-apartment houses in Ukraine is over 170,000. The overall area of multi-apartment housing stock is over 431 million sq m.

The area of multi-apartment housing stock maintained by public utility companies is 43% and the area maintained by private companies is 16.5%. 22,770 associations of multi-apartment housing co-owners were created. They account for 24% of the overall area of all multi-apartment housing.

*Goal to be achieved*

To achieve an effective level of residential property management and to create a residential property management market

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

The area of multi-apartment housing under the management of multi-apartment housing co-owners will be 29% of the total multi-apartment housing area in Ukraine at the end of 2017 and 50%, in the medium term.

The share of multi-apartment housing under the management of managers, independently selected by co-owners, will be 10% at the end of 2017 and 25%, in the medium term.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Strategy for Sustainable Development "Ukraine— 2020" , adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement.

*Previous Period' s Outcomes*

An important step towards the creation of an effective housing owner institution was the adoption of the Law of Ukraine On the Special Features of Exercising Ownership Rights in Multi-apartment Buildings in 2015. This Law provides a legal basis for the regulation of relations in the multi-apartment housing management area, the engagement of

professional management organisations in joint property management and the development of the management services market.

Actions to implement the Law:

a special minute form for meetings of multi-apartment co-owners was approved (Ministry of Regional Development order of 25 August 2015 No. 203);

amendments were made to the Standard Statute for multi-apartment co-owners associations, and a new version was issued (Ministry of Regional Development order of 23 September 2015 No. 238);

the procedure for handling records of multi-apartment housing co-owner meetings and for publishing information about decisions made by the meetings was approved (resolution of the Cabinet of Ministers of Ukraine of 24 February 2016 No. 109);

the procedure for removing multi-apartment housing from the books of public and local government agencies was approved (resolution of the Cabinet of Ministers of Ukraine of 20 April 2016 No. 301);

*Main points of the proposed medium-term approach*

For the Law of Ukraine On the Specific Features of Exercising Ownership Rights in Multi-apartment Buildings to be implemented, amendments should be made to the Law of Ukraine On Housing and Utilities Services, which should provide for the recognition of multi-apartment housing management as a service; regulate the conclusion of building management agreements depending on the management method chosen by building co-owners; stipulate the agreed service value, requirements to managers, their obligations, duties, responsibilities, etc.

The adoption of a new version of the Law of Ukraine On Housing and Utilities Services will make it possible to introduce new legal relationship models in the provision of housing and utilities services; to continue work on new legislative and regulatory acts required for the development of the concept of an effective housing manager, as well as to resolve problems caused by the inconsistency between the two laws.

#### **24. Developing Ukraine' s raw material base**

##### *Main issues to be resolved*

The development of the geology sector may become an important factor in overcoming the crisis in Ukraine' s economy. Our country' s raw material resources have considerable potential, on a par with those of the world leaders in this sector.

However, due to Ukraine' s declining economy, geological prospecting and exploration operations are limited and the rate and scope of activities to renew Ukraine' s own raw material base are failing to meet the country' s requirements. Due to the lack of funds, the scope of geological exploration operations has been reduced by a factor of 3-4.

Since 1994, due to the insufficient financing of exploration operations, the increment in discovered reserves of the majority of strategic mineral resources has failed to offset the cost of their extraction. Further delay in taking action will result in a lack of certain raw mineral materials and reduced protection of national interests.

There is a pressing need to digitalise geological information in order to preserve it. Geological information is a strategic public resource, and its effective utilisation will make it possible to attract significant investments to the subsoil use sector. The data are now being digitalised, but not at a rate enabling the creation of a fully-fledged geological database for further use by Ukrainian and foreign

investors to ensure the sustainable economic development of the country.

By providing free access to secondary geological information in digital form to a wider range of users we can significantly reduce the time frame and increase ROI and the quality and number of investment proposals.

*Main quantitative indicators, characterising the situation*

The General State Programme provided for the allocation of public funds in the amount of Hryvnia 1,279,150,000 to finance geological exploration operations in 2016, while Hryvnia 68,826,300 was actually used. In 2017, it was planned to use Hryvnia 1,279,690,000, and Hryvnia 100,000,000 was allocated from the State Budget of Ukraine for 2017.

Currently, almost 80% of geological materials require digitalisation (120,000 stored units).

*Goal to be achieved*

To meet the national economy' s needs in mineral resources by domestic mineral production.

To reduce Ukraine' s dependence on imported mineral resources and to increase the country' s export potential through domestic production of minerals, which are in high demand on the world market.

To create powerful anchor projects to assist the promotion of Ukraine' s positive image on the world market.

To attract geological exploration companies to the Ukrainian market.

To implement laws regulating the use of the subsoil.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In 2017:

to conduct additional geological mapping of an area of 1,400 sq m at 1:200,000 scale;

to publish the State Geological map at 1:200,000 scale on two printer' s sheets;

to prepare one promising oil and gas site;

to add new reserves: 2 million tonnes of coal reserves and resources; 0.8 conditional units of uranium reserves and resources, 0.8 conditional units of TiO<sub>2</sub> titanium reserves, 10 billion tonnes of clay reserves and resources, 50 cubic meters of fossil raw materials;

to drill two artesian wells;

to make observations at 100 groundwater monitoring points;

to conduct 35 observations for exogenous geological processes;

to achieve Hryvnia 46.7 of mineral reserve additions per every invested Hryvnia from the State budget, including: Hryvnia 15.6 for hydrocarbons;

In the medium term:

to achieve Hryvnia 59.8 of mineral reserve additions per every invested Hryvnia from the State budget, including: Hryvnia 27.6 for hydrocarbons;

to set up a data processing centre to conduct the digitalisation of geological information and to create the information system and the geological report data base.

to provide free access to geological information in digital form to a wider range of users with a view to significantly reducing the time frame and increasing ROI and the quality and number of investment proposals;

to align Ukrainian legislation with EU standards and to ensure its practical implementation.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with the Association Agreement

*Previous Period's Outcomes*

Funds allocated in 2014 under the National Budget Mineral Development Programme were used to conduct additional geological mapping of Ukrainian territory covering an area of 800 sq km (23.2% of the target) and additional hydrogeological mapping of Ukrainian territory covering an area of 100 sq km (5%), to prepare the geophysical bases for the geological mapping of 200 hectares and 50 hectares within an area covering 1,060 sq km (17.6%) and to publish 5 sets of the State Geological Map, which is 41.6% of the target.

One promising oil-and-gas-bearing site with a total area of 6 sq km, with estimated fuel resources of 1 billion tonnes of oil equivalent was prepared and handed over for deep drilling.

The following increases were achieved: 13.676 million tonnes of coal reserves and resources (67%), 1.35 conditional units of uranium (27%), 152 cubic metres of fossil raw materials (76%), 1,700 kg of amber reserves (85%), 100,300 tonnes of zirconium silicate and 275,867,000 cubic metres per annum of underground drinking water (5.5%).

The Qualitative KPIs for the National Budget Mineral Development Programme conform to the regulatory legal acts concerning geological surveys and subsurface use.

Following the implementation of the National Budget Mineral Development Programme in 2014, the total value of subsurface

resources and reserves added at the expense of State funds was Hryvnia 36,605,085,000, which is Hryvnia 405.1 per Hryvnia, and Hryvnia 15.6 — for hydrocarbons.

Funds allocated for the above-mentioned Programme in 2015 paid for the additional geological mapping of 800 sq km at 1:200,000 scale (100% of annual target) and for the additional hydrogeological mapping of 400 sq km at 1:200,000 scale (100%); geophysical bases for the geological mapping of 200 hectares and of 50 hectares covering an area of 1,000 sq km (100%) were prepared and 2 printer' s sheets of the State Geological Map were published at 1:200,000 scale (100%).

One oil-and-gas-bearing site (100%) with estimated fuel resources of 1.52 billion tonnes of oil equivalent (152%) was prepared and handed over for deep drilling. Oil-and-gas-bearing sites with an area of 22.2 sq km (370% of the annual target) were surveyed.

14.193 million tonnes of coal reserves and resources (101.4%), 1.29 conditional units of uranium resources (129%), 2.1 conditional units of gold resources (105%), 0.35 conditional units of titanium resources (119%), 1,703.9 kg of amber (142%) and 709,160 cubic metres per annum of underground drinking water (142%), were added to the country' s reserves.

10 artesian wells were drilled, groundwater monitoring was conducted at 150 points and 51 observations for exogenous geological processes were conducted.

Following the implementation of the National Budget Mineral Development Programme in 2015, the total value of subsurface resources and reserves added at the expense of State funds was Hryvnia 10,885,713.900, which is Hryvnia 121.1 per Hryvnia, and Hryvnia 17.7 — for hydrocarbons.

Over the previous period, an electronic catalogue of geological materials was created, which includes main parameters of geological reports. The catalogue is published on the web-site of the State Research and Development Enterprise "Geoinform of Ukraine" .

*Main points of the proposed medium-term approach*

To ensure the implementation of the National Budget Mineral Development Programme for 2030 with a view of adding more mineral resources and reserves and, subsequently, increasing the number of investment projects (funds) in the geological exploration market following its creation. To achieve changes in the country' s energy independence and to gradually improve the investment prospects of the geological sector; to move towards meeting demands for domestic mineral raw materials on a par with the developed European countries. To ensure Ukraine' s sustainable development by building the capacity of the domestic mineral resources sector.

To open access to geological information for subsoil users and potential investors by creating a geological information archive infrastructure, which will make it possible to expand the potential investor base and to accelerate the implementation of business projects in the subsoil use area.

To introduce amendments to legal acts regulating the use of the subsoil in order to align Ukrainian legislation with EU standards and to ensure its practical implementation. In order to improve legislation regulating the use of the subsoil, the following need to be done in 2017:

to develop the Subsoil Code of Ukraine (new edition);

to prepare a Draft Resolution of the Cabinet of Ministers of Ukraine on amending the Methodology for determining the value of mineral reserves and resources in a deposit or subsoil plot granted for

exploitation, approved by the Resolution of the Cabinet of Ministers of Ukraine of 25 August 2004 No. 1117;

to prepare a Draft Resolution of the Cabinet of Ministers of Ukraine on amending the Methodology for determining the opening price of special licences for subsoil use sold at auctions, approved by the Resolution of the Cabinet of Ministers of Ukraine of 15 August 2004 No. 1374.

## **25. Effective and safe waste treatment**

### *Main issues to be resolved*

A move towards European waste treatment practice and the introduction of the “circular economy” will help to resolve a number of general national problems linked to uncontrolled waste accumulation and disposal, large scale fly dumping, and pervasive violation of environmental requirements for waste treatment.

There is an issue regarding the renewal of the contributory status of the State Fund for radioactive waste management and ensuring that its funds are utilised exclusively for the intended purposes of developing relevant infrastructure and maintaining the security of existing radioactive waste treatment facilities.

### *Main quantitative indicators, characterising the situation*

Over 2015, the total amount of waste generated in Ukraine was 0.312 billion tonnes and the overall accumulated waste was 12.5 billion tonnes. According to an expert assessment, the amount of accumulated waste in Ukraine has reached 36 billion tonnes. Every year, around 1 billion tonnes of waste is deposited at 30 unauthorised dumps, including hazardous waste. The area of shallow land burials (sludge reservoirs, spoil heaps, ash dumps) has grown to 165,000 hectares.

Furthermore, in 2015, domestic waste generation amounted to 48 million cubic metres, and there are over 6,000 landfills in operation, which largely do not meet environmental requirements. Only around 6% of solid domestic waste is used as recyclable material resources.

*Goal to be achieved*

A transition to European waste management practice will help:

to significantly reduce waste (primarily hazardous) accumulation and storage risks, which will reduce social tension among the public who are exposed to landfills;

to introduce viable incentive mechanisms to minimise waste generation and to reduce hazard levels;

to turn waste treatment into an independent profitable industry;

to introduce innovative disposal technologies, which will make it possible to gradually reduce the amount of landfilled waste;

to improve environmental safety and to protect the human right to a safe and healthy environment;

to renew the contributory status of the State Fund for Radioactive Waste Management and to ensure its funds are used for the intended purposes.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

In the medium term: to increase recyclable material consumption by 5% per year; to reduce waste generation by 10%; to reduce the amount of illegally dumped waste by 10%; to reduce the number of illegal dumps and environmentally non-compliant landfills by 20%.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;  
the Association Agreement.

*Previous Period' s Outcomes*

Key targets under Directive No. 2008/98/EC of the European Parliament and of the Council on waste have been defined in terms of their implementation.

Under the Programme of Green Modernisation of the Ukrainian Economy implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and the EBRD project Supporting Investments in Sustainable Municipal Solid Waste Management and Recycling in Ukraine, the Ministry of Ecology and Natural Resources, the Ministry of Regional Development and the Ministry for Economic Development signed a Memorandum on Cooperation in Establishment of an Effective Waste Management System in Ukraine. Under the Memorandum, work has begun to develop the National Waste Management Strategy of Ukraine.

The Draft National Waste Inventory has been developed.

The Law of Ukraine on the Finance System for radioactive waste management at the long-term storage and disposal stage has been developed.

*Main points of the proposed medium-term approach*

To address the major task of reducing natural resource consumption by achieving maximum levels of waste recycling (for beneficial use) including waste generated at the end-of-life stage of all

materials and products made from natural resources, without any exception. The above task should be achieved by developing and adopting legislative acts regulating the transition to European waste management practice and by implementing introducing the legislation adopted.

To renew the intended purpose of the State Fund for radioactive waste management, i.e. its contributory status and to ensure that its funds are utilised exclusively for the intended purpose.

## **26. Transport regulation reform**

### *Main issues to be resolved*

#### *Railway sector:*

lack of competition on the railway transportation market;

heavy regulation of railway transportation tariffs, which makes it impossible to react swiftly to changes in the market for transport services;

lack of a performance management system.

#### *Aviation industry:*

inadequate legislation and regulation of air operators;

the current infrastructure and operations management structure does not enable efficient sector management or promote free development.

#### *Road transport sector:*

legislation regulating transport operations makes it impossible to create new routes;

loss of production and human potential within road transport companies;

lack of a free and clear procedure for attracting private capital to road construction.

*Maritime and waterway sector:*

inadequate tariff policy;

the legal framework makes it impossible to address major operational and sustainable development issues related to waterway transport;

there is no single authority responsible for river transport safety and security;

*Main quantitative indicators, characterising the situation*

In 2016, the share of gross value added from transport, storage, postal and courier activities was 6.6% of GDP.

In 2015, the number of persons employed in the transport sector was approximately 0.78 million.

The cost of services rendered in 2015 was Hryvnia 294 billion, or 5.1% of the total cost of services and goods sold in Ukraine.

In 2015, the share of transport, storage, postal and courier activities was 6.8% of the gross value added.

*Goal to be achieved*

To bring Ukrainian legislation in conformity with EU laws. To reform the public management system and to introduce new management principles in accordance with the world' s best practices. To build a free and competitive market for transport services in Ukraine.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

By the end of 2017:

to approve the National Transport Strategy of Ukraine for 2030;

to introduce a transitional structure of the Ministry of Infrastructure (MOI) based on the operational audit results performed by EU experts;

to create a logistics committee attached to the Cabinet of Ministers of Ukraine.

In the medium term:

to introduce requirements regarding the availability of resource management systems and to introduce the world's best management practices into MOI operations, public transport services and State-owned enterprises managed by the MOI;

to introduce requirements regarding the separation of infrastructure management, freight transportation and passenger transportation.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement.

#### *Previous Period's Outcomes*

The plan for administrative reform and a new MOI structure has been developed based on the operational audit performed by EU experts as part of the administrative reform.

Public procurement via the ProZorro system was enforced for State-owned enterprises under MOI management.

The Law of Ukraine of 17 November 2016 No. 1762-VIII On Amending the Law of Ukraine On the Sources of Road Funding in Ukraine with a view to improving the road sector funding mechanism was approved. It will significantly improve road funding and make it possible to renovate the road infrastructure over 5 years.

Ukraine' s national postal operator, "Ukrposhta" , completed its corporatization; the appointment of independent directors of PJSC "Ukrzaliznytsya" and "Ukrposhta" is under approval.

The State Targeted Programme of the Airport Development for the period up to 2023 was approved.

*Main points of the proposed medium-term approach*

To introduce innovative management, monitoring and control systems at MOI level and performance management systems at State-owned enterprise level.

To move towards electronic service provision.

To clearly separate and share regulatory, management and operational functions between executive authorities and enterprises.

To simplify administrative procedures and to reduce the amount of administrative fees for businesses.

*Railway sector:*

to improve the legislative framework regulating railway sector operations;

to implement structural reform of PJSC "Ukrzaliznytsya" , in particular to bring its structure into conformity with Directive of the European Parliament and of the Council No. 91/440/EC on the

development of the Community's railways and with Directive No. 2001/14/EC of the European Parliament and of the Council on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification; to ensure the transparency of financial flows within PJSC "Ukrzaliznytsya" ;

to approve new rules of equal access to general infrastructure; to facilitate the development of private transport operators.

*Aviation industry:*

to deregulate private operators' access to the market;

to introduce airport in-terminal concessions;

to sign the agreement on the Common Aviation Area with the EU.

*Road transport sector:*

to streamline and decentralize the management system;

to prepare for the handover of local motorways to local executive authorities;

to build a market for road design services;

to increase the liability of road transportation operators for violation of regulations relating to vehicle weight and dimensions;

to simplify access of transport operators to routes.

*Maritime and waterway sector:*

to re-organise the State enterprise "Administration of Seaports of Ukraine" ;

to inform the consideration of the Draft Law of Ukraine On Internal Waterway Transport by the Supreme Rada of Ukraine;

to set up the Administration for Internal Waterways by re-organising the State Enterprise “Ukrvodshlyakh” and other State-owned enterprises;

to ensure the establishment and operation of the State Service for Maritime and Waterway Transport (Ukraine’s Maritime Administration);

to ensure the successful outcome of the statutory audit by the International Maritime Organisation, which is expected to take place at the beginning of 2018.

## **27. Ensuring the quality and efficiency of transport services**

### *Main issues to be resolved*

#### *Railway sector:*

poor railway transport due to outdated plant and equipment and their inefficient utilization;

inefficient utilization of human and energy resources;

lack of resource management system.

#### *Aviation industry:*

the aviation infrastructure fails to comply with the requirements for proper maintenance of modern aircraft; inadequate service provision to passengers and air transport operators;

inability to use innovative technologies due to the insufficient size and capacity of terminals and poorly developed airport infrastructure;

inaccessibility of airports for people with disabilities, visual, hearing and mobility and other impairments.

#### *Road transport sector:*

the current state of the road network does not meet the economy' s demands. Roads require general overhaul and ongoing maintenance;

the production and human potential of Ukrainian road enterprises, both public and private, is almost completely lost;

lack of movable equipment to check vehicle size and weight; limited liability of companies, which are dispatching, transporting and receiving freight.

*Maritime and waterway sector:*

existing equipment is not energy efficient and there is a risk of disruption when maintenance and emergency repair works are required;

discrepancies between sea port depth levels and their certified characteristics, making it impossible to use coastal infrastructure at its full capacity;

port charges are higher than in other Black Sea countries, preventing Ukraine from capitalising on its transit potential;

the existing number and quality of river vessels make it impossible to fully meet the demand for freight transport.

*Main quantitative indicators, characterising the situation*

According to the World Bank Logistics Performance Index, Ukraine ranks 80th out of 160 countries, with a score of 2.74, while India' s LPI score is 3.42.

On average, transport accounts for 12.1% of the total value of goods.

The most transport dependent are agricultural products (27.3%), metal goods (10.7%), coal (6.8%), oil (10.7%), gas (5%), retail goods

(12.4%), postal and communication services (6.3%), public administration and defence industry (7%).

Ukraine has 20,954.2 km of railways, 1,562.6 km of inland waterways, and 169,643 km of public motorways.

*Goal to be achieved*

To integrate Ukraine' s transport system into the international transport system.

To introduce innovative management, monitoring and control systems at MOI level and performance management systems at State-owned enterprise level under MOI management.

To achieve world-class quality and efficiency of transport services by introducing free and fair market competition, and providing free access to transport infrastructure for private transport operators.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

By the end of 2017:

to introduce a single hub for the provision of administrative service electronically by enterprises under MOI management and by central authorities, whose activities are directed and co-ordinated by the MOI;

to approve a plan for the modernisation and technical re-equipment of PJSC "Ukrzaliznytsya" with a clear definition of the areas for action and sources of funding;

to create the conditions for concession management of infrastructure facilities;

to create an inspection system to control vehicle size and weight.

In the medium term:

to introduce a new procedure for tariff-setting based on the actual expense structure; to ensure free pricing in competitive market sectors for transport services;

to ensure consistency between actual sea port depths in Ukraine and their certified depths;

to renovate shipping locks in Ukraine; to ensure lock modernisation projects are prepared;

to improve public road conditions;

to lift restrictions on the number of airlines and flights serviced by them between Ukraine and EU countries, on a parity basis;

to sign the Agreement on the Common Aviation Area with the EU.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Programme of Activities of the Cabinet of Ministers of Ukraine;  
the Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement.

#### *Previous Period's Outcomes*

The Law of Ukraine of 17 January 2017 No. 1812-VIII On Amendments to Certain Legislative Acts of Ukraine relating to the introduction of an automated system of fare collection in municipal public transport was adopted.

The air carrier market liberalisation policy has been implemented; terms for operators' activities have been improved.

The budget programme specifications have been approved, which provide for the purchase of 79 mobile vehicle size and weight control units.

During June-November 2016, as the result of checks, the traffic of oversize/overweight vehicles towards Ukraine' s southern ports was stopped.

Co-operation has begun with the Kingdom of the Netherlands to develop the River Dnipro. It will result in a detailed economic analysis of river transportation in Ukraine, identification of bottlenecks and investment in waterway infrastructure.

Draft Resolution of the Cabinet of Ministers of Ukraine On Establishing the Maritime and River Transport Service of Ukraine has been prepared and is under consideration by the relevant ministries.

In summer 2016, a group of US engineers conducted an engineering evaluation of the Dnipro' s five navigation lock structures and prepared the relevant assessment report.

*Main points of the proposed medium-term approach*

To streamline the organisation and financing of socially important passenger transport.

To create an effective railway management model; to prepare and create a central executive body, responsible for implementing the government' s railway transport policy.

To develop and approve new methods for calculating tariff components for rail transportation (infrastructure, locomotive and carriage/wagon components).

To bring airport infrastructure into conformity with international requirements through its modernisation. To keep aerodromes and aerodrome facilities in State ownership and to introduce an effective

public asset management system; to renovate the airport infrastructure in Eastern Ukraine.

To gradually restore the performance characteristics of the road network.

To create the conditions for the operation of an open passenger transportation market.

## **28. Attracting funds to the transport industry**

### *Main issues to be resolved*

#### *Railway sector:*

The heavy financial burden on PJSC "Ukrzaliznytsa" since it is responsible for the fulfilment of the State's social functions;

chronic lack of investment in the industry, as a result of which most of its plant and equipment is worn out (over 80%) and the railway fails to comply with modern technical requirements;

poor investment appeal of railway transport enterprises due to the complex operational structure of PJSC "Ukrzaliznytsa" ; lack of a clear separation of financial accounts between businesses.

#### *Aviation industry:*

terminal management has been handed over to private investors, while airport maintenance, repair and modernisation are the responsibility of municipal enterprises;

the lack of own funds and local budget funds. The majority of airports only maintain their certification, while reconstruction and modernisation are carried out at the expense of public funds.

#### *Road transport sector:*

no control mechanism over the efficiency of spending;

no control mechanism over the quality of renovation.

*Maritime and waterway sector:*

virtual absence of the right environment for private investments;

funding of lock structures at the expense of funds allocated from the State budget on the basis of government orders (during 2009-2017, the amount of funds provided for navigation lock operations was on average 25-33% of the amount of expenditure required).

*Main quantitative indicators, characterising the situation*

In 2016, budget expenditure on transport was Hryvnia 29.2 billion, or 3.32% of Ukraine' s total consolidated expenditure budget. 52% was financed from the State budget and Hryvnia 13.9 billion was provided from local budgets.

Hryvnia 39 billion per year is required for motorway repairs alone, and by 2012, PJSC "Ukrzaliznytsya" plans to spend Hryvnia 108 billion on repair and purchase of rolling stock.

Capital investment in transport was Hryvnia 24,616.7 million in 2016, including Hryvnia 8,727.8 million in storage and ancillary services and Hryvnia 14,957.2 million in pipeline transportation.

*Goal to be achieved*

To develop a clear programme of investment in transport infrastructure according to the priorities defined in the national transport strategy and to monitor its implementation.

To facilitate investment of private capital in infrastructure and rolling stock by reducing investment risks.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To raise an additional US \$ 200 million in international loan and private investment funds for the development of transport infrastructure and rolling stock and improvement of services.

To introduce a transparent system for the justification, adoption and implementation of decisions on public procurement and orders with the participation of international organisations.

To introduce a system for the publication of financial and operational information concerning State enterprises under MOI management.

To set port charges at competitive levels.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement.

#### *Previous Period's Outcomes*

Loan facility agreement on the electrification of the Dolynska-Mykolayiv-Kolosivka railway line was signed with the European Investment Bank. Work has begun to raise loan funds from international financial organisations for the modernisation of PJSC "Ukrzaliznytsa" ' s locomotive fleet, lock reconstruction and dredging of the Dnipro and for the creation of a traffic control system.

Work is in progress to attract investments into ports and to ensure transparent and equal conditions for all market participants.

Due to the adoption of a number of legislative acts, local executive authorities have better opportunities and legal grounds for financing the repair and construction of public motorways. Measures have been taken to facilitate the necessary co-operation with local executive authorities. In 2015, Hryvnia 501.2 million was paid from local budgets for public road works and Hryvnia 1,964.6 in 2016.

As a result of the experiment to allocate unscheduled revenue from Customs duties for public road reconstruction, Hryvnia 317.3 million was allocated for road reconstruction in the Volyn, Lviv, Odesa and Chernivtsi Oblasts from the Oblast budgets in 2015 and Hryvnia 1,568.1 — in 2016.

Cooperation with international financial organisations continues within the framework of joint projects. Under the Road Sector Development Project (Third Road and Road Traffic Safety Improvement Project) (US \$ 560 million), the Loan Agreement and other relevant documents were signed on 19 November 2015. The Fifth Project on improvement of road transport and operating conditions was presented to the European Bank of Reconstruction and Development and the European Investment Bank.

*Main points of the proposed medium-term approach*

To create the right environment for attraction of private investments to rail transport.

To develop a new State system to regulate rail transportation, the necessary subordinate legislation and procedures for new participants to enter the rail transportation market.

To ensure the transparency of financial flows within PJSC “Ukrzaliznytsya” .

To move from funding of the road sector from “surplus” to planned funding, while having a clear understanding of the condition of the road network in the medium and long-term.

To create a road fund and to ensure its operation.

To create the necessary environment to enable the operation of an open passenger transportation market.

To attract large-scale private investment in the development of sea and river port terminals on a public-private partnership basis.

To create the right conditions for concession management of aviation infrastructure facilities;

To create the right environment to attract private investment in the development of terminal facilities.

To develop a mechanism to attract investment in the aerodrome infrastructure at airports.

To renew operations at regional airports.

## **29. Introducing a modern transport safety system**

### *Main issues to be resolved*

#### *Railway sector:*

non-compliance of national standards with European standards;  
existing outdated infrastructure and rolling stock, leading to increased risks and reducing traffic speed and density.

#### *Aviation industry:*

failure to ensure the necessary level of flight safety and aviation security due to the current technical conditions at airports;

lack of aerodrome equipment, aviation ground equipment, passenger service facilities, luggage and cargo handling facilities in accordance with international civil aviation regulations;

inability to resolve airports' land issues and to update infrastructure;

non-compliance of the majority of aerodromes with requirements related to proper maintenance of modern aircraft, in particular, wide-bodied aircraft.

*Road transport sector:*

road surface destruction, especially during summer and on the roads leading to Ukrainian southern ports due to the traffic of heavy vehicles, exceeding the set weight parameters (sometimes, by several times);

limited liability of companies, which are dispatching, transporting and receiving freight;

no road traffic accident monitoring and risk management system.

*Maritime sector:*

failure to meet commitments and obligations as a flag, port and littoral State under international conventions ratified by Ukraine;

lack of a single body (State Maritime and River Transport Agency), responsible for vessel traffic safety;

substandard navigation lock structures, bordering on unsafe;

*Main quantitative indicators, characterising the situation*

Over 2005-2016, the annual number of fatalities on the roads decreased from 7,229 to 3,187 (55.9%). However, number of deaths in aircraft accidents still is twice as high as in Europe: 7.5 fatalities per 100,000 population (in the 28 EU countries, the average is 5.1% fatalities per 100,000 population).

In 2016, there were 25,547 road accidents and 35,266 people were injured.

According to the World Bank, losses due to traffic incidents are US \$ 4-5 billion per year.

In 2016, emissions of harmful substances into the atmosphere were 4,521,000 tonnes, with moving traffic accounting for 1,663,900 tonnes (73.2% of emissions were motor vehicle emissions).

### *Goal to be achieved*

To introduce a system to monitor traffic, infrastructure quality and traffic accidents; to accumulate statistics; to introduce transport risk management system.

To bring national transport safety standards into conformity with EU standards.

To develop and introduce a national transport risk management system.

### *Quantitative Targets to be achieved*

#### *by the end of 2017 and in the medium term*

To reduce the number of transport-related injuries by 10% by introducing an electronic traffic monitoring and transport risk management system and geographic information systems;

to increase the number of movable equipment units to control vehicle size and weight from 34 to 112;

to ensure a depth of 3.65 m on the Dnipro;

to renovate and modernize all six navigation locks.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;  
the Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;  
the Association Agreement.

*Previous Period's Outcomes*

On 16 January 2017, the State Aviation Administration of Ukraine and the European Commission signed an arrangement on the convergence of certification systems. It set out specific tasks and measures for the reconstruction and modernisation of aviation transport infrastructure and to bring it into line with international standards.

On 21 March 2017, the Supreme Rada of Ukraine passed the Law of Ukraine On the State Programme for Aviation Safety of Civil Aviation.

On 17 November 2016, the Supreme Rada of Ukraine passed the Law of Ukraine On Amending the Law of Ukraine On the Sources of Road Funding in Ukraine with a view to improving the mechanism for road sector funding and the Law of Ukraine On Amending the Budget Code of Ukraine with a view to improving the road sector funding mechanism. They provide for the creation of a State road fund within the State budget to ensure funding of the road sector in accordance with scientifically justified needs.

The above Laws will help to improve road safety and traffic management (road signs, lighting, marking, barriers, etc.), since 5% of the fund will be spent on road traffic safety.

In order to ensure the submission of proposals with respect to the legal and organisational framework for road traffic safety reform, an interagency road safety reform task force was set up (Ordinance of the Cabinet of Ministers of Ukraine of 9 November 2016 No. 938).

*Main points of the proposed medium-term approach*

To improve the certification and licensing system by creating independent agencies to prepare, evaluate and enforce transport safety legislation.

To bring licensing and certification safety regulations into conformity with EU standards, regulations and directives.

To introduce a transport risk management system.

To take actions to ensure vessel traffic safety; to conduct necessary dredging works.

To take actions to ensure compliance by road transportation operators with vehicle size and weight requirements.

To vest the responsibility for local road conditions in local executive authorities.

### **30. Ensuring urban mobility and regional integration**

*Main issues to be resolved*

*Railway sector:*

disastrously loss-making suburban rail services and their subsidisation by funds from freight services;

no suburban services procurement system is available to territorial communities;

a large number of reduced-fare passengers using suburban transport services, making it impossible to achieve its economic viability;

inadequate infrastructure and rolling stock, lack of traffic monitoring and performance measurement system.

*Aviation industry:*

a large number of internal flights;

the inadequate licensing system for operators prevents low-cost airlines from entering the Ukrainian market and makes it impossible to attract foreign investments.

*Road transport sector:*

No new routes have been opened since 2013 due to the country's inability to comply with certain standards that have been introduced. Therefore, road transport operators operate in an environment, where the route network and the number of routes have not been changed in four years;

there is no system for compensating transport operators' expenses in transporting concessionary passengers.

*Maritime sector* — passenger transportation by river transport is virtually non-existing.

*Main quantitative indicators, characterising the situation*

In 2015, there were 3,300 km of trolleybus lines, 1,600 km of tramway lines and 112,300 km of underground lines in Ukraine. In 2016, the number of passengers carried by local transport was 2,431.1 million, of which 694 million were carried by tramways, 1,038.7 million — by trolleybuses, and 698.4 million — by the underground.

According to Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Ukraine requires EUR 13.5 billion in investments in order to improve local transport to a satisfactory level. The larger part of those funds (over 50%) is required for tramway modernisation.

*Goal to be achieved*

To improve Ukraine's local and regional infrastructure in accordance with its population mobility requirements in order to ensure their human rights to free movement and to free movement of their assets.

To decentralise the suburban rail transport procurement system by handing this function over to local communities;

To simplify access transport operators' access to routes; to cancel the point system of transport operator assessment for routes in and between oblasts; to enable transport operators to open new routes under a simplified procedure; to transition to contractual terms of cooperation with bus stations; to regulate bus station charges.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To agree 26 lists of local roads to be handed over to local executive authorities.

To increase the number of operating bus stations and bus terminals and the number of transport operators engaged in regular transport of passengers, by 10%.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;  
the Strategy for Sustainable Development "Ukraine-2020" adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement.

*Previous Period' s Outcomes*

The Law of Ukraine of 17 January 2017 No. 1812-VIII On Amendments to Certain Legislative Acts of Ukraine concerning the introduction of an automated system of fare collection in municipal public transport was adopted. It will improve the service, ensure the transparency of cash flows from ticket sales, create a favourable investment environment and enable the development of public-private partnerships.

The air carrier market liberalisation policy has been implemented; terms for operators' activities have been improved. The Cabinet of Ministers of Ukraine prepared a Draft Resolution On Amending the Competition Procedure for passenger transport operations on public bus routes approved by the Resolution of the Cabinet of Ministers of Ukraine of 3 December 2008 No. 1081 and a Draft Resolution On Amending the Rules for the provision of passenger road transport services approved by the Resolution of the Cabinet of Ministers of Ukraine of 18 February 1997 No. 176, which are directed at liberalisation and deregulation of passenger road transport services.

*Main points of the proposed medium-term approach*

To further promote the right to free and affordable movement by devolving infrastructure management and transport procurement functions to local self-government authorities at the appropriate level.

To liberalise the transportation market in order to create competition between regional transport operators.

To integrate urban and regional transportation with inter-regional infrastructure, to introduce multimodality to the regional transportation market.



## II. EFFECTIVE GOVERNANCE

### 1. Public administration reform

#### *Main issues to be resolved*

Ukraine' s public administration system fails to meet the country' s needs in complex reforms of various public policy areas, its European aspirations and EU good governance standards. This is demonstrated by Ukraine' s low rankings in global competitiveness indexes related to public administration.

The main problems that need to be addressed through public administration reform are:

inadequate quality of various public policies and the regulatory and legal framework (policy making and development of legislative acts on the basis of in-depth analysis, public engagement, integrity and consistency of actions and decisions of the Cabinet of Ministers of Ukraine as a whole);

insufficient capacity of the Cabinet of Ministers of Ukraine in strategic planning;

no medium-term budget planning system linked with strategic policy planning;

shortages of highly-qualified staff in leadership and other positions in public service, who are critical in the development and implementation of national reforms and capable of meeting the challenges posed by the reforms in various areas;

inadequate human resource management in ministries and other central executive authorities, no automated human resource management system;

no clear mission definition (the main purpose for which a central executive authority was established), unclear definition of the

responsibilities and tasks of ministries and other central executive authorities;

complicated internal structure of ministries;

partial overlapping of mandates;

inefficient organisation of central executive authorities, which are not under the management of relevant ministers;

lack of standardized basic principles and safeguards to protect rights of citizens and legal entities within administrative procedures (no law on administrative procedures);

the need to further develop administrative service hubs;

excessive administrative burden on citizens and legal entities;

poor performance of basic electronic registers; no acceptable technical solution to ensure interoperability of governmental systems; poor quality of electronic services for citizens and legal entities;

*Main quantitative indicators, characterising the situation*

Ukraine' s ranking in key good governance indexes and ratings is still poor.

Ukraine' s ranking in key indexes

Index	2015	2016
Public institutions' performance	130	132
Public sector performance	119	114
Public policy transparency	98	99

Effective governance (Prosperity Index)	120	128
Effective governance (World Bank)	125	137

To date, 682 centres have been created and become operational in Ukraine, of which: 208 centres have been created by local self-government authorities, including 35 territorial subdivisions; 474 centres have been created by local State administrations, including 5 territorial subdivisions. Also, 11 remote locations for hub administrators have been created by local self-government authorities.

*Goal to be achieved*

To identify and strengthen the general management and administrative capabilities of government machinery on the basis of good governance principles and best practice of the EU Member States, to turn it into an effective tool helping to ensure the continuous and sustainable development of our country as well as to satisfy the needs of Ukrainian citizens.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

An expected outcome of the public administration reform will be the improvement of Ukraine's public administration indicators.

Ukraine's ranking in key indexes

Index	2018	2020
Public institutions' performance	above 70th	above 50th

Public sector performance	above 70th	above 50th
Public policy transparency	above 70th	above 50th
Effective governance (Prosperity Index)	above 70th	above 50th
Effective governance (World Bank)	above 70th	above 50th

#### Quantitative targets

Indicator	2017	2020
Appointing reform experts through a competitive process taking account of candidates' professional competencies, personal qualities and achievements, %	80	100
Creating modern human resource management services in central executive authorities, %	70	100
Ensuring functionality of relevant modules of the integrated human resource management information system in order to conduct competitive selection of candidates for public service jobs, proportion of executive authorities using the system, %	10	70
Conducting a horizontal functional analysis of the central executive authority system, %	70	100
Proportion of central executive authorities, which are under direct	8	0

Indicator	2017	2020
management of the Cabinet of Minister of Ukraine, %		
Proportion of administrative service hubs, which meet legal requirements, %	35	80

*How of the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents and international commitments*

the priority is consistent with:

The Programme of Activities of the Cabinet of Ministers of Ukraine;  
the Strategy for Sustainable Development Ukraine-2020 adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement;

the Public Administration Reform Strategy for 2016-2020, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 24 June 2016 p. No. 474.

*Previous Period' s Outcomes*

The new Law of Ukraine On Public Service came into force.

The Cabinet of Minister of Ukraine and the National Public Service Agency of Ukraine (NPSA) adopted 36 regulatory and legislative acts required for the implementation of the new Law of Ukraine On Public Service.

The Commission on the Senior Civil Service was created. It held 134 competitions to select candidates for category A public service jobs.

The President of Ukraine and the Cabinet of Minister of Ukraine appointed 64 successful applicants to category A public service jobs, and 17 of them — as State secretaries.

The Cabinet of Ministers of Ukraine approved the Public Administration Reform Strategy for 2016–2020 and its implementation action plan (Ordinance of the Cabinet of Ministers of Ukraine of 24 June 2016 No. 474), which includes 158 measures with clear indicators and timeframes.

The Public Administration Reform Co-ordination Council was created, consisting of 24 members. It held two meetings.

The Cabinet of Ministers of Ukraine approved the Concept of Reform Expert Posts, which covers 19 ministries and the Secretariat of the Cabinet of Ministers of Ukraine.

A financing agreement to support Ukraine's public administration reform was signed with the EU worth EUR 104 million.

*Main points of the proposed medium-term approach*

The complex public administration reform involves work in three key areas.

First area: to improve the performance of the Government, ministries and other central executive authorities, in particular:

to introduce modern methods of public policy-making;

to renew operating procedures used by the Cabinet of Ministers of Ukraine;

to develop a strategic planning, monitoring and assessment system;

to relieve the Cabinet of Ministers of Ukraine of non-core powers;

to optimise standard internal procedures within central executive authorities.

Second area: to streamline the overall system of central executive authorities and to optimise organisational structures of central executive authorities, in particular:

to introduce a new structure of the Secretariat of the Cabinet of Ministers of Ukraine and a standard ministry structure;

to define clear missions and mandates of ministries;

to optimise public administration functions (to eliminate overlapping and to relieve central executive authorities of non-core functions);

to harmonize cross-cutting and horizontal functions;

to introduce a model for interaction between deputy ministers and State secretaries.

Third area: to increase human potential within public authorities, in particular:

to introduce reform expert posts within ministries;

to improve the competitive recruitment procedures for public servants;

to reform the training and professional development system for public servants;

to create modern human resource management services;

to reform the remuneration system for public servants.

The tasks and measures and the deadlines and indicators for them are defined in the Public Administration Reform Strategy of Ukraine for 2016-2020 and its implementation action plan.

## **2. E-Government development**

*Main issues to be resolved*

The current state of affairs in public services and public administration as a whole is indicative of their inefficiency, lack of transparency and accessibility for natural and legal persons, and requires immediate reforms to improve the situation. The best way to achieve this is to introduce E-Government tools.

*Main quantitative indicators, characterising the situation*

According to the latest UN research (United Nations E-Government Survey 2016) concerning the development of E-Government (E-Government Development Index), Ukraine ranks 62nd out of 193 countries, which indicates that Ukraine falls significantly behind the rest of the world as far as E-Government is concerned, and that there is a need to improve its public policy in this area.

To date, the necessary conditions for the development of E-Government have been created in Ukraine, in particular:

pilot e-services (around 30) have been introduced and the Unified State Administrative Services Portal has been created;

a unified State open data portal has been introduced with over 1,000 registered information holders and 10,000 published data sets, 70% of which are of poor quality;

electronic document exchange between central executive authorities was enabled;

interoperability between basic state registers was enabled, and the development of alternative electronic means of identification and E-Democracy tools was initiated.

*Goal to be achieved*

To develop an effective E-Government system in Ukraine in line with the interests and needs of natural and legal persons; to improve

the public administration system; to enhance competitiveness and to drive social and economic development of Ukraine by introducing priority electronic services in all spheres of public life; to publish high quality data sets as open data; to ensure interoperability between State electronic information resources; to ensure the development of an electronic document management system and an electronic identification system; to develop E-Democracy.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To move Ukraine up in the E-Government Development Index to the TOP-40 (UN) and to the TOP-50 by the end of 2018.

To create a unified database of consular acts and fees, "E-consul".

Indicator	2017	2018	2019	2020
Provision of priority electronic services	20	20	30	30
Publishing priority data sets as open data	5,000	8,000	15,000	22,000
Interoperability of basic State registers	15	15	15	15

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Public Administration Reform Strategy for 2016-2020, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 24 June 2016 No. 474;

the Concept for the development electronic services in Ukraine approved by the Ordinance of the Cabinet of Ministers of Ukraine of 16 November 2016. No. 918;

the Association Agreement.

#### *Previous Period' s Outcomes*

During 2014 – beginning of 2016, around 30 electronic services were introduced and a pilot version the Unified State Administrative Services Portal was updated and launched.

The Special Law of Ukraine of 9 April 2015 No. 319-VIII On Amendments to Certain Laws of Ukraine concerning access to public information published as open data was passed and the Resolution of the Cabinet of Ministers of Ukraine of 21 October 2015 No. 835 On Approval of the Regulation on Data Sets to Be Published as Open Data was approved.

During 2016, 10 priority electronic services were launched, the Concept for the development of electronic services in Ukraine was approved, actions were taken to enable Ukraine's accession to the Open Data Charter, over 10,000 data sets were published as open data, and an electronic document exchange between central executive authorities and interoperability between basic registers were enabled.

The process of automating consular services is under way, which involves connecting Ukraine's foreign missions (so far, 110 out of 114 Ukrainian foreign missions have been connected) to the MFA's internal information system with a view to enabling the centralised processing of applications for Ukrainian biometric external passports, diplomatic passports and service passports and integrating consular registers of

Ukrainian nationals (permanent and temporary) into the MFA's centralised internal information system; installation of POS-terminals to enable non-cash payments for consular services (to date, POS-terminals have been installed in 27 offices, the MFA and at Borispil and Kyiv (Zhulyany) airports. A customer flow management system has been developed (a pilot system was installed at the Apostille, Legalisation and Document Requisition Department of the MFA's Consular Service).

*Main points of the proposed medium-term approach*

To introduce at least 100 priority electronic services in all areas of public life, including at least 20 priority electronic services to be made available in 2017 via the Unified State Administrative Services Portal in accordance with EU requirements.

To publish at least 50,000 data sets as open data and to support the development of community-based and commercial projects based on them, including as many as 5,000 data sets and 10 projects in 2017. To update the unified State open data web-portal and to improve the quality of open data, services and related projects during 2017.

To make at least 60 basic State registers and databases interoperable, including 15 priority registers in 2017.

To introduce internal electronic document management systems in all central executive authorities as well as an interdepartmental electronic document management system connecting central and local executive authorities with local self-government authorities; to connect legal entities to governmental electronic document management systems in 2017.

To ensure availability of user-friendly and secure means of electronic identification, including an integrated electronic identification

system and an authentication and electronic signature system based on mobile technologies (MobileID) in 2017.

To approve the Concept and the Roadmap for E-Government development with a view to empowering citizens to effectively influence public administration processes through the use of E-Democracy tools.

To complete the automation of consular services provision.

### **3. Decentralisation**

#### **Creating a new territorial framework for the activities of local self-government authorities**

##### *Main issues to be resolved*

The activities of local self-government authorities in Ukraine are based on its administrative and territorial structure. In spite of numerous modernisation attempts, Ukraine's administrative and territorial structure has not been transformed into a system that complies with the subsidiarity principle. The current administrative and territorial structure of Ukraine does not always enable local self-government authorities to exercise their legal powers, to deliver quality services to citizens, to ensure their availability and to promote sustainable social and economic development of the relevant territories. To achieve this, it is necessary to create a self-sufficient primary unit of local self-government, a territorial community, which would have the necessary material and financial resources and infrastructure to effectively perform the functions entrusted to it.

The main shortfalls in Ukraine's administrative and territorial structure, which have a considerable impact on the effectiveness of Ukraine's territorial organisation are:

excessive fragmentation of administrative and territorial units, primarily village councils, which results in a lack of necessary resources to enable them to fully exercise their legal powers and deliver quality services to their population;

random nature of the territorial structure: the existence of enclaves, exclaves and uncertainties regarding the borders between various administrative and territorial units;

largely disproportional levels of social and economic development between different territorial units;

Ukraine's outdated form of administrative and territorial structure, which is not up to modern challenges;

lack of legislation to support the creation of a new territorial framework for the activities of local self-government authorities.

Preserving the existing disproportionality within the administrative and territorial system as a basis for the irrational territorial organisation of the government (basic administrative and territorial units not covering a continuous territory, a village or urban territorial community assigned to another administrative and territorial unit or located within the territory of another administrative and territorial unit or district territorial communities located within cities) creates a conflict of competence both between local self-government authorities and between local self-government authorities and local executive authorities, and therefore results in inadequate organisation of regional and local government and ineffective management of social development within their respective territories.

*Main quantitative indicators, characterising the situation*

The number of administrative and territorial units (village, town and city councils), which have merged into capable territorial communities was 784 (7%) in 2015 and 17% in 2016.

*Goal to be achieved*

To create capable territorial communities and to support their development.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Indicator	2017	2018	2019	2020
To develop socially and economically justified long-term plans for the development of capable communities, % of annual requirements	100	100	100	100
Proportion of local communities which have merged into basic-level capable territorial communities, %	50	70	90	100
To ensure access to administrative services in capable territorial communities:				
proportion of administrative service centres, which meet the requirements defined by legislation;	35	50	65	80
proportion of administrative service hubs, through which compulsory administrative services are provided, %;	70	80	90	100
proportion of users satisfied with the quality of services provided via administrative service hubs, %;		40		70

To ensure the nation-wide provision of high-quality standardized administrative, social and other services of to communities (in particular, services related to architectural and construction supervision), %	50	100
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*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Strategy for Sustainable Development Ukraine-2020 adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement;

the Concept for reforming local self-government and the territorial organisation of government in Ukraine approved by the Ordinance of the Cabinet of Ministers of Ukraine of 1 April 2014 No. 333.

*Previous Period's Outcomes*

Since the adoption of the Law of Ukraine On the Voluntary Merger of Territorial Communities, 366 territorial communities in Ukraine were merged and held elections during 2015-2016: 159 of them in 2015 and 207 – in 2016.

Altogether, around 2,000 village, town and local councils merged into territorial communities.

In 2017, elections were scheduled in an additional 47 newly-merged territorial communities.

*Main points of the proposed medium-term approach*

Actions to resolve the problem:

to promote the formation of capable, voluntary merged territorial communities;

to provide State support to voluntary mergers of territorial communities;

to develop legislation to support the creation of a new territorial framework for the activities of local self-government authorities;

to form a three-level administrative and territorial system within Ukraine: basic (administrative and territorial units of "communities"), district and regional;

to create a sound territorial framework for the activities of local self-government authorities, which is able to ensure accessibility and quality of administrative and public services provided by them;

to develop a legislative framework to support the activities of local self-government authorities and local executive authorities on the basis of the new territorial system, where their powers and resources are clearly defined;

to create the necessary material, financial and organisational conditions for local self-government authorities to exercise their own and delegated powers.

To develop legislation, which provides for the mandatory adoption by local self-government authorities of territorial community statutes, which regulate their members' participation in self-governing activities, their relations with other local self-government authorities and relations between their officials and civil society institutions, and defines the status of a local self-organised body.

**The division of powers between local self-government authorities and executive authorities (sectoral decentralisation)**

*Main issues to be resolved*

The current self-government system does not meet society's needs. The activities of local self-government authorities in the majority of merged territorial communities do not support the creation and maintenance of a favourable living environment, necessary for balanced personal development and fulfilment, for the protection of human rights and for the provision by local self-government authorities as well as by their institutions and organisations of high-quality and accessible public services within their respective territories.

As local self-government authorities fail to provide quality public services to the population, local executive authorities, including local State administrations, perform functions falling outside their remit, which results in:

direct intervention by government in the affairs of merged territorial communities contrary to some international legislative and regulatory acts;

conflicts between oblast (district) councils and oblast (district) State administrations with regard to delegated powers.

Currently, the following problems require an effective and swift resolution:

poor quality and availability of public services due to the inability of the majority of local self-government authorities to exercise their own and delegated powers due to lack of resources;

the lack of State standards for public service provision.

There is a need to improve the professional skills of officials employed by local self-government authorities; this lack of professionalism is caused by the poor competitiveness of local self-

government authorities on the labour market and low regard for these jobs, which results in poor management decisions.

The availability and good quality of public services must be guaranteed by ensuring an optimal division of powers between local self-government authorities and executive authorities at all levels of the administrative and territorial system, based on the principles of subsidiarity and decentralisation.

It is important to improve co-ordination of the sectoral decentralisation processes.

Decentralisation of government as a major principle of good local self-governance, local self-governance reform and sectoral reform should follow the same direction and be consistent with each other.

An important task is to form an optimal network of educational and health service institutions at relevant levels of the administrative and territorial structure. Considering that the majority of these institutions are in communal ownership and the decisions on their maintenance, development or reorganisations will be taken by local self-government authorities, it is important for government to have clear requirements in relation to the volume, level and quality of their services.

*Main quantitative indicators, characterising the situation*

During 2015-2016, 1740 village, town and city councils voluntarily merged into 366 territorial communities, which, according to the Budget Code of Ukraine, went into direct inter-budget relations with the State Budget and were given powers of cities of Oblast subordination.

The new model of financing local budgets provided more incentives for increasing their income basis.

*Regarding local budgets.* In 2016, tax and fee revenues of local budgets increased by 41.7% in comparison with 2015, with a gain of

Hryvnia 50.3 billion, while their share in the total consolidated revenues increased from 18.5% to 21.8%.

Revenues to local budget general funds were Hryvnia 146.6 million (110.7% of annual turnover approved by local councils), with gains of Hryvnia 44.4 billion (45.1% compared with 2015).

*Regarding budgets of merged territorial communities.* In 2016, 159 merged territorial communities moved towards direct intergovernmental fiscal relations with the State Budget. Revenues of these merged territorial communities in 2016 (taking account of transfers from the State Budget) increased by a factor of nearly seven in comparison with the 2015 revenues of councils that had merged into territorial communities. Own budget revenues of merged territorial communities increased almost threefold (from Hryvnia 1.1 billion to Hryvnia 3.3 billion); and per capita revenues increased almost threefold from Hryvnia 700 to Hryvnia 2,345.

The Law of Ukraine On the State Budget of Ukraine for 2017 provided for the allocation of Hryvnia 1.5 billion in total to all merged territorial communities (as government grants for the development of infrastructure) (Hryvnia 1 billion in 2016).

Also, Hryvnia 3.5 billion were allocated from the 2017 State Budget to the State regional development fund to support local self-government authorities and Hryvnia 4 billion – as government grants for social and economic development of territories.

The State Budget provided for a Hryvnia 8.1 billion increase in the education grant (from Hryvnia 44.5 million in 2016 to Hryvnia 52.6 billion in 2017) and a Hryvnia 11 billion increase in the medical grant (from Hryvnia 44.8 billion in 2016 to Hryvnia 55.5 million in 2017).

The 2017 State Budget provided for the allocation to local budgets of an additional Hryvnia 14.9 billion as health and education subsidies from the State Budget.

Powers related to architectural and construction supervision were decentralised and urban planning legislation was improved (*for reference*: out of 49 local self-government authorities, which had assumed those powers as at December 2016, there was one merged territorial community, the Yuvileyna Village Council in Dnipropetrovsk Oblast):

powers to provide administrative services related to the issue of licences and clearances were delegated to local authorities;

powers to provide administrative services via administrative service hubs were delegated to local self-government authorities, etc.:

- registering and deregistering residential addresses of natural persons within the limits of a relevant administrative and territorial unit;

- State registration of legal entities and self-employed natural persons;

- State registration of titles to immovable property and charges on such property;

- provision of information from the State Land Registry;

in the social services area, almost 20 merged territorial communities became founders of social services hubs.

#### *Goal to be achieved*

To form an effective local self-governance system and a territorial organisation structure of the government with a view to creating and maintaining a productive living environment for citizens and providing high-quality and accessible public services. To strengthen the legal framework for the local self-governance system by defining the status of a territorial community.

#### *Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

To create administrative service hubs: in 2017, in 20% of merged territorial communities, in 2018 — 50%, in 2019 — 80% and in 2020, in all merged territorial communities.

To delegate basic and regional level powers to local self-government authorities powers in accordance with the Concept for the reform of local self-government and the territorial organisation of the government in Ukraine.

To ensure that 25% local self-government authorities exercise their powers relating to architectural and construction supervision in 2017, 50% — in 2018, 75% — in 2019 and in 2020 — in all merged territorial communities.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Strategy for Sustainable Development Ukraine-2020 adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the Association Agreement;

the Concept for the reform of local self-government and the territorial organisation of the government in Ukraine approved by the Ordinance of the Cabinet of Ministers of Ukraine of 1 April 2014 No. 333.

*Previous Period' s Outcomes*

The powers of local self-government authorities were expanded in the field of architectural and construction supervision relating to the issue of pre-construction and construction permits and acceptance of completed projects, which may be provided through administrative service hubs (The Law of Ukraine of 9 April 2015 No. 320-VIII "On

Amendments to Certain Legislative Acts of Ukraine in relation to the decentralisation of powers relating to architectural and construction supervision and improving urban planning legislation).

Amendments were introduced to the Law of Ukraine On the Regulatory Approval System for Economic Operations, according to which approval centres within administrative service provision centres were eliminated as of 4 October 2015, with permits and approvals being issued via administrators at administrative service hubs.

A number of laws were adopted to expand the powers of local self-government authorities and optimise the provision of administrative services via administrative service hubs, in particular registering and deregistering residential addresses of natural persons within the limits of a relevant administrative and territorial unit; State registration of legal entities and self-employed natural persons, State registration of titles to immovable property and charges on such property; provision of information from the State Land Registry.

*Main points of the proposed medium-term approach*

Actions to resolve the problem:

to divide powers within the system of self-government authorities and local executive authorities on the basis of the subsidiarity principle;

to finalise the creation of a legislative and regulatory framework to support the activities of local self-government authorities and executive authorities with due regard to the constitutional reform;

to introduce State standards of public service provision;

to build an optimum network of educational and health service institutions at the appropriate levels;

to prevent overlapping of powers, functions and tasks of local self-government authorities and executive authorities (to optimise the

structure and limit the number of district administration employees taking account of newly created merged territorial communities, the territory of which covers half or more of the relevant district area); to put forward proposals on ways to ensure the exercise by district councils of their legal powers in areas where the territory of merged territorial communities covers half or more of the relevant district area);

to introduce mechanisms of public control over the legality of decisions made by local self-government authorities and over the quality of administrative and social services provided to the population;

to ensure maximum engagement of the population and the expert community in the process of managerial decision-making, to promote the development of democratic processes and professional self-regulation.

#### **4. Public finance management reform**

##### *Main issues to be resolved*

To become an effective and competitive economy, Ukraine needs a systemic reform of public finance management as part of the public administration system. The current system is behind the times. An indication of its inefficiency is poor performance in meeting the population's need for public services, failure of public institutions to perform and comparatively high expenditure in the general public administration sector.

Fiscal policy is unpredictable in the medium term. As a result, tax payers do not know what taxes will be introduced in the near future; State agencies do not know how much funds will be available to them in the medium term, citizens do not know to which areas budget funds will be allocated and which public services will be provided to them by the State.

The lack of an integral strategic planning system prevents proper management of the budget planning process and results in weaker links between budget programmes and national development priorities. The development of performance-based budgeting in Ukraine and the improvement of public investment management are also hindered by inconsistencies in medium-term public policy.

Ukraine's public finance management system is still primarily focused on expenditure control mechanisms, which forces officials responsible for public service provision to concentrate their efforts on compliance with formal requirements rather than on improving service delivery.

All these factors restrict investments and result in the inefficient utilisation of limited resources and citizens' dissatisfaction with services provided by the State.

*Main quantitative indicators, characterising the situation*

Considerable expenditure by the general public administration sector which, according to IMF assessments, amounted to around 43% of GDP at the end of 2015 and to 40.6% at the end of 2016.

According to the Management Performance Report (PEFA) prepared by the World Bank in 2015, the level of predictability in Ukraine's State Budget execution was below the average for Eastern European and Central Asian countries with above-average incomes. The deviation from forecasted revenue collection was 4% in 2012, while in 2013 and 2014 it was 7% and 10% below forecasts, respectively. Also, there are significant deviations between planned and actual expenditure in individual categories of functional and economic classification.

The budget deficit approved by the State Budget of Ukraine (with amendments) was 4.1% of GDP (actual figure — 2.3%) in 2015 and 3.7 % of GDP (actual figure — 2.9%) in 2016.

The proportion of GDP redistribution via the consolidated budget in 2015 and 2016 remained at the same level of 32.8% of GDP.

The level of government and government-backed debt at the end of 2015 was 79.1% of GDP and 81% of forecasted GDP at the end of 2016.

*Goal to be achieved*

To ensure financial stability by adopting a more consistent and predictable medium-term budget and fiscal policy, to strengthen budget discipline, to improve State planning and spending performance.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To maintain the State Budget deficit in 2017 at the level of 3% of GDP.

To maintain the medium-term State Budget deficit at the level of 2.5% of GDP in 2018, 2.3% of GDP in 2019 and 2.1% of GDP in 2020.

By the end of 2020, to achieve government-debt-to-GDP and government-backed-debt-to-GDP ratios of 72%.

The deviation of actual GDP and State Budget expenditure from forecast levels shall be no more than 10%.

To maintain the proportion of GDP redistribution through the consolidated budget in 2017 at the 2016 level.

In the medium term, to maintain the proportion of GDP redistribution through the consolidated budget at 33% of GDP in 2018, at 31% in 2019 and at 30% in 2020.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Association Agreement;

the Memorandum with the IMF.

*Previous Period's Outcomes*

Measures were implemented to ensure considerable budget consolidation, to strengthen budget discipline and to optimise expenditure, to perform budget decentralisation, to expand the powers and increase the resources of local self-government authorities.

For the first time in 2016, indicative forecast indicators and objectives for Ukraine's 2018 and 2019 State Budget were included in the Draft Major Directions of Ukraine's Budget Policy for 2017.

The Strategy for Public finance management reform for 2017-2020 was approved.

Amendments were introduced to Ukraine's State Budget with a view to integrating public investments into the budget process, improving project proposals and introducing economic analysis of such proposals and more transparent decision-making processes, creating an intergovernmental commission on project selection, and guaranteeing continuing financing of projects once they have been launched.

Amendments were introduced to Article 52 of the Budget Code of Ukraine with a view to improving budget discipline, in part defining a list of grounds for amendments to the Law on the State Budget of Ukraine during the course of its implementation.

The Law of Ukraine On Openness in the Utilisation of Public Funds was adopted, and a unified State web-portal was created relating to the use of public funds by State and local budget owners, State-owned and communal enterprises, compulsory social insurance funds and the Pension Fund of Ukraine.

*Main points of the proposed medium-term approach*

In order to build a modern and effective public finance management system, which is capable of delivering quality public services, of effectively accumulating and distributing resources with strict adherence to the State's medium and long-term development priorities, it is important to take actions in the following priority areas:

to maintain general budget and fiscal discipline in the medium term; to reform the tax system, to simplify tax administration, to improve macroeconomic and budgeting forecasting systems, to introduce medium-term budgetary planning, to manage government debt effectively, to manage fiscal risks and to manage liquidity;

to improve the distribution of resources at the State policy-making level; to introduce strategic planning, to use the performance-based budgeting method when developing budget programmes, to improve inter-budget relations and to continue fiscal decentralisation;

to ensure effective budget performance; to improve the efficiency of the public procurement system, to manage State investments, to improve book-keeping in the public sector, to improve State financial control and State internal financial control as well as independent financial control (audit);

to improve transparency and accountability in public finance management, to improve budget transparency and to engage citizens in the budget process, to introduce information technologies in public finance management.

The reform is based on the introduction of medium-term budget planning, ensuring that it is closely linked with sectoral strategic priorities and improving public expenditure effectiveness.

The move towards medium-term budget planning in Ukraine represents a systemic change in budget policy, which aims to ensure a strategic approach to identifying priority measures and allocating limited resources accordingly, to improve budget discipline by identifying and reflecting the impact of the current policy during following years and to ensure adherence to expenditure limits as well as to improve the predictability of budget resources and to plan policies accordingly.

Budget policy target indicators and medium-term expenditure thresholds (for each year of the three-year period) will be approved as part of the Medium Term Budget Declaration (Major Directions of Ukraine's Budget Policy) by the Cabinet of Ministers of Ukraine and the Supreme Rada of Ukraine.

To achieve the strategic objectives, the budget roles and responsibilities of major budget owners, first of all ministries, will be increased together with their flexibility and powers in using funds within the approved expenditure thresholds.

There will be a higher level of financial feasibility requirements for new policy measures; no initiatives will be given support if no calculation is provided regarding the cost of their implementation and their impact on budget indicators, or if the amount of financing they require is beyond budget resource capabilities.

The budget reform involves not only setting numerical limits, but also changing approaches to expenditure planning and budget resource allocation, from maintaining budget-funded organisations to delivering quality public services. This process will take place simultaneously with

sectoral decentralisation in the fields of education, health protection and social security with the aim of widening access to, improving the quality and reducing the cost of public services, taking due account of the real needs of social groups, optimizing the network of budget-funded organisations, and improving the performance and impact of local budget expenditure.

Considering that a large number of powers and resources will be delegated to local self-government authorities, it is necessary to improve their transparency and accountability. To that end, the appropriate powers of State financial control authorities and local financial authorities will be defined. To fulfil this task, it is necessary to introduce permanent mechanisms for public control of the management of local finances and communal assets.

## **5. Reforming public financial management system at the central, regional and local levels**

### *Main issues to be resolved*

Budget legislation violations (illegal use, in particular, of un-earmarked funds) and inefficient use of public resources by central authorities and local self-government authorities, which turn out to be control bodies, are pervasive, with their scale increasing every year. Therefore, it is imperative to strengthen the institutional foundations of preliminary and current control over budget revenues and expenditure at all levels. In particular, for decades public financial control has been focused on rectification of violations and punishment of those responsible. This has not helped to ensure effective management and efficient use of financial resources by owners and recipients of State and local budget funds.

With the budget being decentralised, there is a growing need to implement proper controls over the activities of authorities at all levels, in particular, over budget planning and over financial resource management and utilisation. In order to ensure the efficiency of the current control mechanism with a view to identifying and preventing violations of fiscal discipline, to ensuring the effective formation, management, use and preservation of public resources by State authorities, local self-government bodies and State-owned and communal businesses, it is important to resolve the following problems:

lack of current controls and low impact of the relevant corrective measures on the managerial performance of State authorities, local self-government authorities and State-owned and communal businesses and on their achievement of forecast objectives and results when utilising public resources;

lack of a developed legislative framework to support the State Audit Service's activities with respect to the audits of IT-systems, of EU funding and grant utilization, of public programmes and of investment projects, etc.;

inadequate regulatory and legislative, organisational and methodological, information, staffing and financial support for State financial control authorities;

insufficient responsibility and accountability of State authorities and State-owned businesses with respect to their managerial performance, effective compliance with requirements and implementation of proposals made by the State Audit Service following their inspections.

*Main quantitative indicators, characterising the situation*

During 2015 and 9 months of 2016, audits accounted for a larger number of all inspections (around 94%), while the proportion of State

financial audits was 3.5%, and the proportion of public procurement checks and monitoring was 2.5%.

Where significant violations were discovered during the inspections (worth around Hryvnia 6 billion, a large number (42% or around Hryvnia 2.5 billion) of which were violations related to budget fund utilisation), the recovery of losses incurred by the State is very low (almost 22% of identified violations).

Indicator	Actual results in 2015	Actual results in 2016
Amount of State Budget and local budget financial resources covered by inspections (billions of Hryvnia)	195.4	111.2
Number of violations prevented following inspections (billions of Hryvnia)	3260.3	4975.9
Level of proposals implemented following State financial audits with respect to improving the efficiency and performance of public finance management (%)	80	90

*Goal to be achieved*

To provide effective public financial control over the activities of State authorities and local self-government authorities in the management and utilisation of budget resources, and in particular to direct public financial control at improving the level of effective, legal, targeted and productive utilisation and saving of public financial (material) resources, capital and other assets, at promoting better saving

of budget funds by their owners and recipients, at eliminating violations and shortcomings identified and their prevention in the future and at increasing public sector executives' responsibility for efficient performance.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Improvements in the institutional capacity of the State Audit Service agencies can improve qualitative and quantitative performance indicators concerning the control of efficiency in public finance management.

Indicator	2017	2020
Amount of State Budget and local budget financial resources covered by inspections, % of the 2016 indicator	110	130
Number of violations prevented following the inspections, % of the 2016 indicator	105	125
Level of proposals implemented following State financial audits with respect to improving the efficiency and performance of public finance management	90	100
Proportion of violations prevented in the overall number of violations identified following the inspections	30	50

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Association Agreement;

the Strategy for Public finance management reform for 2017-2020 was approved by the Ordinance of the Cabinet of Ministers of Ukraine of 8 February 2017 No. 142.

*Previous Period' s Outcomes*

The Government took certain actions to modernise the activities of public financial control agencies (State Financial Inspectorates) in 2015. Thus, 2015 saw the beginning of the public financial control agencies reform, where they were reorganised into the State Audit Service. The reform aims to improve the efficiency of government control, to develop and strengthen its auditing function, to develop its efficiency as a tool for the government to eliminate violations, to remedy and prevent violations in future, to assess the effective, legal, targeted, rational and productive utilisation and saving of public financial resources, capital and other assets, to ensure savings of budget funds. According to the Resolution of the Cabinet of Ministers of Ukraine of 28 October 2015.No. 868, the State Audit Service was created as a central authority, whose activity (to date) is guided and co-ordinated by the Cabinet of Ministers of Ukraine following the re-organisation of the State Financial Inspectorate, and other regulatory and legislative acts were adopted to regulate its activities. To separate the audit and the inspection functions, individual audit departments with responsibilities for individual industries were established in the State Audit Service.

In 2016, in accordance with the Resolution of the Cabinet of Ministers of Ukraine of 6 April 2016 No. 266 On the Establishment of inter-regional territorial agencies of the State Audit Service, territorial agencies of the State Financial Inspection were optimised and re-organised into inter-regional territorial agencies of the State Audit Service. Thus, 27 territorial agencies were subject to re-organisation into five State Audit Service offices: the Northern Office of the State Audit Service; the North-Eastern Office of the State Audit Service; the Southern Office of the State Audit Service; the Western Office of the State Audit Service; the Eastern Office of the State Audit Service. To date, these inter-regional territorial divisions of the State Audit Service have been created and become operational.

*Main points of the proposed medium-term approach*

Aiming to implement the priority of reforming and creating an effective and quality public finance control system, the following actions will be taken in the medium term:

to perform tasks identified by the Strategy for Public Finance Management Reform for 2017-2020, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 8 February 2017 No. 142, in the field of public financial control and to achieve the expected outcomes;

to ensure the State Audit Services approve and introduce the Concept for implementation of the government policy related to the reform of the public finance control system for the period up to 2021, which is being developed now;

to develop a legislative and methodology framework to support the financial audit system by harmonising the legislation with international standards (Institute of Internal Auditors (IIA), International Federation of Accountants (IFAC), INTOSAI) and methods, as well as EU best practice in the area of public finance auditing;

to modernise and improve the efficiency and performance of State financial control agencies, to ensure the implementation of audit results and to receive economic benefits;

to introduce a mechanism to ensure the responsibility of State authorities for the legality and effectiveness of their actions and decision-making;

to ensure a clear division of functions and powers between State authorities in the area of public finance control;

to define and standardize a list of administrative services to be provided by the State Audit Service agencies to State authorities, local self-government authorities and businesses as well as a mechanism for their delivery;

to improve information support to the State financial control system by creating a single information and analytical database in the field of public financial control;

to increase the human potential of public financial control agencies and to develop an effective model for career development and training of highly-skilled talent in the area of public financial control.

## **6. Climate change prevention and resilience**

### *Main issues to be resolved*

Lack of legislative framework to regulate the implementation of State climate change and ozone layer protection policy.

No clear division of functions, poor co-ordination of actions and institutional capacity of State authorities with regard to planning and implementing actions in the field of climate change and protecting the ozone layer.

Inconsistency of the climate change and ozone layer protection policy with legislative and other regulatory acts in other areas of social and economic development.

Lack of financial resources.

Lack of a systemic approach to the creation of scientific foundations for climate change and ozone layer protection activities.

Insufficient awareness of the public and State authorities of all aspects of climate change, ozone layer protection and low carbon development, use of ozone-friendly technologies.

Re-integration of affected areas of the exclusion zone, in particular, by reducing greenhouse gas emissions from electricity generation by replacing thermal generation sources, which use traditional primary fossil fuels (natural gas, coal, etc.) to produce electricity, with alternative energy sources.

*Main quantitative indicators, characterising the situation*

The overall emission of general anthropogenic greenhouse gases in various sectors of Ukraine's economy in 2014 was at nearly 37% of emission levels in 1990.

According to the Montreal Protocol on Substances that Deplete the Ozone Layer and decisions by the Meeting of the Parties to the Montreal Protocol, the permissible level of hydrochlorofluorocarbons (HCFC) consumption was set at 51.3 tonnes of ozone depletion potential in 2014; and 16.42 tonnes of ozone depletion potential in 2015, 2016, 2017, 2018 and 2019. Furthermore, the consumption of ozone depleting substances in 2014 was 49.06 tonnes of ozone depletion potential.

*Goal to be achieved*

To improve State climate change policy with a view to promoting Ukraine' s sustainable development; to create a legal and institutional framework to support a gradual transition towards low carbon development, subject to economic, energy and environmental security as well as improvement of citizens' well-being.

To introduce mechanisms to reduce the consumption of ozone depleting substances and to promote the consumption of alternative substances and technologies.

To increase the number of projects implemented directed at reducing anthropogenic emissions or increasing greenhouse gas absorption, to improve the efficient utilisation of funds originating from the sale of assigned amount units (AAUs) and complete co-operation under the AAU purchase agreements.

To re-integrate affected areas of the exclusion zone, in particular, by creating facilities generating electricity from alternative energy sources.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

By 2020, to limit annual general anthropogenic greenhouse gas emissions in various Ukrainian industries to under the annual average greenhouse gas emission levels in 2008-2012: the first commitment period under the Kyoto Protocol to the UN Framework Convention on Climate Change.

To ensure the consumption of hydrochlorofluorocarbons in 2017, 2018 and 2019 is under 16.42 tonnes of ozone depletion potential and is reduced to zero by 1 January 2020, excluding consumption for equipment maintenance purposes, which shall not exceed 0.8 tonnes of ozone depletion potential.

To develop legislative and regulatory documents, i.e. two laws and two strategies.

To facilitate installation of up to three solar energy facilities in the exclusion zone.

To create the best possible investment climate with a view to promoting the successful implementation of investment projects, which involve building electricity generating facilities based on renewable energy sources (solar, wind, biofuel) in the exclusion zone. Two of these projects (pilots to build low-power photovoltaic facilities) are set to be implemented in 2017 (with rated capacity of over 1 MW each), and the overall peak capacity of all photovoltaic solar plants in the exclusion zone shall be over 1 GW by 2030.

*How the priority fits in with Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Association Agreement;

the Paris Agreement;

the Kyoto Protocol to the UN Framework Convention on Climate Change;

the Vienna Convention for the Protection of the Ozone Layer;

the Montreal Protocol on Substances that Deplete the Ozone Layer;

the Treaty Establishing the Energy Community.

*Previous Period's Outcomes*

The Directive of the Cabinet of Ministers of Ukraine of 16 September 2015 No. 980 On Approval of Ukraine's intended nationally

determined Contribution to the new global climate change agreement was adopted.

The Directive of the Cabinet of Minister of Ukraine of 7 December 2016 No. 932 On Approval of the Concept for implementation of State climate change policy for the period up to 2030 was adopted.

The Paris Agreement was signed and ratified.

The Draft Law of Ukraine On Ozone Layer Protection was developed.

The Procedure for distribution of the calculated ozone depleting substance consumption was approved by the order of the Ministry of Ecology and Natural Resources of 2 December 2015 No. 460.

The Law of Ukraine On Amendments to Certain Legislative Acts of Ukraine in Relation To Individual Matters Concerning Legal Regulation of Areas Exposed To Radiological Contamination as a Result of the Chernobyl Disaster was adopted, which defined a mechanism for assigning exclusion zone land plots for use.

The Resolution of the Cabinet of Ministers of Ukraine of 23 November 2016 No.912 On Matters of Driving the Development of the Exclusion Zone and the Compulsory Evacuation Zone was adopted, which established a reduction coefficient of 0.15 on rental rates for State properties located in the exclusion zone with a view to promoting the use of existing Chernobyl nuclear plant properties in investment projects linked to the introduction of alternative energy facilities in the exclusion zone.

#### *Main points of the proposed medium-term approach*

To provide the necessary legislative and regulatory framework to regulate relations in the climate change and ozone layer protection field.

To improve the technical and technological capabilities of the climate monitoring system and to ensure the implementation of Ukraine' s climate research programme.

To promote the creation and ongoing updating of greenhouse gas emission prediction models for various scenarios of the development of Ukraine' s economy and its individual sectors.

To promote the ongoing assessment of actual and expected climate changes and their impacts, including their regional distribution and the identification of risks and sensitivities to climate change at the level of merged territorial communities and individual sectors of the economy.

To ensure the mobilization of financial resources at the national and local levels, to facilitate foreign and domestic investments.

To ensure Ukraine meets its commitments under international climate change and ozone layer protection agreements.

To ensure equal public access to information on all aspects of climate change and low carbon development, including educational and awareness-raising activities.

To engage the public in the managerial decision-making process with respect to climate change and ozone layer protection.

To introduce a mechanism to reduce consumption of ozone depleting substances, including by gradually introducing a ban on the import of equipment containing ozone depleting substances; to set requirements related to monitoring and controlling emissions of controlled substances, and to define commitments related to the renewal, regeneration and destruction of controlled substances.

To produce an inventory of land in the exclusion zone.

To conduct information campaigns.

## **7. Protecting natural heritage**

### *Main issues to be resolved*

To approximate national environmental legislation to European standards, in particular, the Directive No. 2009/147/EC of the European Parliament and the Council on the conservation of wild birds and the Directive No. 92/43/EC of the European Parliament and the Council on the conservation of natural habitats and of wild fauna and flora with amendments and additions made by Directives of the Council Nos. 97/62/EC, 2006/105/EC and the Regulation (EC) No. 2003/1882.

To increase the level of operations and responsibility of local authorities and the general public for the development of the natural heritage site and asset network and for nature conservation.

To promote the development of small business in the area of conservation and sustainable use of natural resources.

### *Main quantitative indicators, characterising the situation*

To date, only around 60% of plant and animal species, which require rigorous protection under EU directives, are included into Ukraine's Red List. Habitats of rare and endangered species are not subject to special conservation in Ukraine.

To date, the area of natural heritage sites and assets is around 6.3% of Ukraine's territory, while in most EU countries the area of protected natural heritage sites is 15-30% or more.

### *Goal to be achieved*

In 2017, the following is planned in this priority area:

To introduce European principles of protection, sustainable use and restoration of environmental biodiversity; to create an effective conservation system for rare and endangered plant and animal species and natural habitats in Europe; to introduce systems to monitor the

conservation of endangered and rare species and natural habitats in Europe;

to establish a network of conservation sites in accordance with the State Regional Development Strategy for 2020 and international commitments under the Convention on the Conservation of European Wildlife and Natural Habitats (the Bern Convention) and the Convention on Wetlands of International Importance especially as Waterfowl Habitat (the Ramsar Convention).

In the medium term, the following is planned in this priority area:

to continue building a network of natural heritage sites;

to promote the development of small business in the area of conservation and sustainable use of natural resources.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

By the end of 2017:

There will be at least five natural heritage sites and assets created/expanded, including the expansion of three national nature reserves in the Carpathian region and the creation of the Dnieper-Teteriv nature reserve;

The database of potential protected areas of special conservation interest within the European Emerald network (similar to the NATURA 2000 network) will be completed;

The cross-border Ukrainian-Polish Roztochya biosphere reserve will be created;

Europe's rare natural habitats will be included in the protected areas;

Pilot project to promote the development of small business in the area of conservation and "green" use of natural resources will be implemented.

By the end of 2020:

A network of natural heritage sites will be created on 15% of Ukraine's territory;

A mechanism to promote the development of small business in the area of conservation and sustainable use of natural resources will be introduced.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Association Agreement;

The Ukrainian State Regional Development Strategy 2020, approved by the Resolution of the Cabinet of Ministers of 6 August 2014 No. 385;

The Convention on the Conservation of European Wildlife and Natural Habitats;

The Convention on Wetlands of International Importance especially as Waterfowl Habitat.

#### *Previous Period's Outcomes*

In order to ensure the implementation of EU directives, the Cabinet of Ministers of Ukraine issued a Directive of 14 May 2015 No. 475 On Approval of the Plan Submitted by the Ministry of Ecology and Natural Resources Concerning the Implementation of Certain EU Legislative Acts. The Directive approved the implementation plan for EU Directives

on the conservation of wild birds and on the conservation of natural habitats and of wild fauna and flora for 2014-2016. Under the EU-funded project "Support to Ukraine in approximation of the EU environmental acquis", four seminars for representatives of the Nature Reserve Fund agencies and Oblast state administrations were organised and held.

The proportion of sites and assets of the Nature Reserve Fund increased from 6.08% to 6.7%, including the creation of the Nizhniodniprovsky national nature reserve with an area of 80,100 hectares and the Chernobyl radiation and ecological biosphere reserve with an area of 226,900 hectares; 271 potential sites to be included in the European Emerald network were identified; 33 Ukrainian wetlands were included into the List of Wetlands of International Importance.

*Main points of the proposed medium-term approach*

Actions planned in this priority area:

to prepare a separate Draft Law of Ukraine On Conservation of Natural Habitats and Rare and Endangered Plant and Animal Species in Europe and to propose amendments to other environmental laws;

to finalize the introduction of amendments to the Law of Ukraine On the Nature Reserve Fund of Ukraine in part concerning the delegation of powers related to the development of the natural heritage site and asset network to State Oblast administrations;

to co-operate with State Oblast administrations in the implementation of the Ukrainian State Regional Development Strategy 2020, approved by the Resolution of the Cabinet of Ministers of Ukraine of 6 August 2014 No. 385, and Ukraine's international commitments;

to develop a database of potential protected areas of special conservation interest within the European Emerald network and to

launch a system of monitoring the conservation of rare and endangered species and habitats in Europe;

to introduce pilot projects with a view to promoting the development of small business in the area of conservation and sustainable use of natural resources and to introduce this practice at the national level.

## **8. Good environmental governance**

### *Main issues to be resolved*

The implementation of the environmental policy requires the effective operation of the environmental protection legislation aimed at the achievement of national priorities. The main requirements for this legislation are: its consistency with the Constitution of Ukraine, approximation with relevant EU directives, implementation of multilateral environmental agreements (conventions, protocols, etc.), to which Ukraine is a party, its societal acceptance, feasibility and economic efficiency.

To date, the system of State control over compliance with environmental legislation is inadequate: high levels of corruption, outdated basic infrastructure, non-transparent decision-making system with respect to law violators, lack of an adequate system of accountability for law violations, lack of a unified electronic natural resource register and poor information exchange make it virtually impossible for the State Ecological Inspectorate to fully exercise its powers.

There is evidence of dispersal and overlapping of State control functions between executive authorities and there is no common approach towards supervisory and control functions. The State environmental control functions currently lie within seven executive

authorities. They are the State Ecological Inspectorate, the State Geology and Subsoil Service, the State Forest Resource Agency of Ukraine, the State Agricultural Inspectorate of Ukraine, the State Fisheries Agency of Ukraine, the State Service for Food Safety and the State Service for Transport Safety.

Environmental monitoring and control by citizen groups is virtually non-existent.

The current state of public environmental administration does not provide Ukrainian citizens with full access to information concerning the environment and current environmental risks to safe living conditions.

The current environmental management system is built around its individual areas (atmospheric air protection, waste treatment, water resource protection and rational use, subsoil use, etc.) and is divided between various executive authorities.

This makes it impossible to provide quality and full environmental information to the public and other stakeholders and creates an additional burden for businesses in terms of permits and controls.

The integration of public environmental administration should be done as a package in the context of both industries and functions (permit system, reporting, monitoring system, etc.).

The introduction of an integrated electronic system of environmental governance taking account of European approaches to environmental information management will eliminate the "dispersal" of environmental information amongst different executive authorities and ensure the availability of information in the single database, which includes not only environmental information but also data on permits, limits, environmental impact assessments, etc.

*Main quantitative indicators, characterising the situation*

During the course of 2016, 30,066 resource-related inspections were carried out by the territorial State Ecological Inspection agencies at facilities subject to State control with a view to monitoring their compliance with environmental legislation.

31,312 reports were drawn up on administrative infringements of environmental legislation.

Penalties were imposed on 27,103 organisations which were in violation of environmental legislation in the total amount of Hryvnia 5,310,000. Hryvnia 5,015,000 were recovered and paid to the State Budget.

251 matters were referred to law enforcement bodies under Article 214 of the Code of Criminal Procedure of Ukraine. During the course of 2016, 251 criminal proceedings were initiated (based on matters referred during the previous reporting period).

The total amount of estimated losses incurred by the State as a result of environmental legislation violations is Hryvnia 735,823,000. The amount of damage caused by unidentified individuals was Hryvnia 144,634,000.

To recover the losses, claims were made in the total amount of Hryvnia 591,479,000. The total amount of Hryvnia 121,439,000 was collected on claims and other legal actions (including those previously initiated).

In order to put an end to negative environmental impacts from production operations, the courts ordered the restriction or cessation of business businesses in 126 cases.

To date, document management in this area is paper-based, open data registers are maintained without using any IT-systems, and only one administrative environmental service is provided electronically, i.e. waste declaration.

*Goal to be achieved*

To provide a sustainable environmental policy and to ensure its integration into other sectoral policies, which will facilitate the development of clear and transparent environmental protection management mechanisms.

To create a single integrated environmental protection authority and to eliminate overlapping of State control functions in this field; to ensure competitive selection of employees for all jobs; to facilitate anticorruption measures in the State environmental protection field.

It is a very important step for Ukraine to create an integrated environmental governance system, as it will not only enable guaranteed free access to environmental information to citizens but will also become a tool for eliminating opportunities for abuse and corruption within the environmental protection management system in general.

*Quantitative Targets to be achieved**by the end of 2017 and in the medium term*

To revise the main strategic tasks of State environmental policy, which are primarily based on identified causes of Ukraine's environmental problems and its financial ability to resolve them.

To reduce the number of inspections.

To create a single environmental control authority and to form a new organisational structure for its territorial agencies, with the establishment of 10 territorial environmental resource districts.

To devolve individual environmental control functions to local communities.

To establish the institution of community-based "Environmental Sheriffs".

To introduce an electronic document management system within the Ministry of Ecology and Natural Resources.

To maintain IT-based open data registries within the Ministry of Ecology and Natural Resources.

To initiate the electronic provision of two or three environmental administrative services (waste permits, permits for cross-border movement of non-hazardous and hazardous waste).

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Association Agreement;

Directive No. 2010/75/EC of the European Parliament and of the Council No. on industrial emissions (integrated pollution prevention and control);

Council Directive No. 96/82/EC on the control of major-accident hazards involving dangerous substances, with amendments and additions introduced by Council Directive No. 2003/105/EC and Regulation (EC) No. 2003/1882.

#### *Previous Period's Outcomes*

The Draft Law of Ukraine On Amendments to the Basic Foundations (Strategy) of the National Environmental Policy of Ukraine for the period up to 2020 was prepared.

The Ordinance of the Cabinet of Ministers of Ukraine of 8 August 2016 No. 612 On Matters of Policy-Making in Certain Priority Areas of Activities defines the reform of the State environmental control system

as its priority, which requires the endorsement of the policy submission. The Ministry of Ecology and Natural Resources prepared the policy submission accordingly.

The Cabinet of Ministers of Ukraine prepared the Draft Ordinance On Approval of the Concept for reforming Ukraine' s State environmental control system.

The Ministry of Ecology and Natural Resources website is being updated.

The unified ministerial management system has been procured.

#### *Main points of the proposed medium-term approach*

To provide the necessary legislative framework to regulate the implementation of the State environmental policy.

To create a single integrated State environmental protection and monitoring authority, i.e. the State Environmental Protection Service; to ensure the transition from the ineffective total environmental control system to the prevention of environmental offences and to the introduction of environmental monitoring; to reduce pressure on businesses and to engage the public in environmental control activities.

To implement organisational, methodological and information measures with a view to reforming the State control system and creating a single integrated control authority.

To implement organisational and methodological measures with a view to creating a nation-wide automated environmental data system.

### **9. Sustainable water management**

#### *Main issues to be resolved*

The existing State management system in the field of protection and rational use of water resources is not effective enough. It does not

promote the achievement of sustainable development objectives and tasks and requires reforms involving the replacement of the administrative and territorial management model with a basin-based model, where a management unit is a river basin rather than the part of it within the boundaries of an administrative unit (integrated watershed and river basin management).

Such an integrated approach is in line with Directive № 2000/60/EC of the European Parliament and of the Council on establishing a framework for Community action in the field of water policy and maximizes the achievement of environmental protection objectives and tasks, as well as promoting water ecosystem renewal and rational use of water resources.

Today, water management in Ukraine is based on Ukraine's administrative and territorial division, which is caused by the inadequacy of the legislative and regulatory framework.

The move from administrative and territorial to basin-based management of water resources requires legislative improvements, particularly regarding the definition of new legal standards, aimed at the practical implementation of the integrated watershed and river basin management system, such as hydrographic and water management zoning of Ukraine's territory and the powers of State administration and local self-government authorities.

To ensure the introduction of an integrated water resource management system, the following needs to be done at the institutional level:

to optimise the water resource management functions and powers of central executive authorities (including by decentralising the powers of authority), local executive authorities and local self-government authorities;

to improve the existing basin-based and Oblast-based water resource management bodies, which are under the management of Ukraine's State Agency for Water Resources.

to assess the current environmental status of Ukraine's major river basins and to develop action points to be included in river basin management plans on the basis of those assessments.

Currently, the issue of the environmental health of the Black and Azov Seas is not properly reflected in any programme documents approved at governmental level.

The issues of environmental protection and renewal of the Azov and Black Seas have taken on particular significance in the context of the temporary occupation of the Autonomous Republic of Crimea and Ukraine's loss of control of part of its water areas in the Black and Azov Seas.

Pressing environmental issues affecting the Azov and Black Seas are:

high level of seawater contamination: in 2015, 513 million cubic metres of waste water and other water was discharged into the Azov and Black Seas within Ukraine's borders, in particular, around 73 million cubic metres – into the Black Sea and over 440 cubic metres – into the Azov Sea;

human health risks and irreversible loss of marine biodiversity and bio resources;

reduced yield of fisheries and seafood supplies;

lower quality of marine recreational resources;

coastal area destruction and acceleration of geohazards;

lack of an integrated marine resource management system;

danger of extinction of animals and plants included in the Red List of Ukraine;

reduced volumes of prime fish farming.

*Main quantitative indicators, characterising the situation*

In terms of available water resources, Ukraine is amongst the poorest supplied countries of Europe and the world. In average wet years, 52 billion cubic metres of runoff is generated in Ukraine.

According to the definition by the UN European Economic Commission, a State with water resources below 1,700 cubic metres per capita is deemed to be water-stressed.

In 2015, the overall amount (according to official statistics (form No. 2ТП)) of water discharged within Ukraine's borders (excluding temporarily occupied and uncontrolled territories) into surface water bodies was 5,343 cubic metres, including 4,915 million cubic metres of return (waste) water, of which 183.8 million cubic metres was untreated water, 691.3 million cubic metres was inadequately treated effluent water and 1,389 million cubic metres was effluent water treated to standard quality.

Before the annexation of the Autonomous Republic of Crimea, Ukraine's territorial waters in the Black Sea covered an area of 24,850 sq km, and the shelf area was around 57% of the total length of the Black Sea shelf. There are 14 major coastal salt lakes and estuaries with an overall area of 1,952 sq km, 8 bays with an area of 1,770 sq km and 19 coastal wetlands with an overall area of 635,000 hectares within Ukraine's borders.

*Goal to be achieved*

The main goal is to reform the State management system of water (surface water, groundwater and seawater) protection and rational use

of water resources by replacing the administrative and territorial management model with a basin-based management model, under which the main management unit will be a river basin. It is proposed to define a river basin, rather than an administrative and territorial unit, as a management unit.

In the field of marine environmental protection and restoration, there is an urgent need to ensure the application of European approaches to the setting of strategic objectives and short-, medium- and long-term policy indicators on the basis of a seawater baseline assessment and environmental protection measures with a view to maintaining environmental health.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

There are plans to define the borders of nine river basin districts by the end of 2017.

There are plans to develop nine draft plans for river basin management and to define the borders of the Azov and Black Sea basins (Ukrainian part).

*How the priority fits in with the Programme of Activities of the Cabinet  
of Ministers of Ukraine, other strategic documents, and international  
commitments*

The priority is consistent with:

the Association Agreement;

Directive 2000/60/EC of the European Parliament and of the Council on establishing a framework for Community action in the field of water policy.

*Previous Period' s Outcomes*

The Supreme Rada of Ukraine passed the Draft Law of Ukraine of 4 October 2016 No. 1641-VIII On Amendments to Certain Legislative Acts of Ukraine concerning the introduction of integrated approaches to watershed and river basin management.

The Ordinance of the Cabinet of Ministers of Ukraine of 15 April 2015 No. 371 approved the plan developed by the Ministry of Ecology and Natural Resources for the implementation of Directive No. 2008/56/EC of the European Parliament and of the Council on establishing a framework for Community action in the field of marine environmental policy.

*Main points of the proposed medium-term approach*

At the legislative level, to adopt legislative and regulatory acts as stipulated by the Law of Ukraine of 4 October 2016 No. 1641-VIII On Amendments to Certain Legislative Acts of Ukraine concerning the introduction of integrated approaches to watershed and river basin management (14 legislative and regulatory acts in total, including 4 – by the end of 2017).

At the institutional level, to optimise the water resource management functions and powers of central executive authorities (including by decentralising the powers of authority), local executive authorities and local self-government authorities; to improve the existing basin-based and Oblast-based water resource management bodies, which are under the management of Ukraine's State Agency for Water Resources.

The proposed approach involves defining a river basin within its defined borders, rather than the part of it within an administrative and territorial unit, as a management unit.

Furthermore, in order to introduce an integrated watershed and river basin-based management system, it is necessary to assess the

current environmental health of Ukraine's major river basins and to develop action points to be included in river basin management plans on the basis of these assessments.

Planned activities related to Azov and Black Sea environmental protection:

to revise (update) objectives and tasks forming part of State environmental protection policy; to develop a marine environmental protection strategy;

to conduct a baseline seawater assessment (within Ukraine's part of the Black and Azov Seas); to assess environmental health and to set environmental objectives and indicators;

to introduce a monitoring programme to ensure ongoing assessment and regular updating of objectives;

to develop an action plan to maintain marine environmental health.

### III. DEVELOPMENT OF HUMAN CAPITAL

#### 1. Creating a new healthcare organization system based on health insurance

##### *Main issues to be resolved*

Problem one: financial non-protection of patients.

A total volume (amount of state and private) expenditures incurred on healthcare in Ukraine was 7.8 percent of the gross domestic product in Ukraine in 2015. It is below an average indicator in the European region (9.5 percent of the gross domestic product in 2014) but approximates the same figure and even more than that, for example, in neighbouring Poland and Romania (6.4 and 5.6 percent of the gross domestic product in 2014). However, on average in 2014 in the EU members states, a share of public expenditures in the structure of total expenditures for healthcare amounted to 75.4 percent (in Poland – 71 percent, in Romania – 84 percent), in Ukraine in 2015, public expenditures in this sphere amounted only to 48.7 percent, almost the rest of 49.3 percent of expenditures (over 76,5 billion Ukrainian Hryvnias) were paid directly by the patients at the time of receiving healthcare services or purchasing medicinal products. Thus, the Ukrainians, compared to the residents of the EU member states, still have a much lower level of income and social standards. At the same time, they are much lesser protected in case of a disease – they have to pay a larger share of their income for maintenance of the healthcare system from their own pockets than wealthier residents of the EU member states. Division of medicinal products and health services among the patients, which are purchased at the expense of the state and local budgets, is related to the corruption risks, which entails the fact of non-procuring a fair and equal access of the citizens even to the limited resources, which are provided by the state. As a result,

approximately 3.8 percent of households in Ukraine (or 640 thousand families) suffer from catastrophic health expenses. As a result, 92 percent of the population is afraid to find themselves in a difficult financial situation in case of disease.

Problem two: low quality and efficiency of services.

An average life expectancy in the event of birth in Ukraine is much lower than the average life expectancy in the event of birth in the EU member states. Furthermore, Ukraine is the state number four in the world according to the number of beds and second in the European region by an average length of hospital stay. Thus, having a greater network of healthcare facilities, number of hospital beds and doctors, Ukrainians approach doctors more frequently than the residents of the EU member states and they stay at hospitals more frequently and longer; they have much worse health indicators, higher mortality and lower average life expectancy. And the reasons behind it are definitely not in a quantitative deficit of healthcare infrastructure but in its qualitative backwardness, inefficient model of general organization of the Ukrainian healthcare system; first of all, the reasons are in the organization of financing and management of it.

Problem three: spending budget funds – “money follows the infrastructure and not the patient”.

Healthcare facilities are financed according to the line-item estimate basis. Norms of spending funds approved by the Ministry of Health of Ukraine clearly set out a structure of functioning of individual polyclinics and hospitals. Such approach has several shortcomings. The management of healthcare facilities has no management flexibility left in order to optimize their operation, reduce inefficient expenditures and implement innovative organizational practices not provided for in organizational and clinical guidelines; there are no incentives for any

improvement of healthcare facility's operation because receipt of financing does not anyhow depend on the outcomes of operation (neither on the number of rendered services nor their quality), funds from the budget are provided to the healthcare facility only on the basis of the fact that such healthcare facility exists, and the salary to its personnel – for coming to work and hours worked.

Effective healthcare financing requires pooling (accumulating) funds in order to re-share a risk of expenditures on care (risk of insurance case) between the largest possible number of insured persons. Contrary to the other public liabilities, expenditures on caring an individual citizen are difficult to be forecasted due to the likelihood of such expenditures and their amount. In general, the larger the amount of insurance pool, the more stable it is financially; however, minimum volumes of coverage make from 450 thousand up to 1.5 million insured persons. There are 793 regional pools of funds in Ukraine as of 2016, which results in an extremely high fragmentation in financing.

Problem four: outdated and inefficient accounting and reporting mechanisms.

Settlement of problems related to the quality and efficiency in the sphere of healthcare as the implementation of modern approaches to financing is complicated by imperfect and outdated registration of patients and healthcare services, which is based on paper statistical reporting of the USSR times. Implementation of eHealth means and modern instruments of accounting is non-systematic and fragmentary. Management of the industry, especially under the terms of reformation, shall be conducted on the basis of current and reliable information on the volume and outcomes of health care, which requires the implementation of modern eHealth instruments. There is no state policy in this sphere as of today.

Problem five: weak primary healthcare.

The majority of patient-related problems are solved at the primary level. However, just 20 percent of patients approach primary healthcare doctors in Ukraine in the event of health problems, where the other 80 percent approach professional doctors, pharmacists at drug stores and conduct self-treatment. Such situation entails inefficient spending of system resources and it is dangerous for the patients' health.

Current financing of primary healthcare is extremely low; a mechanism for stimulation of health personnel's providing primary healthcare does not work; doctors receive salary without consideration of the outcomes of their work. The level of provision with equipment is low.

A weak primary healthcare, where the majority of patient's contacts with the healthcare system happen, does not contribute to the prevention and identification of diseases at early stages as well as reduction of factors of the disease progression risk.

*Main quantitative indicators, characterising the situation*

Ukraine remains significantly behind the neighbouring states by indicators of average life expectancy at birth — 71.38 years in 2015, where in the EU member states, it is 80.6 years, Poland — 77.5 years, Slovakia — 76,7 years, Lithuania — 73.6 years.

Ukraine should considerably improve the indicators of length of hospital stay as compared to the EU member states – 11.2 days (2015), where in the EU member states — 8.2 days, Poland — 6.9 days, Slovakia — 7,3 days, Lithuania — 8 days.

*Goal to be achieved*

Before the end of 2017 – implementation of new approaches to the financing of primary healthcare with the use of the standard per one

resident, determination of a guaranteed package of services as well as financing special care based on the principles of a global budget, granting access to the quality primary healthcare for the entire population of Ukraine.

In the short-run – development and implementation of a new financing model, which provides for clear and transparent state guarantees regarding the volume of free healthcare, best financial protection of the citizens in case of disease, effective and faire distribution of public funds and reduction of informal payments, creation of incentives to the improvement of healthcare quality provided to the population by the state and municipal healthcare facilities, and also improving efficiency of the process of providing it.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

As a result of implementing the reform for healthcare system financing it is expected to improve the following indicators:

Indicator	2015	2017	2018	2019	2020
Average lengths of hospital stay, days	11.2	11	10.5	9.5	9.2
Level of hospital admissions of patients with cardiovascular diseases (cases per 1,000 population)	36.2	36	35	33	30
Primary healthcare doctors, who render primary healthcare services according to the		7,000	10,000	15,000	20,000

agreements made with  
the population, persons

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Sustainable Development Strategy "Ukraine – 2020" approved by the Decree of the President of Ukraine No. 5 dated 12 January 2015;

Association Agreement;

Memorandum with the IMF.

*Previous Period's Outcomes*

Resolutions of the Cabinet of Ministers of Ukraine No. 932 dated 30 November 2016 "On Approval of the procedure for Organization of Hospital Districts" and No. 875 dated 30 November 2016 "On Amending the Procedure for Drawing-up, Consideration, Approval and Key Requirements to the Fulfillment of Estimates of Budget Institutions" , order of the Cabinet of Ministers of Ukraine No. 1013 dated 30 November 2016 "On Approval of the Healthcare Financing Reform Concept" have been approved.

A draft resolution of the Cabinet of Ministers of Ukraine "On Foundation of the National Health Service of Ukraine" has been developed.

*Main points of the proposed medium-term approach*

Three possible options of problem settlement have been analyzed: financing a healthcare system by means of voluntary private health insurance; implementing compulsory health insurance with effectuation

of individual payments as accruals to the salary funds; universal health joint insurance with full payment from the state budget. Based on analysis outcomes, an option of universal health insurance was selected. A universal joint health insurance provides for the fact that financing of the healthcare system is conducted at the cost of the budget funds received in the form of general national taxes. Therefore, the first element of health insurance is achieved, the essence of which is that reasonable financial contributions in case of disease shall be paid by a large number of citizens in advance and the funds collected shall be used for caring those having a disease.

Such part of the model requires no changes because in Ukraine, advance payment for healthcare services is made by the citizens already today in the form of payment of general taxes to the state budget. A similar practice is widespread in many highly developed countries of the world, namely, in half of the EU member states (in particular, in the Great Britain, Spain, Italy, Ireland, all Scandinavian countries), and it becomes more and more popular.

It is offered to implement the second mandatory element of health insurance, namely, clear rules of advance payment for a certain health service received in the event of some disease. It will be necessary to change not the principle of funds collection but the principle of utilization of the funds. Currently, a healthcare budget is distributed between healthcare facilities regardless of the quantity and quality of services provided by them. After implementation of the insurance model, the service providers shall shift to the contractual relations with the state competing for the right to service the citizens using the funds of the state health insurance.

## **2. Development of a public health system**

*Main issues to be resolved*

There is no functional public health system in Ukraine, which could have procured analysis, developed recommendations for the Government with regard to the prevention of morbidity and saving people's health, responded to the problems in the sphere of people's health at the population level, procured coordination of other governmental authorities in terms of the issues raised. Such situation entails a number of system problems, namely:

lack of true information at the state level on the status of morbidity among the population. There are parallel, fragmented systems of epidemiological supervision over diseases. Electronic information systems are available only in the system of epidemiological supervision over tuberculosis and partially over HIV;

a laboratory network is branched (there are separate laboratory networks of the Ministry of Health of Ukraine, laboratories of AIDS centers, laboratories of anti-tuberculosis dispensaries, blood service laboratories, etc.) and inefficient (the number of studies is several times higher than in developed countries, the percentage of detected pathogens is extremely low, quality of the research is low, especially at the district level, the latest equipment is not used at full capacity);

the greatest burden of the morbidity of the population is formed at the cost of non-infectious diseases, the mortality rate of which is more than 80 percent. The most effective method of control is to prevent such diseases by managing risk factors (smoking, alcoholism, nutrition and physical activity). At the state level, the relevant measures require high level of attention and coordinated actions;

The system is not ready to respond to new threats to the health of the population of Ukraine – new diseases (Ebola, Zika), a problem of antibiotic resistance, bioterrorism;

Scientific support of the Ministry of Health of Ukraine in this field, despite a large number of formally scientific and research institutions in the system of the Ministry of Health of Ukraine and the National Academy of Medical Sciences, is insufficient and does not provide for an appropriate level of evidence for the formation of proposals for political decisions;

Critical levels of vaccination coverage.

In Ukraine, the vaccination coverage rate of children has dramatically decreased, which, before 2008, exceeded 95 percent of all childhood infections controlled by means of specific prevention.

Ukraine remains a country with high prevalence of HIV infection and one of five countries with the highest morbidity with multidrug-resistant tuberculosis in Eastern Europe and Central Asia.

The blood service in Ukraine is decentralized and is characterized by a shortage of the following important resources: financial, logistical staff. As a result, citizens do not have equal and timely access to quality and safe components of donor blood in the required quantity.

*Key quantitative indicators that characterize the situation*

Ukraine has the highest mortality rate in Europe from the blood circulatory system diseases and multidrug-resistant tuberculosis. Ukraine accounts for 25% of deaths from HIV in Eastern Europe and Central Asia countries.

*Goal to be achieved*

By the end of 2017 – harmonization of the legislative and regulatory legal base in the field of public health with the European legislation; combination of the principles of centralization and decentralization by transferring separately defined functions in the field of public health and resources to local self-government authorities;

implementation of an automated accounting system at the blood service and the creation of a unified national register of blood donors; launch of updated special mobile anti-epidemic teams.

In the medium term – functioning of a new model of the public health system aimed at maintaining and strengthening health, reducing mortality and improving the quality of life, preventing diseases, prolonging active and working age, and, as a result, reducing an economic burden on the health budget.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

By the end of 2017 – development of tools and mechanisms for the implementation of the state policy, in particular, adoption of strategic documents, action plans (plans of measures) in the development of a public health system.

In the medium term:

a quarter reduction in premature mortality of the population, suspension of the HIV/AIDS epidemic and tuberculosis: a number of patients diagnosed with HIV for the first time in their life to 30.9 and tuberculosis to 51.7 per 100 thousand population;

increasing the level of immunoprophylaxis coverage up to 95 percent;

reaching the level of the voluntary free-of-charge donation, close to 100 percent; implementation of an automated accounting system in the blood service and creation of a unified national register of blood donors; establishing a reliable and clear automated testing system for Transfusion-transmissible infections; development of a structure of the national blood system.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Sustainable Development Strategy "Ukraine – 2020" approved by the Decree of the President of Ukraine No. 5 dated 12 January 2015;

National strategy for Improving Motor Activity in Ukraine for the Period until 2025 "Motor Activity – Healthy Lifestyle – Healthy Nation" , approved by the Decree of the President of Ukraine of No. 42 dated 9 February 2016;

Association Agreement.

*Previous Period' s Outcomes*

The order of the Cabinet of Ministers of Ukraine No. 1002 dated 30 November 2016 "On Approval of the Concept for Development of the Public Health System" has been adopted.

A draft order of the Cabinet of Ministers of Ukraine "On Approval of the Strategy for Development of the National Blood System" has been developed.

The State Institution "Public Health Center of the Ministry of Health of Ukraine" has been founded and the General Director has been elected based on the results of open competition.

Property complexes of the laboratory centers of the State Sanitary and Epidemiological Service of Ukraine have been transferred to the management of the Ministry of Health of Ukraine, and audit and optimization of them are carried out.

Piloting of the electronic information system for observation of diseases has been performed. Kyiv Oblast, Lviv Oblast, Odesa Oblast

and Dnipropetrovsk Oblast as well as the city of Kyiv have been involved in the project implementation.

The situation with regard to the provision of vaccines has been improved in Ukraine: For the first time in recent years, there are all vaccines for planned vaccination of children; budget savings have been achieved in the procurement of vaccines.

*Main points of the proposed medium-term approach*

Introduction of new approaches and programs for solving public health problems, strengthening the role of the preventive component. Reorientation of the focus of the health system from treatment policy to the policy of strengthening and preserving health and preventing diseases in accordance with the Concept for Development of the Public Health System in Ukraine.

### **3. Increasing the level of availability of medicinal products**

*Main issues to be resolved*

Today, Ukraine remains the only country in Europe where citizens bear a significant burden of the need to pay for a cost of medicinal products while undergoing treatment in the hospital and outpatient segment. Because of the inaccessibility of healthcare, there is a current situation where more than a half the population of Ukraine is not treated or does it unsystematically.

Despite the fact that most generic medicinal products in Ukraine are cheaper than in neighbouring countries, their cost is significant for the citizens because they are forced to pay a full cost of treatment courses at their own expense, which leads to the fact that the Ukrainians:

consume fewer medicinal products than they need;

use mainly generic drugs of low and medium price segment (approximately 85 to 90 percent of total sales);

consume a large number of medicinal products, which are not vital and not used in guidelines and forms of the European countries (among the top 30 leaders in retail sector sales, 50 percent are secondary medicinal products).

*Key quantitative indicators that characterize the situation*

The volume of the market of medicinal products sold through the retail pharmacy network amounted to approximately 45 billion Ukrainian Hryvnias in 2015, approximately 35 billion Ukrainian Hryvnias for the first nine months of 2016, which is 18.5 percent more than for the same period of 2015, while 100 percent of such costs were paid directly at the expense of citizens.

A large scale of self-treatment of the population, which has not yet become chronically ill, is an unsolved problem of primary healthcare:

79% of patients approached the professionals of a narrow profile;

17% of patients went to the inpatient departments;

85% of patients went to the pharmacies for medicines without prescription and doctor's recommendations;

65.9% of patients received a level of care inadequate to the relevant disease, including 43.3% of patients for whom the level of care was higher than required by the disease.

At the same time, 37.3% of the population approached general practitioners and 47,081,702 visits were made, including 14,125,329 (30 percent) with regard to prevention, 32,956,373 (70 percent) with regard to a relevant disease; after that, 1,792,870 persons (5.4 percent) were referred to the professionals of a narrow profile, 810,803 (2.5 percent) –

to the professionals of specialized and highly specialized health care. The remaining 30,352,700 persons (92 percent) received health care.

*Goal to be achieved*

Implementation of a system for reimbursing of a cost of key medicinal products included in the National List of Key Medicinal Products will help reduce the costs of households paid directly at their own expense during treatment in a hospital and outpatient segment.

Reforming the principles of state regulation of prices for medicinal products, taking into account the experience and principles of the European Union, namely, the state regulates prices only for the medicinal products purchased or reimbursed for state (municipal) funds. Prices are regulated on a free market based on the principles of free competition.

Regulation of prices for medicinal products, for which the state (municipal) funds are reimbursed or in the reimbursement system, is carried out with the use of external and/or internal referencing of prices for medicinal products included in the National List of Key Medicinal Products. External referencing shall be carried out with neighbouring countries with similar social and economic indicators of life of the population.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

Increasing the availability of health care in the treatment of priority diseases, diseases and conditions determined in view of the level of morbidity of the population, prevalence of diseases and mortality as well as the other indicators of the health status of the population and results of operation of the healthcare system by means of reasonable consumption of medicinal products through application of programs on

recovery of their costs and the implementation of standards of health and pharmaceutical care.

Through the development of mechanisms for reasonable prescription and sale of drugs, reduction in the consumption of medicinal products that are not vital and not used in clinical guidelines and forms of the European countries, implementation of standards for responsible self-treatment at pharmacies, mandatory application of the National List of Key Medicinal Products to public procurement or in the reimbursement system, relevant conditions for the large-scale implementation of insurance medicine will be created.. First of all, it will reduce by 20 percent the death rate, disability and emergency calls due to hypertension and diabetes and significantly improve general indicators of the health system in Ukraine.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Association Agreement.

#### *Previous Period' s Outcomes*

The Law of Ukraine No. 1396-VIII dated 31 May 2016 "On Amending Article 9 of the Law of Ukraine "On Medicinal Products" On Simplification of State Registration of Medicinal Products" has been adopted and which simplified a mechanism for registration of medicinal products in Ukraine, which were registered for application, produced and also applied in the countries with the strict regulatory acts: USA, Canada, Australia, Japan, Switzerland and EU countries with a centralized procedure for registration of medicinal products; the time

for decision-making on registration of medicinal products or denial of registration was reduced up to 10 business days.

The Cabinet of Ministers of Ukraine has adopted the following resolutions:

No. 558 dated 8 August 2016 "On Amending the Procedure for State Registration (Re-registration) of Medicinal Products";

No. 557 dated 23 August 2016 "On Approval of the List of Drugs and Medical Products Purchased Based on the Purchase Contracts (Agreement) with the Specialized Organizations Purchasing by Areas of Utilization of the Budget Funds in 2016 under the Budget Program 2301400 "Procuring Health Measures of Certain State Programs and Comprehensive Program Measures";

No. 850 dated 23 November 2016 "On Amending the List of Drugs and Medical Products Purchased Based on the Purchase Contracts (Agreement) with the Specialized Organizations Purchasing by Areas of Utilization of the Budget Funds in 2015 under the Budget Program 2301400 "Procuring Health Measures of Certain State Programs and Comprehensive Program Measures";

No. 874 dated 30 November 2016 "On Amending the Regulation on the State Register of Medical Products.

The following orders of the Ministry of Health of Ukraine have been issued:

No. 690 dated 8 July 2016 "On Approval of the Composition of the Expert Committee for Selection and Use of Key Medicinal Products";

No. 1050 dated 7 October 2016 "On Approval of the Regulation on Selection of Medicinal Products to Be Added to the National List of Key Medicinal Products";

No. 1245 dated 17 November 2017 "On Approval of the Procedure for Consideration of Registration Materials for Medicinal Products Submitted for State Registration (Re-registration) and materials on Amending Registration Materials During the Validity of the Registration File for Medicinal Products Registered by the Competent Authorities of the United States of America, Switzerland, Japan, Australia, Canada, Medicinal Products Registered by a Competent Authority of the European Union under the Centralized Procedure".

*Main points of the proposed medium-term approach*

Implementation of a comprehensive approach to the processing of a mechanism for the interaction of various parts of the healthcare system, including the systems for regulation of drug prices and reimbursement of a cost of key medicinal products used to treat the most common diseases of the Ukrainian population, is a prerequisite for the implementation of insurance medicine throughout the course of reforming the system of health care in the form of pharmacotherapy in outpatient conditions.

Development of such mechanism will make it possible to implement an effective methodology for ensuring availability of treatment of priority diseases (cardiovascular diseases, diabetes mellitus type II and bronchial asthma), diseases and conditions defined in terms of morbidity rate of the population, prevalence of diseases and mortality as well as other indicators of the population's health condition and the outcomes of operation of the healthcare system with medicinal products included in the National List of Key Medicinal Products, will allow cutting costs of the households, which were paid directly at the expense of the citizens during treatment in a hospital and outpatient segment.

#### **4. Reforming an emergency healthcare and disaster medicine system**

*Main issues to be resolved*

Organization of regional operational dispatching services of emergency healthcare and disaster medicine centers with GPS technologies provides for significant financial costs. According to the information provided by the emergency healthcare and disaster medicine centers, development of operational dispatching services requires additional financing in the amount of 641,581.73 thousand Ukrainian Hryvnias.

Educational programs for the training of emergency healthcare and disaster medicine personnel do not correspond to the current level of medical science development.

There are no transparent protocols of healthcare at the pre-hospital and hospital stages.

Specialized ambulance transport and medical equipment are 60 to 70 percent obsolete on average, physically worn out and require replacement.

Total needs for 2017 in specialized ambulance transport of type B and type C is 2,004 units, where type B - 1,488 units, type C - 516 units.

The necessity to introduce new professions "Pre-Healthcare Instructor" , "Paramedic" , "Emergency Medical Technician" into the National Classifier of Ukraine, approved by the Ministry of Health of Ukraine.

*Key quantitative indicators that characterize the situation*

Currently, Ukraine has operational dispatching services of emergency healthcare and disaster medicine centers with GPS technologies functioning in Dnipropetrovsk Oblast, Kharkiv Oblast, Kherson Oblast and the city of Kyiv. In a test mode, the aforementioned services function in Poltava Oblast, Vinnytsia Oblast and Sumy Oblast.

A total available number of specialized ambulance transport is 2,680 units, where type B – 2,440 units, type C – 240 units.

The emergency healthcare departments, which comply with the provisions of the Law of Ukraine "On Emergency Healthcare" are not available.

*Goal to be achieved*

Providing timely and quality emergency healthcare to the population of Ukraine.

Organizing operational dispatching services of emergency healthcare and disaster medicine centers with GPS technologies.

Updating a car fleet of the emergency healthcare and disaster medicine centers.

Improving the level of competence of healthcare personnel of the emergency healthcare system.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

Completing organization of operational dispatching services of emergency healthcare and disaster medicine centers with GPS technologies in all regions of Ukraine.

Purchasing specialized ambulance transport for emergency healthcare and disaster medicine centers in the amount of 2,004 units, where type B - 1,488 units, type C - 516 units.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Association Agreement.

*Previous Period's Outcomes*

Currently, operational dispatching services of emergency healthcare and disaster medicine centers with GPS technologies function in a normal mode in the city of Kyiv, Dnipropetrovsk Oblast, Kherson Oblast and Kharkiv Oblast; operational dispatching services of emergency healthcare and disaster medicine centers function in the mode of testing a hardware and software complex in Vinnytsia Oblast, Poltava Oblast and Sumy Oblast.

*Main points of the proposed medium-term approach*

Forming the unified regional operational dispatching services, purchasing specialized ambulance transport for emergency healthcare and disaster medicine centers.

Analyzing protocols of emergency healthcare at pre-hospital and hospital stages.

Studying the experience of developed European states in terms of operation of emergency healthcare departments and implementing them in Ukraine, taking into consideration peculiarities of the domestic healthcare system.

Implementing new programs for the purpose of improving workers' knowledge in emergency healthcare and disaster medicine.

Developing and approving a program for training an emergency medical technician, paramedic and pre-healthcare instructor. Creating a register of emergency healthcare system personnel.

Formulating and developing standards for instructor centers, developing a system for accreditation of such centers, certification of pre-healthcare instructors.

## **5. Improving provision of highly specialized healthcare**

### **Fighting cardiovascular and cerebrovascular diseases**

#### *Main issues to be resolved*

Diseases of the circulatory system are one of the most important biomedical and social problems in Ukraine. They are on the first place in the structure of diseases, account for almost two thirds of all deaths and one third of the causes of disability. Mortality from diseases of the circulatory system among the population of Ukraine remains the highest in Europe.

Annually more than 405 thousand people die from cardiovascular diseases in Ukraine, which is on average about 1 thousand people dying every day.

In a situation where budget financing is extremely limited, non-standard approaches are needed to improve the provision of health care to patients with cardiovascular diseases at all levels.

The specific weight of the state budget funds for financing the volume of health care has not been determined definitively to provide treatment for people with diseases of the circulatory system in accordance with the need, including a guaranteed volume in acute cardiovascular pathology.

No mechanisms to stimulate the work of healthcare personnel at healthcare facilities/scientific institutions engaged in activities related to the application of high-technology procedures have been developed.

Insufficient provision of logistics of healthcare facilities/scientific institutions involved in the provision of highly specialized assistance to the persons with circulatory system diseases (including healthcare facilities where transplantation can be performed).

Insufficient staffing.

It requires improvement of the regulatory and legal framework on providing cardiosurgical and interventional cardiac care to the population of Ukraine.

*Key quantitative indicators that characterize the situation*

In 2015, 23 centers/departments of cardiovascular surgery operated in Ukraine, in which more than 24,000 surgical interventions were carried out on the open heart, with a calculated need of 140,000, which means that the patients' need was satisfied by 17.2 percent. Mortality rate was 1.3 percent.

More than 29 thousand coronarographies were performed, where the need was 200 thousand diagnostic procedures; the need was satisfied by 14.6%.

The number of cardiosurgical interventions per 1 million population of Ukraine is only 211, while in the European states – 569, in the USA – 1,222.

An average rate of primary coronary interventions with patients having acute myocardial infarction in the European Society of Cardiology is 373 patients per 1 million population, in Ukraine, in 2015, an average primary coronary intervention rate was 146 patients per 1 million population, in 2014 – 128 patients per 1 million population, which is insufficient.

According to the Registry of Primary Coronary Interventions, reperfusion therapy in 2015 was conducted with 47.8%, in 2014 – 42.7%, in 2013 – 23.4% of patients with acute coronary syndrome with ST elevation.

In 2015, there were 96,319 cases of acute cerebral stroke in Ukraine (274.1 per 100,000 population) and 36,553 cases of transient ischemic disorders (104 per 100,000 population); only 243 (0.25 percent) of intravenous thrombolytic interventions were performed (in Europe - up

to 15 percent). Mortality from cerebral stroke was 33,753 people (78.9 per 100 thousand population) in 2015.

*Goal to be achieved*

Procuring treatment of emergency conditions threatening the lives of patients with circulatory system diseases, reducing the rates of disability and mortality from their complications, reducing the mortality rate of children aged below 1 with congenital heart diseases as well as increasing the duration and improving the quality of patients' life.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

The main diagnostic and treatment procedures with patients having acute cardiovascular pathology	2017	2018
Number of coronary angiography performed on patients with symptoms of stable coronary heart disease	30,000	35,000
Number of primary coronary stenting (mechanical reperfusion therapy of patients with acute myocardial infarction)	15,000	18,000
Number of operative cardiosurgical interventions	30,000	35,000
Number of intravenous thrombolytic interventions in case of acute ischemic stroke	500	1,000

In 2017, an increase of 20 percent in the number of high-technology procedures on the available capacity of cardiac centers.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;  
Association Agreement.

*Previous Period's Outcomes*

In 2015, two new regional cardiosurgery centers were opened in Ukraine in the cities of Chernihiv and Zhytomyr.

In 2015, 146 primary coronary interventions were performed with acute myocardial infarction per 1 million population. There were 23 centers/departments of cardiovascular surgery, where more than 24,000 surgical interventions were performed on the open heart, with a calculated need of 140,000. More than 29 thousand coronarographs were done.

In 2015, the largest number of thrombolytic interventions were performed in the following oblasts: Vinnytsia - 61, Dnipropetrovsk - 15, Zaporizhzhia - 13, Lviv - 12, Ternopil - 12, Odesa - 15.

In 2016, three new regional cardiosurgical centers were opened in the cities of Vinnytsia, Ivano-Frankivsk and Kropivnytskyi in Ukraine.

*Main points of the proposed medium-term approach*

Development of institutional bases for improving the quality of highly specialized health care for patients with cardiovascular pathology, including acute conditions, provides for effective and timely

treatment of patients, organization of clear interaction of emergency health services and 24/7 cardiosurgical and cardiological care.

Creation and development of "regional reperfusion networks" , taking into consideration existing cardiosurgical centers will ensure the implementation of a system-based approach to percutaneous reperfusion therapy (primary stenting) and pre-hospital application of fibrinolytics (in case of prolonged transportation) followed by percutaneous angioplasty of the infarct artery.

Establishment and development of a "network of hospitals ready to receive a patient with an acute stroke", taking into consideration the existing neurological centers and the organization of primary (regional) stroke units, which will provide an opportunity to ensure hospitalization of patients to stroke departments, which include a multidisciplinary staff, implementation of a system-based approach to the treatment of acute cerebral stroke and increase of a number of reperfusion therapy of cerebral stroke (intravenous thrombolysis).

### **Developing a transplantation service**

#### *Main issues to be resolved*

Recently, the process of forming a national transplantation service has been temporarily suspended, and there are regression processes in some territories. A number of problems of organizational and methodological as well as regulatory legal provision of effective functioning of the transplantation service remain unresolved.

The main reasons for the lag of the transplantation service of Ukraine from the global trends in the industry are the following:

lack of the unified National Organizational and Methodological Center for Transplantation;

non-existence of state transplantation centers. Currently, transplantation of organs is carried out by the departments of regional clinical hospitals, the management of the majority of which is not interested in the development of a highly specialized and at the same time expensive method of treatment;

lack of financing adequate to the transplantation. Transplantation interventions and development of logistics represent a burden on the already limited amounts of financing oblast hospitals. Moreover, citizens from other regions of the country receive transplantation assistance in these hospitals, the expensive treatment of whom is not provided in the local budgets;

absence or very distorted impression of the society concerning the transplantation, including due to the lack of public control over this activity;

improvement of the regulatory and legal framework for transplantation;

non-determination of the specific weight of the state budget funds to finance transplantation in accordance with 100 percent of the need;

Insufficient provision of logistics of healthcare facilities/scientific institutions engaged in activities related to the transplantation (including healthcare facilities where organs and other anatomical materials are withdrawn ("organ withdrawal database");

insufficient staffing.

*Key quantitative indicators that characterize the situation*

In Ukraine, there are five functioning transplantation centers (departments) (in Dnipropetrovsk, Zaporizhzhia, Lviv, Odesa, Kharkiv oblasts) and the State Institution A.A. Shalimov National Institute of Surgery and Transplantology, National Academy of Medical Science of

Ukraine. In 2014, the centers (departments) of transplantation in Donetsk and Luhansk oblasts stopped their functioning.

An average number of organ transplant operations is about 130 per year, where no more than 10 percent from corpse donors.

*Goal to be achieved*

Providing high-quality, highly specialized health care to the population by increasing a number of organ transplants and other anatomical materials.

Foundation of the National Organizational and Methodological Center for Transplantation.

Development of state transplantation districts.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

The following is expected to be accomplished in 2017:

foundation of the National Organizational and Methodological Center for Transplantation;

increasing a number of transplants, in particular, organ transplants up to 200 and other anatomical materials (bone marrow) up to 200.

The following is expected to be accomplished in the medium term:

Foundation of state transplantation districts on the basis of the State Institution A.A. Shalimov National Institute of Surgery and Transplantology, National Academy of Medical Science of Ukraine in Zaporizhzhia.

increasing a number of organ transplants up to 350-400 and other anatomical materials (bone marrow) up to 350-400.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

National Human Rights Strategy approved by the Decree of the President of Ukraine No. 501 dated 25 August 2015;

Association Agreement.

*Previous Period's Outcomes*

The existing network of healthcare facilities/scientific institutions engaged in activities related to the transplantation.

In the first reading, the Verkhovna Rada of Ukraine adopted the draft Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Health Care and Transplantation of Organs and Other Anatomical Materials of the Human".

The following orders of the Ministry of Health of Ukraine have been issued:

No. 988 dated 22 December 2014 "On Approving Safety and Quality Indicators of the Homograft - Heart of the Corpse Donor"

No. 9 dated 12 January 2016 "On Approving Methodologies for Planning and Calculating a Number of Medicinal Products, Medical Products Purchased at the Expense and within the Relevant Amount of Expenditure Approved in the State and Local Budgets for a Relevant Year to Provide Patients Who Have Undergone or Who Are Preparing for the Transplantation of Organs and Other Anatomical Materials, and to Procure Endoprosthetics";

No. 38 dated 22 January 2016 "On Approving Safety and Quality Indicators of the Homograft - Intestines of the Corpse Donor".

*Main points of the proposed medium-term approach*

Creating an institutional framework for improving the quality of highly specialized healthcare for patients with severe pathology, which involves the transplantation of organs, tissues and cells.

**6. Development of social and rehabilitation services in territorial communities***Main issues to be resolved*

Low coverage of vulnerable segments of the population with high-quality social, rehabilitation and psychological services, especially persons with disabilities, children, elderly people and participants of the anti-terrorist operation; internally displaced persons affected by human trafficking and domestic violence.

Outdated approaches to planning, administration and provision of social services, low level of development of special and preventive social services.

Existence of a large number of residential institutions (internats) of the oblast level, in particular, those where elderly people live, persons with disabilities, including those with mental disorders.

A limited number of social workers who provide services in territorial communities.

An increase in the number of people in need of social support, in particular, participants of the anti-terrorist operation and internally displaced persons.

*Key quantitative indicators that characterize the situation*

More than 2 thousand entities provide social and rehabilitation services for more than 3 million people.

In 151 rehabilitation institutions services were provided to more than 17 thousand people in 2016.

Over 1,000 people become victims of human trafficking each year.

Approximately 100 thousand people affected by domestic violence apply for assistance.

*Goal to be achieved*

Ensuring the provision of high-quality social, preventive, rehabilitation and psychological services and the implementation of a unified system for planning and organizing provision of them at the level of the territorial community.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Ensuring at least 85 percent of the need to provide social services for the elderly, persons with disabilities, participants of the anti-terrorist operation, families (persons) who are in difficult life circumstances, victims of domestic violence, human trafficking and children subjected to severe abuse.

Reducing a number of people receiving social services at residential institutions (internats) by 10 percent.

Procuring the provision of rehabilitation services to at least 10 percent of persons with disabilities in each united territorial community.

Launching pilot projects in the united territorial communities to implement new models of providing social services for vulnerable categories of the population.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

National Human Rights Strategy approved by the Decree of the President of Ukraine No. 501 dated 25 August 2015;

The United Nations Convention on the Rights of Persons with Disabilities

*Previous Period' s Outcomes*

Powers in the sphere of provision of social services have been transferred to the united territorial communities.

The orders of the Ministry of Social Policy of Ukraine have approved 19 state standards of social services, including 7 of them in 2016.

Laws have been adopted to harmonize the Ukrainian legislation in the field of preventing and combating discrimination with the European norms.

The draft Laws of Ukraine "On Social Services" (new version) (registration number 4607) and "On Preventing and Counteracting Domestic Violence" (registration number 5294) have been submitted to the Verkhovna Rada of Ukraine.

A regulatory and legal framework has been developed to spend the funds on conduct of psychological rehabilitation, social and professional adaptation of participants of the anti-terrorist operation.

Resolution of the Cabinet of Ministers of Ukraine No. 1317 dated 3 December 2009

*Main points of the proposed medium-term approach*

The following shall be ensured:

development of a system for the provision of social, rehabilitation and psychological services in each united territorial community, primarily located in rural areas;

gradual reduction of institutional care for the elderly and persons with disabilities outside the territorial community;

further development of the state standards for rehabilitation and social services;

granting access to the rehabilitation services and psychological support for participants of the anti-terrorist operation.

## **7. Procuring a quality, modern and accessible secondary education ("New Ukrainian School")**

### *Main issues to be resolved*

The main challenge is the discrepancy between the state of the secondary education in Ukraine and the needs of the society of the 21st century.

Symptomatic manifestations of this problem are gradual deterioration in the quality of secondary education as a result of the following factors: :

low social and economic motivation for high-quality education;

drop in financing;

impossibility to ensure pre-school education for pre-school children at pre-school educational institutions in accordance with the needs;

decrease of a teacher's social status;

insufficient material support of schools, moral and physical deterioration of equipment and facilities;

Bureaucratization of the education management system.

Consequently:

an outflow of young people motivated to study abroad to receive higher education is increasing;

stagnation or deterioration of the state indicators in international comparative studies and studies of competitiveness and innovative attractiveness affecting the economic development of Ukraine.

System reformation of all components of the secondary education system will help solve the problem: content, management system, structure, system of state financing, system of training and professional development of pedagogical workers, regulatory and legal support.

The reform of secondary education provides, first of all, for the modernization of the content of education on the basis of the State Standard of Secondary Education which is new according to the educational philosophy. The newly created standard shall be grounded on competent and personally oriented approaches to studying, take into account the age-specific features of the child's psychophysical development at each level of education, be focused on gaining skills by students and developing skills necessary for a modern person for the purpose of successful self-fulfillment in the professional activity, personal life and public activity. Strengthening a role of natural mathematics education.

At the same time, the content of primary education shall take into account the state requirements to the level of education, development and upbringing of a child of six (seven) years old; competences acquired by a graduate of a preschool educational institution before entering a school, which correspond to the Basic Component of Pre-school Education and determine and ensure the child's adaptation to a new social status - a school pupil.

The content of the secondary education shall satisfy the educational needs of each child in accordance with his/her respective interests, abilities and life goals. Education standards will determine the basic competencies necessary for a person to live in accordance with the requirements of the time and which such person must receive during his/her time of studying at school.

The priority of reforming the secondary education is the streamlining of the document management system in the system of secondary education management (de-bureaucratization), which will require the reduction of accounting documents between the management bodies of different levels and schools, revision, update or cancellation of a number of regulatory documents, sanitary norms and regulations governing the operation of secondary education institutions.

As of today, teacher training does not meet the requirements of the Concept for Implementation of the State Policy in Reforming the Secondary Education "New Ukrainian School" for the Period till 2029; the quality of teacher training does not meet the requirements of state and public institutions; the educational process at educational institutions does not meet the expectations and hopes of the children and their parents with regard to its quality, effectiveness, procuring an individual approach, taking into consideration the individual characteristics and, etc.

Occurrence of the problems is stipulated by non-compliance of the existing system of training pedagogical workers with the requirements of the society and the state at the present stage of their development, low capability of the graduates of pedagogical higher educational institutions to satisfy in new conditions the objective requirements of children and their parents to the quality of providing educational services.

Secondary education reformation will provide for the implementation of broad opportunities for the use of different forms of receiving education, which will facilitate the implementation of the principle of child-centeredness, taking into account the capabilities, inclinations and needs of each pupil.

The priority of reforming the secondary education is the formation of a system for the management of educational institutions on the basis of the principles of partnership between all participants of the educational process, which provides for partnership participation of the parents in management of the school, formulation of the strategy for its development along with the determination of principal activities, formation of an individual educational trajectory of a pupil, which corresponds to the Universal Declaration of Human Rights (item 3 of Article 26), the Convention for the Protection of Human Rights and Fundamental Freedoms (Article 2 of the Minutes No. 1 to the aforementioned Convention), the Charter of Fundamental Rights of the European Union (item 1 of Article 14).

*Key quantitative indicators that characterize the situation*

State standards of education and training programs do not meet the requirements of the society and are outdated.

Under the terms of decentralization, the network of educational institutions, including the hub schools (137 hub schools were organized during the course of 2016), requires development.

*Goal to be achieved*

In the medium term – improving quality of secondary education in general, overcoming territorial discrepancies in the quality of education and transforming the content of education according to the competency-based approach.

Formation of the content of education for the purpose of developing a creative and proactive personality capable of effective activity in the society that is able to make adequate decisions for the benefit of the Ukrainian people and for the purpose of social and economic development of mankind due to the ability to think critically, acquired competences as well as the established convictions and valuable attitude.

Determination and implementation of fundamentally new approaches to the implementation of the content of education in the training programs and textbooks, determination of training outcomes and ways to measure them, in particular, in the form of external independent evaluation.

Development of pedagogical experimental sites on the basis of which the appropriate approbation of the content of education will be carried out, experimental testing of new training programs and textbooks.

Qualitative changes in the process of professional development of teachers – training the teachers, who are competent, motivated, capable of professional reflection, open to changes and innovations of the new Ukrainian school, who are ready to help students develop their life skills.

Implementing the pedagogy of partnership in the system of school operation both at the level of the teacher – pupil and teacher – parents and also at the level of the educational institution management system.

Implementing the school management system based on the principles of the state-public partnership.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In 2017:

updating the program for pre-school (senior pre-school) children development "Confident Start" ;

creating additional 10 thousand places at pre-school educational institutions for children of early and pre-school age;

approving the new State Standard of Primary Education and 20 training programs;

updating 16 training programs for pupils of 5-9 grades of the basic school.

Development of typical training plans and 42 training programs for a high school.

Preparation of 10 thousand primary class teachers prior to the implementation of the new State Standard of Primary Education and new training programs.

Purchase of 500 rooms of the natural mathematics cycle for secondary educational institutions.

Approbation and formation of tools to survey the level of reader and mathematical competence as well as the factors affecting the quality of education of primary school pupils.

Development of the Concept for the Development of Pedagogical Education, sectoral framework of pedagogical workers' qualifications, professional standard of primary school teachers and 20 higher education standards for pedagogical specialities/specializations.

In the medium term:

creating a system of educational statistics in the field of secondary education;

providing pre-school children with quality pre-school education in accordance with the needs;

increasing the coverage of pupils of secondary education institutions studying two foreign languages;

increasing by 50 percent the coverage of children with special educational needs by inclusive education;

bridging the gap between qualitative indicators of the secondary education in rural and urban schools (based on the outcomes of external independent evaluation);

based on the outcomes of participation in international comparative studies of the quality of education PISA-2018, entering the list of top 50 countries participating in the study.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Memorandum with the IMF.

#### *Previous Period' s Outcomes*

The draft Law of Ukraine "On Amendments to the Law of Ukraine "On Preschool Education" on the Expansion of Opportunities for the Creation and Operation of Pre-school Educational Institutions of Different Forms of Ownership has been submitted to the Verkhovna Rada of Ukraine (registration number 6164).

A new Sanitary Regulation for Pre-School Educational Institutions has been adopted.

The Concept of Implementing the State Policy in Secondary Education Reformation "New Ukrainian School" for the Period till 2029

has been approved, and the foundations of the new State Standard have been developed. On 6 October 2016, the Verkhovna Rada of Ukraine adopted in the first reading the draft Law of Ukraine "On Education" (registration number 3491-д).

Training programs of a primary school have been improved. For the first time the discussion of the programs took place on the open platform Ed-Era.com, during which 4 thousand participants came up with 8.5 thousand comments and proposals. 14 training programs of 1-4 grades have been modernized; information not corresponding to the age characteristics of the children has been excluded; the level of practical orientation has been improved, duplication has been eliminated. Pupils has been studying under the updated programs effective 1 September 2016.

The information and communication system "State Information System of Education" , which has broad opportunities for application, in particular, for the submission and processing of reports in electronic form (including statistical reports), has been implemented.

A number of children with special needs covered by inclusive education increased by 53.6 percent, a number of special classes increased by 7.7 percent.

*Main points of the proposed medium-term approach*

Transforming the content of education on competence basis:

in accordance with the Basic Component of Pre-school Education, procuring the quality training of preschool children for studying at school;

determining and implementing fundamentally new approaches to the formation of education content, implementing it in the training programs and textbooks, determining educational outcomes and ways of measuring them;

wide approbation of the training programs and textbooks, creation of pedagogical experimental sites, on the basis of which the approbation of the content of primary education will be carried out;

developing a national educational platform in order to ensure free access for all school-age children to quality modern teaching resources, and teachers and parents to quality pedagogical, educational and guidance, didactic, psychological resources, etc.;

streamlining the document circulation system in the secondary education management system;

implementing quality training of pedagogical workers in accordance with the public and state needs, updating the system for professional development of teachers and heads of educational institutions;

creating opportunities for building individual educational trajectories by pupils depending on their capabilities, inclinations and needs using different forms of receiving education;

implementing the pedagogy of partnership in the system of school operation both at the level of the teacher – pupil and teacher – parents and also at the level of the educational institution management system. Implementing the school management system based on the principles of the state-public partnership;

implementing equal approaches both in the fulfillment of obligations on ensuring the quality of education by the secondary educational institutions regardless of their form of ownership and in using logistical resources (educational and guidance provision, real estate, land plots, utilities, etc.) for this purpose;

granting access to receive the Ukrainian education by children from the temporarily occupied territory of Ukraine and the districts where the anti-terrorist operation is ongoing.

## **8. Modernization of vocational education**

### *Main issues to be resolved*

The existing system of vocational education does not allow full implementation of the tasks assigned to it in the implementation of the state policy.

Deficit of skilled personnel in the branches of material production. The issue of mobility, competitiveness and skill level of the personnel is of special relevance. There are new qualifications and new requirements to the content and process of staff training.

The content of vocational education needs to be constantly updated, taking into account the needs of the companies being customers of the personnel.

Due to the deficit of budget assignments, the expenditures on overhaul and current repair, renovation of logistics of vocational education institutions were not provided, which made it impossible to implement a modern technique and technology into the training and production process.

Moreover, vocational education is not attractive in Ukraine.

### *Key quantitative indicators that characterize the situation*

As of 1 January 2017, there are 806 vocational education institutions operating, which are subordinated to the Ministry of Education and Science of Ukraine (except for the vocational schools in Donetsk Oblast and Luhansk Oblast located in the zone of the anti-terrorist operation), with a total contingent of 284.8 thousand people.

A total percentage of the implementation of the regional (state) order plan is 93 percent (according to the plan of acceptance of 127

thousand people, 118.5 thousand people were enrolled for studying (where 112.5 thousand people – according to the regional order and 6 thousand people – under the state order).

A contingent of the entrants on the basis of the basic secondary education was retained. In 2015, a contingent of this category was 53 percent (65,969 students) of a total contingent of the entrants, in 2016 – 56 percent (60,040 students).

In 2016, the amount of graduates was 153.2 thousand qualified workers, where 121.3 thousand students and 31.9 thousand listeners from among the employed and unemployed population. Junior Specialist's Degree Diplomas were received by 4.2 thousand people, or 2,7% of the total number of graduates.

In the 2015/16 academic year, 137.6 thousand people or 89.8% were employed by profession.

There is ongoing work on modernizing the content of vocational education. During 2016, 72 state standards of vocational education for specific workers' professions were developed and approved.

#### *Goal to be achieved*

Modernization of vocational education is aimed at creating favourable conditions for the qualitative training of competitive workers who are able to meet the requirements of the current labour market in the region and ensure equal access to the vocational education.

#### *Quantitative Targets to be achieved by the end of 2017 and in the medium term*

Modernization of a network of vocational education institutions according to the needs of the economy of the state and regional labour market:

reorganization of vocational education institutions to create optimal conditions for the provision of quality vocational training: 2017 — 789 vocational education institutions; 2018 — 779, 2019 — 771, 2020 — 765 such institutions;

increase in the average contingent of vocational education institutions (excluding educational institutions for closed-type penitentiary facilities, vocational schools for social rehabilitation and vocational schools at correctional facilities): 2017 — 390 persons; 2018 — 400 persons; 2020 — 410 persons.

Developing the Concept for Development of the Junior Specialist Training System as the highest professional level of non-higher education until the end of 2017.

Developing and implementing 15 state standards on specific professions on annual basis in accordance with the competence-based approach on the basis of professional standards.

Organization of modern training and practical centers in the following areas:

with the involvement of employers' investments: 2017 — five centers, 2018 to 2020 — 10 centers;

using funds of the state budget: 2017 — 25 centers.

Implementing the elements of a dual form of vocational training at 30 vocational education institutions.

Improving qualification (training) of 500 pedagogical workers on the basis of industry training and practical centers.

Restoring the prestige of working professions and conducting effective vocational guidance of the population: annually holding five all-Ukrainian competitions of professional skills, 25 regional "profession fairs", 27 regional and all-Ukrainian exhibitions;

participating in international competitions of professional skills, namely, the WorldSkills.

In the medium term:

organizing the evaluation centers for professional qualifications under at least five professions of national importance;

ensuring transfer of vocational education institutions from state to municipal property.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Association Agreement.

*Previous Period' s Outcomes*

The draft Law of Ukraine "On Vocational Education" (registration number 5160-1) has been submitted to the Verkhovna Rada of Ukraine.

Regional plans for the development of vocational education in 24 oblasts and Kyiv have been approved. During 2016, 18 orders of the Ministry of Education and Science of Ukraine have been issued to terminate 36 vocational education institutions by accession of them to more powerful institutions, changing the type and name of 13 vocational schools. Two training centers at penal facilities have been liquidated.

Regional councils of vocational education have been organized in 25 regions of Ukraine.

The draft Law of Ukraine "On Amending Certain Laws of Ukraine regarding Regional Order for Training Personnel, Professionals" was formulated.

The resolution of the Cabinet of Ministers of Ukraine No. 818 dated 16 November 2016 "On Approval of the List of Professions of National Importance, Training under Which is Conducted from the State Budget", which includes 19 professions, was adopted.

A pilot project has been implemented to organize 25 sector-specific training and practical centers on the basis of vocational education institutions for such professions as "Agricultural Production Tractor Driver", "Installer of Sanitary Engineering Systems and Equipment", "Seamstress. Tailor. Cutter". To purchase modern equipment, facilities, tools in order to ensure the operation of the aforementioned training and practical centers the amount of UAH 50 million has been provided for in the budget. Standards on the aforesaid professions have been approved.

Educational and practical centers are being created by sectoral areas with the participation of social partners.

*Main points of the proposed medium-term approach*

Modernizing the content of professional education on a competent basis by developing educational standards of a new generation on the basis of professional standards.

Ensuring the accessibility and quality of vocational education through the implementation of modern production technologies and independent evaluation of training outcomes.

Restoring the prestige of the working professions by conducting efficient professional orientation of the population.

Improvement of legislative and other regulatory legal acts for the implementation of the principles of education and training in accordance with the European of Lifelong Learning Policy.

## **9. Procuring quality of higher education**

### *Main issues to be resolved*

The important problems, for the settlement of which the actions of the Cabinet of Ministers of Ukraine must be focused on, are the following:

insufficient level of quality and intensity of scientific developments at universities;

distancing the universities from production, market and economic relations in general;

inefficiency of the management system and poor quality of management at higher education institutions;

insufficient logistical provision.

### *Key quantitative indicators that characterize the situation*

As of 1 January 2017, 130 draft standards of higher education were developed with the active participation of stakeholders, particularly, 102 – under Bachelor's Degree, and 28 – under the Master's Degree.

Currently, the only form of public financing of higher education in Ukraine still remains the system of state order for training professionals, which does not fully satisfy the needs of the economy and society.

### *Goal to be achieved*

Development of a system for procuring and continuously improving a quality of higher education, which corresponds to the European recommendations and standards of higher education, takes into account the best world practices and it is the main technology for

achieving the educational system's compliance with the requirements and needs of the society and individual.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In 2017:

development of higher education standards for the Bachelor's Degree – 120, Master's Degree – 80;

procuring the functioning of the National Repository of Academic Texts, which a nationwide electronic database universal in terms of its content, which funds will contain qualification works for the graduates of the higher education system, academic texts of scientific, scientific and technical as well as educational (training) nature;

ensuring free and free-of-charge access to academic texts under the established procedure.

In the medium term:

development and approval of 125 higher education standards for the Bachelor's Degree; 127 higher education standards for the Master's Degree; 117 standards for the Doctor of Philosophy;

creation of an open register of higher education institutions which will make it possible to conveniently view and process statistical information on each higher educational institution and, therefore, grant access for the entrants to the relevant information concerning higher education institutions and the level of professional development of their graduates;

increase of the quality of management education by at least five positions of the rating indicators based on the outcomes of the Global Competitiveness Index of the World Economic Forum;

submission of an application for inclusion of the National Agency for Quality Assurance in Higher Education in the European Quality Assurance Register for Higher Education.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the Association Agreement.

*Previous Period' s Outcomes*

Today, public discussion has been passed by more than 30 percent of the standards under the Bachelor's Degree; standards under the Master's Degree and the Doctor of Philosophy" are being intensively developed. No visible success has been achieved in the formation of modern quality assurance systems in higher education: commencement of operation of the National Agency for Quality Assurance in Higher Education has been postponed by more than a year in comparison with the requirements of the Law of Ukraine "On Higher Education", and higher education institutions received no methodological assistance in the formation of the system for internal quality assurance in higher education.

In 2014, the Law of Ukraine "On Higher Education" provided for the creation of an independent system for higher education quality assessment, identified entities for quality assurance in higher education and imposed sanctions due to the identification of academic unfairness, in particular, academic plagiarism. An information campaign has been launched to improve academic virtue among the scientists and participants of the educational process. In 2015, the Ministry of Education and Science of Ukraine published texts of the theses in reading mode on the official web pages of specialized academic councils. In 2016, the Cabinet of Ministers of Ukraine agreed with the

proposal of the Ministry of Education and Science of Ukraine to create the National Repository of Academic Texts.

At the same time, the Ministry of Education and Science of Ukraine is developing measures to create the National Repository and put it into operation.

In 2016, as an experiment at nine higher education institutions, entrance testing was conducted throughout the course of enrollment on the basis of a Bachelor's Degree to study for the Master's Degree under the speciality 081 "Law" using organizational and technological processes for the performance of external independent evaluation.

*Main points of the proposed medium-term approach*

Establishment of an open register of higher education institutions, which will allow viewing and processing statistical information on each higher education institution. Such information shall contain depersonalized (consolidated) information in public domain on employment of the graduates of specific specialities of each higher education institution.

Implementation of the system for quality assurance in higher education based on a combination of higher education standards containing state requirements for its content, independent development of training programs, training plans, specializations, development of methodological base and provision of practical assistance to higher educational institutions in the creation of the system for internal quality assurance in higher education. Implementation (approximately from 2019) of a single state qualification examination for certain specialities in accordance with the new standards of higher education shall become an important tool for connecting educational and professional standards. Conducting a single state qualification examination shall be

possible only with the use of organizational and technological processes of external independent evaluation, which requires conducting entrance examinations for the Master's Degree in certain specialities.

Reforming the system of state financing for higher education (including expansion of the financial independence of higher education institutions) and public procurement sphere for the training of professionals with higher education.

Development and pilot implementation of a new model of managing and improving the quality of management in the system of higher education.

Settlement of the status of higher education institutions of I-II levels of accreditation for the purpose of ensuring their activities as a leading link in vocational education.

Development of academic entrepreneurship.

Improving the mechanism for formation of the National Agency for Quality Assurance in Higher Education on a competitive basis, taking into consideration the experience of implementing the Law of Ukraine "On Scientific, Scientific and Technical Activities".

Creation of the National Repository of Academic Texts and procuring the filling thereof with existing texts. New texts will be sent to the National Repository by higher education institutions and scientific institutions. In the context of National Repository's functioning, a possibility of checking texts by academic plagiarism will be taken into consideration.

## **10. Creating a new science management and financing system**

### *Main issues to be resolved*

The scientific sphere of Ukraine needs substantial reformation because, as of today, the domestic science has lost the functions of

influence on the social and economic development of the state; the indicator of domestic scientific and technical potential has dropped to a critical level, which has become a threat to the national security. The basis of domestic economy is represented by raw materials and low-technology industries, which significantly reduces the potential of Ukraine's development as a competitive state in the long run. Findings of scientific research as well as scientific and technical developments only slightly affect the growth of Ukraine's gross domestic product.

The major problems of the scientific sphere of Ukraine are the following:

insufficient volumes of financing;

absence of real financial independence of scientific institutions in terms of using their own funds;

lack of coordination between governmental authorities, science, business and civil society while solving strategic issues of scientific sphere development. the National Council for the Development of Science and Technology as the main link for ensuring this coordination, the foundation of which is provided for in the Law of Ukraine "On Scientific, Scientific and Technical Activities", is in the process of being organized;

lack of modern procedures for assessing the effectiveness of scientific institutions' activities and scientific activities of higher education institutions on budgetary financing;

outdated and inefficient system of project financing in the system of the National Academy of Sciences and national industry academies of sciences;

outdated research infrastructure, the modernization of which requires considerable funds and elaboration of the strategy for its development;

Outflow of highly skilled personnel, in particular, young scientists. There are practically no conditions for professional fulfillment in science as well as incentives for young scientists to remain in it in Ukraine due to the miserable financing of scientific activities and, in particular, projects of young scientists;

lack of an effective mechanism for commercializing the research, exchanging data and knowledge between the science, economics (business) and society (solving social problems);

non-systematic actions towards Ukraine's integration into the European Research Area and systematic use of its capabilities.

The solution for the problem of coordination as well as increasing the efficiency and effectiveness of budgetary financing for scientific research and developments is possible by means of the formation of the National Council for the Development of Science and Technology as provided for in the Law of Ukraine "On Scientific, Scientific and Technical Activities". According to the Law, the Council shall have the powers to determine the strategic guidelines and key principles of public administration of the development of the research and developments sector, prepare proposals on the basis for functioning of the state attestation system for scientific institutions in Ukraine as well as assess the effectiveness of operation of the national industry academies of sciences, financial support of the science by executive governmental authorities and the National Research Fund.

Solving the problem concerning the incorporation of a financing organization with broad interdepartmental opportunities is feasible through the formation of the National Research Fund, which is provided for in the Law of Ukraine "On Scientific, Scientific and Technical Activities". In addition, both the formation and implementation of the state target scientific and technical programs by priority areas for the

development of science and technology shall be restored as an instrument for the active influence of the state on the technological development of sectors of economy.

An additional chance to modernize the Ukrainian science and raise additional funds into the scientific sphere promotes participation in international scientific and technical cooperation, in particular, in the programs of the European Union Horizon 2020 and Euratom. The ultimate goal should be considered as the integration of Ukrainian science into the European Research Area, complete utilization of those opportunities provided for in the Association Agreement.

*Key quantitative indicators that characterize the situation*

At the present time, the financing of scientific, scientific and technical activities using the budget funds has reached a historical minimum and, according to the forecasted data, it amounted to approximately 0.16 percent of the gross domestic product in 2016, where approximately 90 percent of it was intended for ensuring operation of the state scientific institutions under the principle of basic financing.

The reasons behind the decrease in the science intensity of the gross domestic product as well as the decrease in the role of science and its impact on the scientific, technological and innovative development of the state is not only the deficit of funds, outdated logistics of the scientific sphere, state of the scientific potential, inefficient use of available resources but also an ineffective system of public administration in the field of science, lack of coordination of efforts, which does not allow focusing on specific tasks of development of the national economy and defensive capacity of the state.

*Goal to be achieved*

The main tasks for the medium-term period are the restoration of the status of domestic science as the main instrument of technological as well as social and economic development of the state, improving a social status of scientific as well as scientific and pedagogical workers, discontinuance of mass outflow of highly skilled scientific personnel from Ukraine.

Foundation of the National Council for the Development of Science and Technology in 2017, which will comprise representatives of the scientific community, executive governmental authorities and the real sector of economy, will allow in future years directing the vector of scientific research and developments and the state budget funds, which are spent for such purposes, towards the areas that are the most important and prioritized for the state, in particular those that will ensure its defensive capacity and security.

The following is expected to be accomplished in the medium term:

step-by-step growth in the volume of financing the scientific activity, including an increase in the volume of grant financing;

implementing the measures to ensure the real financial independence of scientific institutions in terms of using earned money;

building a new system for assessing the effectiveness of scientific institutions' activities and scientific activity of higher education institutions on the basis of the best international practices;

developing and procuring operation of the National Research Fund on the basis of the project finance system, which provides for transparent assessment procedures based on the best international practices, and the involvement of foreign experts and a "scientific diaspora" for the expertize of the Fund's projects;

Developing and implementing the strategy of Ukraine's joining the European Research Area and the systematic use of its capabilities.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In 2017, the National Council for the Development of Science and Technology was organized, the Regulation on the National Research Fund was approved, the Scientific Council of the Fund was formed, the Directorate of the Foundation was formed and its management was elected. While formulating the draft State Budget of Ukraine for 2018, additional appropriations should be planned to ensure the activities of the National Research Fund and ensure basic financing of the scientific activity of higher education institutions.

In the medium term:

increase in the volume of financial support for scientific as well as scientific and technical activities from the general fund of the state budget up to at least 0.5 percent of the gross domestic product;

the amount of financial support for scientific as well as scientific and technical projects through the National Research Fund should increase up to 10-15 percent of the total amount of financing the scientific activity from the general fund of the state budget;

implementing the state attestation of at least 80 percent of scientific institutions for which the passing of state attestation at the legislative level is determined to be mandatory;

expanding the volume of financial support for scientific projects and scholarship programs for young scientists up to at least 2 percent of the total amount of financing the scientific activity from the general fund of the state budget;

effective use of the program and target budgetary financing by means of formation and implementation of the state target scientific, scientific and technical programs;

intensifying the Ukraine's participation in international scientific and technical programs and organizations (Horizon 2020, Euratom, EUREKA, European Organization for Nuclear Research (CERN), etc.).

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Association Agreement.

*Previous Period' s Outcomes*

The Law of Ukraine "On Scientific, Scientific and Technical Activities" , which provides for the main legislative preconditions and procedures for the foundation and functioning of the National Research Fund, has been adopted.

The Identification Committee on Science has been formed; a draft Regulation on the National Council for the Development of Science and Technology and the procedure for the formation of the composition of its scientific committee as a body on which the functions of the supervisory board of the National Research Fund will be imposed.

An independent international audit of the scientific, technical and innovation system of Ukraine was conducted using the instruments of the policy to support the program of the European Union Horizon 2020, which resulted in the formulation of seven key messages and 30

recommendations to the governmental authorities for the purpose of improving efficiency of the scientific and innovation system of Ukraine.

The treaties on Ukraine's associated participation in the programs of the European Union Horizon 2020 and Euratom have been ratified.

The Regulation on Holding Competition of Draft Scientific Works, Scientific and Technical (Experimental) Developments of Young Scientists Working at Higher Education Institutions and Scientific Institutions Related to the Management Sphere of the Ministry of Education and Science of Ukraine, has been approved, Further Implementation of Such Works and Developments from the General Fund of the State Budget and Management of Them held by the Ministry of Education and Science of Ukraine has been approved for the first time. According to the competition outcomes, 79 drafts have been selected and their financing has been launched.

#### *Main points of the proposed medium-term approach*

Implementation of the provisions of the Law of Ukraine "On Scientific, Scientific and Technical Activities", which provides for the foundation of a single coordinating authority for the formulation of proposals on the state policy in the sphere of scientific and technical activities and methods of its implementation as well as the creation of new powerful institutions of grant support to the research and developments regardless of departmental characteristics.

Establishment of a regulatory and legal framework to procure the activities of the National Council for the Development of Science and Technology, the National Research Foundation, research universities and key public laboratories with the subsequent implementation of the activities of such institutions.

### **11. Developing a fair pension insurance system**

*Main issues to be resolved*

Disproportion in the amounts of pensions assigned in different years, existence of additional payments to the minimum amounts contributes to the process of "leveling" the amounts of pensions and weakens the insurance principles in pension provision.

Almost 7/6 million pensioners or 64 percent receive the same amount of pension.

The budget of the Pension Fund of Ukraine is adverse. In 2016, the state budget expenditures to cover the budget deficit of the Pension Fund of Ukraine increased from 31.7 billion Ukrainian Hryvnias in 2015 up to 84.9 billion Ukrainian Hryvnias. In 2017, the budget deficit of the Pension Fund of Ukraine is 71.7 billion Ukrainian Hryvnias.

A joint system functions under the conditions of high demographic load.

Financing the payment of pensions for 12 million pensioners is procured by 12.8 million insured persons.

*Key quantitative indicators that characterize the situation*

The amount of pensions assigned before 2009 and the amount of pensions that are assigned as of today may differ in more than 2.7 times.

As a part of the pension payment 8.6 million persons have various additional payments and increased payments.

*Goal to be achieved*

Raising the level of pension provision for the citizens.

Implementing the unified and fair approaches to the calculation of pensions.

Creating conditions for financial sustainability of the Pension Fund of Ukraine.

Increasing the attractiveness of the joint system to stimulate the legalization of wages and employment among the working population.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Recalculation of insurance pensions for 10.9 million pensioners.

Reduction from 8 up to 3.8 million pensioners, or by 45 percent, in which the insurance pension is less than the minimum one.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Sustainable Development Strategy "Ukraine – 2020" approved by the Decree of the President of Ukraine No. 5 dated 12 January 2015;

Memorandum with the IMF.

*Previous Period's Outcomes*

In 2014-2016, the following measures were taken to balance the joint system:

measures were taken to legalize labour payment relations for filling the budget of the Pension Fund of Ukraine by reducing a single contribution for compulsory state social insurance up to 22 percent; a decision was made to double the size of the minimum wage, powers of the labour inspection were expanded; responsibility of unscrupulous employers was improved by increasing the amount of penalties;

measures were taken to improve fairness among the recipients of pensions by limiting a maximum amount of pensions and revising the conditions for assigning pensions under individual laws;

minimum social standards in the field of pension provision were increased;

the Strategy of Modernization and Development of the Pension Fund of Ukraine for the Period until 2020 was approved by the Cabinet of Ministers of Ukraine No. 672 dated 14 September 2016;

entrepreneurs, who have selected a general taxation system, were involved in the social insurance system.

*Main points of the proposed medium-term approach*

Improving the quality of administration and discipline of single contribution payment.

Expanding coverage of the employed population by pension insurance.

Systematizing the pension legislation in a single legislative act.

Strengthening insurance principles in the assignment of pensions, taking into account earnings and insurance length of service.

Replacing the mechanism for reimbursement of preferential pensions for payment of a single contribution for compulsory state social insurance in the amount of 15 and 7 percent for workers engaged in the work entitling them to be assigned with the pensions on preferential terms according to the lists No. 1 and No. 2.

Revising the conditions for granting pensions by age on preferential terms and for long service.

## **12. Ensuring an effective state social support of the population**

*Main issues to be resolved*

Insufficient effectiveness of the social support programs and their impact on poverty reduction in Ukraine.

Low activity of recipients of social assistance before employment.

A large number of recipients of social benefits, their different volume depending on the place of residence.

Improving the system of control over the use of state budget funds to provide social benefits due to the low institutional capacity of the social protection system to exercise such control.

*Key quantitative indicators that characterize the situation*

State social assistance to low-income families as of 1 January 2017 received more than 335.7 thousand families for 731.8 thousand children, including 112.3 thousand large families for 411.2 thousand children; recipients of social assistance included more than 80 thousand able-bodied unemployed persons.

An average amount of social assistance to low-income families makes 2,780.4 Ukrainian Hryvnias, and for large families - 3,886.6 Ukrainian Hryvnias.

In the Unified State Automated Register of Persons Eligible for Benefits, as of 1 January 2017, 10.2 million persons, who are eligible for benefits based on social signs, are recorded.

Social inspectors reveal less than 1 percent of violations in the monitored cases; however, according to the international experts, violations are committed in 20-25 percent of the assigned assistance.

*Goal to be achieved*

Encouraging able-bodied unemployed family members to find work and overcoming the state of poverty.

Strengthening the targeting of social assistance and transiting to the monetization of benefit provision.

Creating and implementing a unified information system of the Ministry of Social Policy of Ukraine.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Modernizing the system for administration of social payments, compensations and subsidies for 20 million citizens.

Introducing the provision of services in the field of social protection in electronic form.

Translation of social benefits for the payment of monetary compensations for 10.2 million citizens.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Memorandum with the IMF;

Loan Agreement (Project "Modernization of the System for Social Support of the Population of Ukraine") between Ukraine and the International Bank for Reconstruction and Development.

*Previous Period's Outcomes*

Effective 1 July 2015, transition to the targeted provision of social benefits has been procuring taking into account the income.

The program of housing subsidies in terms of targeting their provision and ensuring economical consumption of energy resources

has been improved.

A mechanism has been introduced for the provision of certain types of social benefits in monetary form (provision of accommodation to the families of deceased participants of the anti-terrorist operation and disabled from among of such participants, sanatorium and resort treatment for those affected as a result of the Chernobyl disaster).

The Unified Information Database of Internally Displaced Persons has been implemented.

The implementation of projects to build centers for the provision of social services in the format "Transparent Office" has been launched in large cities.

*Main points of the proposed medium-term approach*

Implementing the provision of benefits in monetary form.

Transition to the provision of social support for certain categories of citizens based on the principle of "money follows the person" .

Implementation of incentives for the employment of social assistance beneficiaries.

Ensuring the implementation of public control over social payments and the introduction of the institute for social inspection.

Creating the information environment of the social sphere with the construction of a real-time data exchange system and social services portal.

Developing a network of centers for the provision of social services in the format "Transparent Office".

### **13. Ensuring the protection of children's rights**

*Main issues to be resolved*

Increase of the number of children who fall into the situations that threaten their life and health.

Annually about 10 thousand children are left without parental care, in particular, because of difficult life circumstances.

A widespread form of institutional education of children at residential institutions (internats), mainly of the oblast level (approximately 90 children studying at residential-type institutions with a family separation, have their parents who are not deprived of parental rights with regard to them).

A critical state of providing orphans and children deprived of parental care with accommodation.

Inadequate staffing levels for employees of services for children's affairs, social service centers for families, children and youth of district, city, district city councils, united territorial communities that exercise powers to procure the social protection of the children and provide social services to the families with children.

*Key quantitative indicators that characterize the situation*

At 663 residential institutions (internats) of all types (as of the beginning of 2016), there were 99,915 children, where 9,291 children (9.3 percent) have the status of an orphan or child deprived of parental care, and 38,962 children in need of correcting physical and (or) mental development (at special institutions).

A number of orphans, children deprived of parental care, persons from among them, who are on the accommodation register and in need of improvement of housing conditions is 26,671 persons as of 1 January 2016 (during 2016 accommodation was provided to 425 people).

The services for children's affairs account for about 28 thousand children as of 1 January 2016, who are in difficult life circumstances.

As of the beginning of 2017, 2,9 thousand people work at the services for children's affairs, including in 206 services for children's affairs of the executive bodies of city, district city councils - 1.2 thousand officials. At the same time, as of 1 January 2017, 7.270 thousand children are registered in Ukraine.

The executive bodies of the rural, village united territorial communities are currently limited in their powers to protect the rights of the children and do not have the proper staffing units.

*Goal to be achieved*

Creation of a system for full upbringing of the children in the family environment by strengthening the responsibility of the parents, other legal representatives as well as each basic territorial community.

Implementation of an early intervention system is the identification of families with children having different forms of vulnerability starting from birth.

Ensuring safety and well-being of every child.

Establishment of a system for coordinating the provision of rehabilitation and social services at the local level to the children and families with children.

De-institutionalization of childcare to ensure the upbringing of each child in a family or conditions close to the family-line conditions.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Decrease in the number of children brought up residential institutions (internats) by 10 percent on annual basis.

Reducing a number of children's referrals to the residential institutions (internats) on the basis of applications from parents.

Decrease in the number of children temporarily arranged with the institutions for social protection of children.

Creation of at least 50 families of foster caretakers.

Reducing a number of children who fall into the situation, threatening their life and health.

Increasing a number of orphans provided with the accommodation, children deprived of parental care and persons from among them.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

National Human Rights Strategy approved by the Decree of the President of Ukraine No. 501 dated 25 August 2015;

The United Nations Convention on the Rights of the Child

Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse

*Previous Period's Outcomes*

The following Laws of Ukraine have been adopted:

No. 936-VIII dated 26 January 2016 "On Amendments to Certain Legislative Acts of Ukraine on Enhancing the Social Protection of Children and Supporting Families with Children", which defines the concept of "the best interests of the child", provides for the protection of the rights of children in difficult life circumstances, including children affected by military actions and armed conflicts, implementation of

patronage over the child and strengthening the insurance principles of social protection for foster caretakers;

No. 1504-VIII dated 8 September 2016 "On Amendments to the Law of Ukraine "On Ensuring the Organizational and Legal Conditions for the Social Protection of Orphans and Children Deprived of Parental Care in Terms of "Mentoring" , the purpose of which is the implementation of a mentoring framework to work with the children who are brought up at residential institutions (internats), for the purpose of supporting them and preparing for an independent life, mentoring children who are brought up at the residential institutions (internats).

The resolutions of the Cabinet of Ministers of Ukraine have been adopted:

No. 832 dated 16 November 2016 "On the Peculiarities of Social Protection for Family-Separated Children Who are not the Citizens of Ukraine", which approved the procedure for interaction between the public authorities and local self-government authorities while detecting children separated from their families, who are not citizens of Ukraine, and amended the Procedure for Conduct of Activities Related to the Protection of Children's Rights by the Guardianship and Care Authorities;

No. 834 dated 16 November 2016 "On Approval of the Model Regulation on the Center for Social Support of Children and Families", which will promote the development of a network of services for families with children living in the community by standardization of foundation and operation of social support centers for children and families;

No. 458 dated 22 July 2016 "On Amendments to the Regulation on the Family-Type Children's Home and the Regulation on the Foster

Family", which purpose is to eliminate the shortcomings identified in course of the implementation of legislation on functioning of the family-type children's homes and foster families and strengthening the rights and interests orphans and children deprived of parental care, who are brought up in such families.

Draft Laws of Ukraine have been submitted to the Verkhovna Rada of Ukraine:

"On Prevention and Counteraction to Domestic Violence" (registration number 5294);

"On Amendments to Certain Legislative Acts of Ukraine Concerning the Protection of Housing Rights of Orphans and Children Deprived of Parental Care and Persons from Among Them" (registration number 5045).

*Main points of the proposed medium-term approach*

Strengthening the responsibility of executive governmental authorities and local self-government authorities for making decisions in the best interests of children will ensure the following:

gradual elimination of institutional care for children outside the territorial community by procuring that families with children with the provision of quality social support in the conditions of their territorial community intended for maintaining the functions of upbringing in a family, preventing domestic violence and cruel treatment of the children;

procuring continuous maintenance of the children and families with children with special needs in order to prevent them from entering into inpatient facilities;

determination of the circumstances and algorithm of actions (emergency response measures) in the detection of children suffered or

those who may suffer from cruel treatment, children whose lives or health are at risk;

increase in the proportion of orphans, children deprived of parental care, and those who are provided with accommodation;

ensuring timely detection, responding to cases of cruel treatment of the children, violence, involvement in the worst forms of child labour, including begging.

#### **14. Strengthening positions of the state language in the cultural and information space**

##### *Main issues to be resolved*

Due to constant prohibitions and persecution for centuries, the Ukrainian people could not properly develop the national language and use it in all spheres of life. The language situation in Ukraine is characterized by a number of negative phenomena and trends. The Ukrainian language as the state language is improperly used in the fields of law, education, culture, mass media, science, informatics, military affairs, production, legal proceedings and others. Using the Ukrainian language in all spheres of public life does not correspond to the share of the Ukrainians in a total number of the population. A current state of the Ukrainian society is characterized by a sharp reduction in the population's consumption of the national artistic and intellectual product. This resulted in a decrease in the readership activity of the citizens as the determining factor in the development of an individual, lack of a proper range of the books in the trade network, destruction of the domestic book distribution system, shortage of textbooks and teaching aids for students of higher educational institutions, pupils of secondary education and vocational schools and pre-school institutions children, non-existence of a system for replenishing public libraries with new items of book production,

reduction of total and average editions of the national books, in particular, technical, special, scientific and educational literature.

*Key quantitative indicators that characterize the situation*

The share of Ukrainian-language songs on the radio as of the beginning of 2016 decreased up to 5 percent, the share of Ukrainian-language broadcasts shrank up to 23 percent. Among the mass media, only 20 percent of mass media have the main version in the Ukrainian language on the Internet, 50 percent – do not have the Ukrainian version at all. Among the online stores, only 20 percent have the Ukrainian version. Entertaining and gaming websites are almost not available in the Ukrainian language.

Over the past 17 years, the production of books makes one book per year per one citizens of Ukraine, while in Europe this figure is 12 to 13 books. An average Ukrainian citizen buys books for 2.5 US Dollars, while an average Russian citizen buys books for almost 19 US Dollars, a Pole – for 41.6 US Dollars, a Frenchman – 65 US Dollars, a German – for 154 US Dollars.

The network of libraries is the most extensive network of public institutions, the only one that reaches almost every village and it is a free, open and accessible source of information for all categories of the population; however, their stock was mainly formed in the 1970s and 1980s of the previous century; it is physically worn out and morally outdated. Due to the lack of sufficient financing, acquisition of library stock is done sporadically and unsystematically. The share of expenditures for replenishment of the stock is only 1.3 percent of the total budget of public libraries, even though it should be 10 percent in compliance with the international standards.

*Goal to be achieved*

Practical implementation of Article 10 of the Constitution of Ukraine on the comprehensive development and functioning of the Ukrainian language in all spheres of public life.

Enhancement of functioning of the Ukrainian language in mass media, culture, education and science.

Development of a network of pre-school, secondary education, higher education institutions for continuous education and training in the Ukrainian language.

Improvement of educational and methodological provision of educational institutions of different types for the purpose of studying the state language.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Ensuring the work of the Ukrainian Book Institute, fulfillment of its statutory tasks (in particular, in formation of the digital library).

Updating the stock of public libraries with modern Ukrainian-language literature (0.2 percent - at the expense of the state budget).

Replenishing collections of the electronic library "Culture of Ukraine" (more than 800 full-text documents).

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Strategy for the Development of Libraries for the Period Until 2025  
"Qualitative Changes in Libraries for the Sustainable Development of

Ukraine" approved by the order of the Cabinet of Ministers of Ukraine No. 219 dated 23 March 2016.

*Previous Period' s Outcomes*

The Coordination Council on the application of the Ukrainian language in all spheres of public life has been organized as a permanent advisory body to the Ministry of Culture of Ukraine (order of the Ministry of Culture of Ukraine No. 404 dated 8 June 2016).

The State Institution "Ukrainian Book Institute" was founded and its articles of association have been approved (order of the Ministry of Culture of Ukraine No. 612 dated 28 July 2016).

The Verkhovna Rada of Ukraine registered the draft Law of Ukraine "On the State Language" (registration number 5670), which provided for the settlement of issues related to the determination of liability for violation of laws governing the application of the state language.

*Main points of the proposed medium-term approach*

Adoption of the Ukrainian language as the state language throughout the territory of Ukraine in all public spheres of public life as well as in international communication and in the exercise of official functions by officials.

Strengthening the function of the state language as an instrument for the unification of Ukrainian society, a means of strengthening the state unity of Ukraine, its state independence and national security.

Adoption and support of the Ukrainian language as an original language of the title nation, in particular for:

fluent knowledge in the Ukrainian language by the citizens of Ukraine;

correct application of the Ukrainian language in accordance with the requirements of Ukrainian spelling;

preventing the mixing of the Ukrainian language with other languages;

dissemination of knowledge about the Ukrainian language and its role in the development of the Ukrainian and European culture;

strengthening respect for the dialects and speeches of the Ukrainian language, preventing their disappearance;

creating and maintaining the open permanent State Register of Ukrainian-language Directories for the Professional of All Sectors;

distributing and facilitating the learning of the Ukrainian language in Ukraine and abroad.

Adoption of the Ukrainian language as a language of interethnic communication and mutual understanding in Ukraine and assistance in satisfying the language needs of foreign Ukrainians in the countries of their settlement.

Ensuring the functioning of the Ukrainian Book Institute for the purpose of concentrating the functions dispersed between the governmental authorities in the formation and implementation of the state policy in the sphere of literary, book publishing and library activities.

Development of organizational, administrative and cultural conditions for the transformation of the domestic publishing industry into a European-style cultural industry, formation of a single book market in the state, procuring, with the help of the domestic book, free access of Ukrainian citizens to all spheres of modern knowledge, revival of the reading culture through the introduction of the new state institution – Ukrainian Book Institute.

## **15. Ensuring national and patriotic education**

### *Main issues to be resolved*

Existence of significant differences in the system of values, ideological focuses of various groups of the society, as a result of which the basis for promoting local identities, interregional, interethnic and language conflicts incompatible with the independence of the state is created.

Transformation of the information space into a tool for manipulating the public consciousness, developing value disorientation.

Further neglect of such negative phenomena will deteriorate real and potential threats to the national security, lead to the dominance of anti-Ukrainian propaganda. Given current challenges, namely, military aggression of the Russian Federation and internal destabilization attempts, the national and patriotic education is determined by one of the priorities of the Ministry of Youth and Sport of Ukraine.

### *Key quantitative indicators that characterize the situation*

According to the study conducted in 2016 by the Center for Independent Social Research "Omega" as ordered by the Ministry of Youth and Sport of Ukraine, most of today's youth are proud of their citizenship (78.5 percent), 50.2 percent of the youth are aware of the activities ongoing in the state in terms of national and patriotic education, 24.8 percent of the youth believe that such activities are performed very rarely. The civil activity of young people is rather low, since 7 percent of Ukrainian youth representatives sometimes attend events of youth organizations and 2 percent are members of such organizations, according to the research conducted by GfK Ukraine in 2015 as ordered by the Ministry of Youth and Sport of Ukraine.

*Goal to be achieved*

Ensuring systemic and coordinated actions of governmental authorities, local self-government authorities and civil society institutions for the purpose of national and patriotic education, which will contribute to the unity and consolidation of Ukrainian society.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Before the end of 2017:

holding 15 international and all-Ukrainian events aimed at national and patriotic education of the youth (coverage - 270 thousand people);

production and distribution of information materials, social videos aimed at national and patriotic education of the youth (coverage - more than 400 thousand people).

In the medium term, an increase by at least 10 percent in the number of young people involved in the process of national and patriotic education.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with the Strategy for National and Patriotic Education of the Children and Youth for 2016-2020 approved by the Decree of the President of Ukraine No. 580 dated 13 October 2015.

*Previous Period' s Outcomes*

The Strategy for National and Patriotic Education of the Children and Youth for 2016-2020 has been approved (Decree of the President of Ukraine No. 580 dated 13 October 2015).

The Interdepartmental Commission for National and Patriotic Education and coordination councils at the oblast state administrations have been organized.

In 2016, 56 international and all-Ukrainian national and patriotic events were held in 19 oblasts of Ukraine and the city of Kyiv, attended by more than 70 thousand young people; a total coverage with measures is more than half a million citizens of Ukraine.

A representative sociological study on the value focuses of the youth has been conducted.

*Main points of the proposed medium-term approach*

Forming the value focuses and development of the national patriotic consciousness of the children and youth.

Training the public activists, who are involved in the organization and holding of the All-Ukrainian Children's and Youth Military and Patriotic Game "Sokil" ("Dzhura").

Increasing the level of the youth's knowledge in fulfillment of the obligation to protect the independence and territorial integrity of Ukraine.

Increasing prestige of passing military service under the contract in the Armed Forces of Ukraine and readiness of the youth to fight for the state independence and territorial integrity of Ukraine.

Development of an effective and efficient nation-wide system of national and patriotic education, in particular, by means of the following:

training competent professionals in the system of national and patriotic education;

activating young people's participation in the activities of the national and patriotic public associations;

increasing a number of the members of the national and patriotic public associations as well as military and patriotic clubs.

## **16. Establishment of Public Television and Radio Broadcasting of Ukraine**

### *Main issues to be resolved*

The system of domestic television and radio broadcasting requires fundamental changes. Overcoming the monopoly in controlling oligarchic groups over the major mass media, forming a real media market is the key to the existence of free mass media. A prioritized assignment in this area is the creation of a full-fledged Public Television and Radio Broadcasting of Ukraine. This is one of the main tools of democracy, which satisfies the needs of the society in obtaining objective and unbiased information, supports a high intellectual and cultural level of the population.

The problem is how to ensure the functioning of the public broadcasting system in the conditions of the crisis in the economy, political and military instability, while minimizing the risks of the transition period and ensuring the fulfillment of socially important tasks, is has been imposed on the state television and radio as of today.

### *Key quantitative indicators that characterize the situation*

In 2016, a share of the permanent audience of the state television channel of the National Television Company "First National" (according

to the sorting 18+ All Ukraine) was approximately 0.77 percent, or approximately 330 thousand viewers. A total share of the permanent audience of the central and regional directorates of the National Television Company (formerly – oblast state-owned television and radio broadcasting companies, Kultura TV channel and the National Radio Company) amounted to approximately 3 million viewers and listeners, or approximately 7 percent of households. Accordingly, a total number of permanent audience (18+ All Ukraine) of TV and radio channels of the system of the National Television Company, united in 2016, was approximately 3.3 million citizens.

*Goal to be achieved*

Establishing by the end of 2017 the full-fledged functioning of the Public Television and Radio Broadcasting of Ukraine and increasing the level of public trust in the broadcaster.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

In the short run, it is planned to increase a proportion of the permanent audience of the public broadcaster up to 10 percent of households, or 4.3 million citizens, including at the end of 2017 – 8 percent of households, or approximately 3.9 million citizens.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

commitments of Ukraine to the Council of Europe (Resolution of the Parliamentary Assembly of the Council of Europe No. 1466 dated 5 October 2005).

*Previous Period' s Outcomes*

The process of transforming the state broadcasting into the public one was launched from the moment the Law of Ukraine "On Public Television and Radio Broadcasting of Ukraine" entered into force and the resolution of the Cabinet of Ministers of Ukraine No. 567 dated 5 August 2015 "Certain Issues of Forming the Public Joint Stock Company "National Public Television and Radio Broadcasting Company of Ukraine".

The reform is carried out in two stages:

first (2015 to 2016) – all state-owned television and radio broadcasting companies unite with the National Television Company and become its branches;

second (2016 to 2017) – transformation of the State Institution "National Television Company of Ukraine" into PJSC "National Public Television and Radio Broadcasting Company of Ukraine".

In order to ensure the formation of the authorized capital of JSC National Public Television and Radio Broadcasting Company of Ukraine, the property valuation report of the National Television Company reviewed by the State Property Fund of Ukraine and the list of property is, which shall not be included in the authorized capital of the company, has been approved (Order of the State Committee for Television and Radio Broadcasting of Ukraine No. 231 dated 15 December 2016).

The Articles of Association of the Public Joint Stock Company "National Public Television and Radio Broadcasting Company of Ukraine" has been approved (resolution of the Cabinet of Ministers of Ukraine of No. 1039 dated 28 December 2016).

PJSC "National Public Television and Radio Broadcasting Company of Ukraine" was registered on 19 January 2017 as a legal entity and the National Television Company was terminated as a legal entity.

*Main points of the proposed medium-term approach*

The Public Television and Radio Broadcasting of Ukraine shall be organized in the form of PJSC "National Public Television and Radio Broadcasting Company of Ukraine", which 100% shares are owned by the state. The National Public Television and Radio Broadcasting Company shall be founded on the basis of the state television and radio companies, which are reorganized by accession to the National Television Company.

**17. Development of cultural and artistic potential and preservation of cultural heritage of Ukraine**

*Main issues to be resolved*

Due to the inertia of the Soviet system of public governance, the legislation currently regulates only the activities of cultural institutions founded on the state and municipal form of ownership, excluding a non-state sector, namely, business and civil society. As a result, there are two parallel economies of culture today – state and non-state, unaccounted; therefore, it is almost impossible to take it into account when analyzing and developing economic and cultural models of development.

Financial support of only the state and municipal cultural institutions does not contribute to the creation of transparent conditions for carrying out economic activities in the sphere of culture. In particular, industry standards stipulate a format of theater posters and headcount instead of stimulating a profitable activity of the state

and non-state enterprises, institutions and organizations, and ensuring transparency of financial reporting on the use of public funds.

Almost no important communicational potential of cultural is used for mutual understanding and joint activity.

Thus, to stimulate the development of the cultural and artistic potential of citizens of Ukraine and effective management of cultural and artistic heritage facilities, the Cabinet of Ministers of Ukraine shall implement the following actions:

modernize the content and conditions for the provision of art education;

change the model of financing of culture and art at the expense of the budget funds;

create an extensive system of tools and incentives for the development of cultural and artistic activities;

create an electronic information resource of cultural heritage and cultural values;

create the conditions for maximum use of the potential of cultural institutions for the development of local communities.

*Key quantitative indicators that characterize the situation regarding creation of incentives for cultural and artistic activities*

An important element of an effective system for the development of cultural and artistic creativity is effective tools for supporting artists and art institutions (including theaters of state and municipal form of ownership) in the implementation of their art projects through a system of grants, scholarships, art orders, support in organizing and holding cultural and artistic events, participation in various events abroad, etc. At the same time, lack of budgetary financing in a combination with the unsettled and outdated regulatory and financial system of bonuses

considerably complicates the ability of the state to use the financial support for priority areas of cultural and artistic development.

*Regarding creation of an electronic information resource of cultural heritage and cultural values*

At the state level, there is no complete and reliable information on the quantitative and qualitative composition of the Museum Fund of Ukraine (state and non-state share).

Due to the occupation of the Autonomous Republic of Crimea, city of Sevastopol and certain territories of Luhansk Oblast and Donetsk Oblast, the country has lost approximately 1.2 million museum items, which represents 10 percent of the state share of the Museum Fund of Ukraine. However, accurate information on certain losses is not available. In the event that such information is not available, it is impossible to efficiently block the export of cultural values to the Russian Federation (primarily, cultural values from the museums of the Autonomous Republic of Crimea and the city of Sevastopol, Luhansk Oblast and Donetsk Oblast) or other countries.

There is no electronic database on the items of the Museum Fund of Ukraine, in particular on the cultural values of Ukraine declared for export, in particular, temporarily. Accounting data on museum collections and objects of cultural heritage is stored on analogue data storage media, on paper and locally, directly on the site of museums.

The Ministry of Culture of Ukraine does not have an opportunity to effectively regulate the issues concerning movement of cultural values across the state border (temporary export or export for permanent storage outside the territory of Ukraine), since it is necessary to confirm adequacy of information of the ownership for cultural values and their significance for the state.

There is no adequate information on the existing facilities of the immovable cultural heritage, their protection zones, subject of protection of such monuments as well as the metadata for the description of monuments of cultural heritage.

Lack of information in public domain on the objects of cultural heritage leads to the lack of a transparent mechanism for issuing permits, high corruption risks and abuses in the sphere of preserving cultural heritage, etc.

Taking into account the imperfection of the mechanism for accounting the objects of the Museum Fund of Ukraine, objects of cultural heritage, collection of data on the aforementioned and other cultural values and cultural monuments, there is a risk of losing not only the cultural heritage (since there is no effective monitoring and management mechanism) but also the relevant information on them.

#### *Regarding provision of art education*

Inconsistency of the content and forms of the organization of primary art education with the needs of modern society because of the conservatism of approaches to the content and form of the organization of primary art education of providers of such services..

Limited opportunities for the implementation of standards of profile art education at the state specialized music and art residential institutions (internats) in accordance with the requirements of pre-professional training of students.

Inconsistency of financial and logistical provision of the state specialized music and art residential institutions (internats) to the needs of providing a quality secondary and specialized art education.

Inconsistency of the legislation in the sphere of education to the needs of developing the higher art education.

*Regarding the state of accounting cultural heritage*

There are 564 museums in Ukraine regardless of the form of ownership, where more than 10 million items of fixed assets are kept.

As of March 2017, 8,175 monuments were included into the State Register of Immovable Monuments of Ukraine (where 891 are monuments of national importance and 7,284 – local importance).

During the period from 2010 to 2015, Ukraine lost 5,593 museum items, which also includes the items stolen from museums and reserves founded based on the state and municipal ownership.

*Regarding the development of the art education system*

There are 1,290 children's art schools in municipal ownership operating in Ukraine, where more than 302,000 pupils study, six specialized art residential institutions (internats) and one children's choreographic school subordinated to the Ministry of Culture of Ukraine (more than 2,500 students study there) (as of 1 September 2016).

The coverage of school-age children with primary art education services amounts to 8 percent.

Throughout the course of the past seven years, funds for the modernization of logistics of the state specialized art residential institutions (internats) have not been allocated.

*Regarding the number of cultural institutions*

The structure and number of cultural institutions operating in Ukraine (total – 33,324 institutions)

Type of cultural institution	Total number as of 2016	Institutions in excellent condition	Institutions in need of repair	Institutions at a risk of closure

Clubs	16,640	630	8,211	803
Libraries	15,875	971	6,310	541
Cinemas	184	6	77	9
Cinema units	625	3	201	146

Actual financing of cultural institutions:

76 percent – payroll;

20.4 percent – payment of utility services;

3.6 percent – expenditures incurred in the improvement of logistics and replenishment of library stock.

Volumes of financing from the state budget of individual programs in the sphere of culture and art

(thousand Ukrainian Hryvnias)

Support programs	Scope of financing (by years)				
	2013	2014	2015	2016	2017 (plan)
Financing the grants of the President of Ukraine to young figures in the field of theatrical, musical, circus, fine arts and	612.2		91.7		780

Support programs	Scope of financing (by years)				
	2013	2014	2015	2016	2017 (plan)
cinematography, young writers, masters of folk art for the creation and implementation of art projects					
Purchase of works of fine art, dramatic art of contemporary Ukrainian writers, musical art of contemporary Ukrainian composers	960 not drawn (amendmen ts are not made to the order of the Cabinet of Ministers of Ukraine)	960 not drawn (amendmen ts are not made to the order of the Cabinet of Ministers of Ukraine)			
Payment of annual scholarships of the President of Ukraine for young writers and artists in the field of musical, theatrical, fine, choreographic, circus and cinematography arts					
Payment of bonuses for outstanding	57.3	31.6	57.9	75.6	260

Support programs	Scope of financing (by years)				
	2013	2014	2015	2016	2017 (plan)
cultural, literary and art figures					
Financial support from the budget of theatres	558,316.8	531,789.2	540,289.7	547,839	898,947

*Goal to be achieved*

Ensuring the autonomy of budgetary cultural institutions, including in the generation of income, management of resources and implementation of personnel policy.

Clear definition and delineation of the mechanism of managerial and professional supervision.

Creation of an effective system of public financial support instruments of cultural and artistic activities.

Development of a program for the international exchange of cultural experience, including the creation of an international Ukrainian institute as the Ukrainian cultural center in other states.

Creation of an electronic information resource with databases on objects of cultural heritage and cultural values (including objects of the Museum Fund of Ukraine).

Development of cultural institutions and institutions of primary art education in villages, settlements and district centers as a social tool for uniting territorial communities. Determination of key functions of local cultural institutions to be the integration, communication, social coordination and reproduction of social relations.

Improvement of educational academic programs of institutions of primary art education and logistics of specialized art residential institutions (internats).

Increase of the level of access to primary and profile art education.

Development of conditions for the implementation of the concept of lifelong education (increase of a number of applicants for primary art education, including adults and people with special needs).

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Monitoring the implementation of models for the functioning of local cultural locations; based on the monitoring findings and, if necessary, making amendments to the regulatory legal acts governing this sphere of public relations.

Increase of the number of cultural services and procuring their accessibility.

Development of three to five typical models of functioning of local cultural locations, ensuring their pilot implementation.

Development and approval of a minimum cultural basket (minimum standards for providing citizens with cultural services).

A number of art schools of municipal ownership in 2020 coincides with or exceeds a number of united territorial communities.

The scope of coverage of school-age children with primary art education services in 2020 is at least 10 percent.

Services of primary art education at art schools are available for children, adults and persons with special needs.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Sustainable Development Strategy "Ukraine – 2020" approved by the Decree of the President of Ukraine No. 5 dated 12 January 2015;

State Regional Development Strategy for the Period Until 2020 approved by the resolution of the Cabinet of Ministers of Ukraine No. 385 dated 6 August 2014;

Strategy for the Development of Libraries for the Period Until 2025 "Qualitative Changes in Libraries for the Sustainable Development of Ukraine", approved by the order of the Cabinet of Ministers of Ukraine No. 219 dated 23 March 2016;

Long-term Strategy for the Development of Ukrainian Culture – Strategy of Reforms approved by the order of the Cabinet of Ministers of Ukraine No. 119 dated 1 February 2016;

The United Nations Convention on the Rights of the Child (20 November 1989);

Association Agreement.

*Previous Period's Outcomes*

During 2014-2015, a number of regulatory legal acts governing the issues of supporting the artistic environment, establishing favourable artistic climate in the state were adopted, in particular:

the Regulation on Expert Commissions (Councils, Groups) of the Ministry of Culture of Ukraine, which defines the general principles for the formation and operation of expert commissions (councils, groups) at

the Ministry of Culture of Ukraine was approved. The composition of expert commissions includes leading scientists, artists, professionals in the relevant sphere of culture and art, representatives of civil society institutions and others;

amendments were made to the Regulation on the Procedure of Providing Grants to Young Figures in the Field of Theatrical, Musical, Circus, Fine Arts and Cinematography, Young Writers, Masters of Folk Art for Creating and Implementing Art Projects, which will promote better involvement of civil society institutions in determining applicants to receive grants from the President of Ukraine;

amendments were made to the Regulation on the President of Ukraine's Scholarships for Young Masters of Folk Art, which will ensure the involvement of a wide range of public organizations to represent candidates for the President of Ukraine's scholarships, create conditions for a democratic and transparent procedure of selecting scholarship candidates;

resolution of the Cabinet of Ministers of Ukraine No. 950 dated 4 November 2015 "On Amendments to Appendix 2 to the Methodology for Calculating a Rental Fee for the State Property and Proportion of Its Distribution" was adopted, which allowed professional artistic personnel being provided with appropriate workshops, contributed to the popularization and development of Ukrainian fine arts.

With the entry into force of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning Implementation of the Contractual Form of Work in the Sphere of Culture and the Competitive Procedure for the Appointment of Heads of State and Municipal Cultural Institutions", the artistic composition of theaters has been transferred to the contract form of work and holding tenders to fill in the positions of theater directors.

Regulatory legal acts on accounting the museum items (metadata standard) have been developed and adopted; collection of information on the cultural values of the Museum Fund of Ukraine lost throughout the course and as a result of the World War II, lost and stolen from museums of the state and municipal forms of ownership 2010 to 2015 has been launched; analysis of the regulatory framework in the field of cultural heritage protection has been conducted; state of public accounting of a share of the Museum Fund of Ukraine; monitoring the museums and other museum-type institutions, where the Museum Fund of Ukraine is stored, has been started.

The order of the Cabinet of Ministers of Ukraine No. 219 dated 23 March 2016 "On Approval of the Library Activity Development Strategy for the Period Until 2025 "Qualitative Changes in Libraries to Procure Sustainable Development of Ukraine" was adopted.

During the period May to September 2016, the inventory procedure and assessment of the status of existing cultural institutions in villages and settlements was carried out. The outcomes of the inventory procedure became the basis for the development of differentiated models of functioning of cultural institutions.

The project on adaptation, study and implementation of the UNESCO indicators system in Ukraine (Culture for Development Indicators – CDIS) has been launched to obtain objective scientific data on the development of the cultural sphere in Ukraine. This research in quantitative and economically sound indicators shall be conducted for the purpose of identifying the level of cultural integration in all spheres of public life and influence on state construction.

In June 2016, experts of the Council of Europe initiated an analytical review of the cultural policy, namely, concerning the protection of cultural heritage and modernization of cultural institutions and

infrastructure in different regions in Ukraine in 2017 for the purpose of forming the state policy in the field of culture.

In November 2016, the Memorandum of Understanding was signed to support the implementation of power decentralization initiatives in the relevant sectoral areas: Ministry of Regional Development, Construction and Housing of Ukraine, Ministry of Ecology and Natural Resources of Ukraine, Ministry of Infrastructure of Ukraine, Ministry of Culture of Ukraine, Ministry of Education and Science of Ukraine, Ministry of Health of Ukraine, Ministry of Finance of Ukraine and the international technical assistance project "Expert Deployment for Governance and Economic Growth" (EDGE), which is funded by the Ministry of International Trade and Development of Canada and implemented in Ukraine by the Canadian company Agriteam Canada Consulting Ltd.

Proposals have been made to the draft Law of Ukraine "On Education" in terms of accounting for the specifics of higher education in the artistic and cultural area, which have been taken into consideration.

Monitoring of the need of the state specialized art residential institutions (internats) for the logistical support of the educational process has been conducted.

*Main points of the proposed medium-term approach*

Ensuring the autonomy of budgetary cultural institutions, including in the generation of income, management of resources and implementation of personnel policy:

analysis and assessment of the institutional capacity of the budget cultural sector;

definition of a list of functions and institutions (types) that have an unconditional right for budget infrastructural financing;

studying the issue of defining competitive mechanisms to be granted access to budget financing of cultural institutions of all types;

performance of permanent information work, publication of all available financing possibilities for the budget and non-budget sectors of culture with the help of online tools and systematic public events.

Improvement of the incentive system for cultural and artistic activities – development and implementation of a new system of budgetary financial support of theaters (with their own stage). Provision of opportunities for theaters to independently determine the amounts of labour payment under the terms of the contractual system, setting a minimum wage.

Creation of an electronic information resource with databases on objects of cultural heritage, cultural values (including objects of the Museum Fund of Ukraine):

determination of metadata standards and forms of state registers (databases), data exchange mechanisms, levels of access and powers of governmental authorities (in particular, the Ministry of Culture of Ukraine) with regard to the formation of such databases and procuring the functioning of such resource;

Creation of an electronic information resource that will consist of the modules (databases) of items/objects of movable, immovable heritage as well as the lost/stolen cultural values, with the subsequent integration of such information into the national and international information resources, and granting differentiated access to it for target audiences (experts, professionals, governmental authorities and citizens).

Improving the quality of cultural services in local communities:

creation of a differentiated model for the functioning of cultural institutions;

development and approval of a minimum cultural basket (minimum standards for the provision of cultural services).

Improvement of the content and terms of provision of art education:

development of a typical educational program for primary art education and primary specialized art education for art schools;

implementation of minimum standards for providing citizens with services of primary art education;

renovation of logistics of the state specialized art residential institutions (internats) (procurement of computer equipment, educational equipment, musical instruments in order to procure the educational process);

taking into consideration the specifics of art education while drafting legislative and other regulatory legal acts in the field of education;

development of standards for the preparation of the Doctor of Arts at artistic higher educational institutions;

development of standard educational programs of inclusive art education for art schools;

implementing preparation of the Doctor of Arts at artistic higher educational institutions.

Stimulating the professional development of existing personnel through the training programs in work and peer-to-peer training:

improvement of the existing system of qualification improvement in the sphere of culture for the purpose of adapting it to the realities of

the contemporary creative process; development of an appropriate system of indicators;

within the framework of competitive project financing programs, providing for the financing of experience transfer projects, training in work and peer-to-peer training;

stimulation of different programs for international exchange of professional experience, in particular, by means of probation and professional travels.

## **18. Forming a healthy nation**

### *Main issues to be resolved*

The necessity to implement the efficient mechanisms for prevention of chronic non-communicable diseases, which became the main reason for premature deaths of people.

Decrease in the volume and intensity of motor activity (increased negative impact on human health) as a result of automation of production, increase in the share of mental work in the structure of labour activity as well as improvement of the comfort of vehicles, improvement of household appliances, development of the sphere of public utilities, etc.

Insufficient level of development of infrastructure for sports, in particular, for the children and youth.

Insufficiency of popularity of intensive motor activity among the population.

### *Key quantitative indicators that characterize the situation*

Today, there is a low level of involvement of the population in physical and health improvement as well as sports activities, which is 13

percent of the country's total population. According to this indicator, Ukraine is significantly behind some European states. The world experience shows that an optimal motor activity throughout the life of each human is the most effective means of preventing diseases and strengthening health.

*Goal to be achieved*

Popularization of motor activity and physical training by the population of Ukraine.

Increase within the period 2017 to 2020 in the level of involving the population to health improvement physical activity and, as a result, contributing to a healthy lifestyle, and, in some cases, reducing a negative impact of bad habits on the human body, improving stress resistance and distraction from antisocial behaviour.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

An approximate indicator of the increase in the number of citizens having a sufficient level of health improvement motor activity, percent

2017	2018	2019	2020
14	15	16	17

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Sustainable Development Strategy "Ukraine – 2020" approved by the Decree of the President of Ukraine No. 5 dated 12 January 2015;

Association Agreement.

*Previous Period' s Outcomes*

The Decree of the President of Ukraine No. 42 dated 9 February 2016 adopted the National Strategy for Improving Motor Activity in Ukraine for the Period Until 2025 "Motor Activity – Healthy Lifestyle – Healthy Nation".

The Order of the Cabinet of Ministers of Ukraine No. 653 dated 8 September 2016 adopted the action for 2017 in terms of implementation of the National Strategy for Improving Motor Activity in Ukraine for the Period Until 2025 "Motor Activity – Healthy Lifestyle – Healthy Nation".

The Order of the Cabinet of Ministers of Ukraine No. 1320 dated 9 December 2015 approved the Concept of the State Target Social Program for the Development of Physical Training and Sports for the Period Until 2020.

Resolution of the Cabinet of Ministers of Ukraine No. 115 dated 1 March 2017 approved the State Target Social Program for the Development of Physical Training and Sport for the Period Until 2020.

Resolution of the Cabinet of Ministers of Ukraine No. 1045 dated 9 December 2015 approved the Procedure of Annual Assessment of Physical Fitness of the Population of Ukraine.

*Main points of the proposed medium-term approach*

Elaborating the approaches to promoting motor activity among the population with the involvement of public activists and sports organizations, procuring appropriate training and participation of Ukrainian sportsmen in international sports competitions.

**19. Creating new opportunities for the youth***Main issues to be resolved*

There is a significant gap between the accessibility of higher education and possibility for young people to find a job by profession. According to the findings of international study of the young people's transition from study to the labour market in Ukraine in 2015, 65.9 percent of young people aged 25 to 29, who have finished their studying, have higher education. According to the findings of the sociological survey "Youth of Ukraine – 2015", 51.1% of working youth aged 14 to 34 work not by profession. There is a problem of vocational guidance of the youth and establishment of cooperation with employers in creating new jobs for young people and places for practicing.

A lack of youth infrastructure, which contributed to the provision of opportunities for meaningful leisure and reduced the risk of involving young people in destructive actions. As a consequence, young people seek and use alternative leisure areas, which leads to an increase in alcohol, drug and gambling addiction. Given the lack of life experience, young people are more easily influenced by destructive elements, in particular, criminal gangs and extremist movements, totalitarian sects and excluded from socially useful processes.

Low civic involvement of young people. According to the findings of the sociological survey "Youth of Ukraine – 2016", conducted by the Ministry of Youth and Sport of Ukraine, 79 percent do not participate in the activities of any public organization, and 12 percent of young people want to be useful to their country.

A significant level of outflow of talented youth abroad, in particular, because of the inability to self-fulfillment and self-sufficiency in Ukraine.

*Key quantitative indicators that characterize the situation*

Young people aged 14 to 35 make up almost one third of the population of Ukraine.

Within the framework of the implementation of the Pact for Youth 2020, 5,500 new places were created for the youth to work and practice in 2016.

14 thousand people passed the vocational guidance test "My Career" in 2016.

*Goal to be achieved*

Formation of state policy in the youth sphere based on a system of general European principles, which are openness, evidence of conceptual provisions, equality of opportunities, cross-sectoral and responsible approach as well as direct involvement of civil society institutions working with the youth, and youth to implement it.

Development of effective tools and mechanisms to support the ideas of young people, their participation in the decision-making process, implementation of socially significant projects and activities, primarily, creation and development of a network of youth centers on the basis of existing institutions working with young people. Strengthening the role of the youth in a public and political life of the state.

Strengthening the capacity of young people to achieve sustainable development goals.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Indicators	2016	2017	till 2020
Number of young people who have passed the vocational guidance test, thousand persons	14	16	64
Number of young people who have taken part in training	254	460	2,150

Indicators	2016	2017	till 2020
sessions under the program "Youth Worker" , persons			
Number of young people who have taken part in discussions and training events for the representatives of youth centers, persons		250	750
Number of places created for the youth to work and practice within the framework of implementation of the Pact for Youth 2020	5,500	2,000	10,000

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Association Agreement.

*Previous Period' s Outcomes*

The State Target Social Program "Youth of Ukraine" for the period 2016 to 2020 has been approved (resolution of the Cabinet of Ministers of Ukraine No. 148 dated 18 February 2016).

A representative sociological survey "Youth of Ukraine" was conducted in 2015, and in 2016 – "Value Focuses of Modern Ukrainian Youth".

The procedure for awarding the Prize of the Cabinet of Ministers of Ukraine for special achievements of youth in the development of

Ukraine has been amended (amendments have been made to the resolution of the Cabinet of Ministers of Ukraine No. 1333 dated 21 November 2007) and the Prizes have been awarded under the new procedure.

Amendments have been made to the resolution of the Cabinet of Ministers of Ukraine No. 1049 dated 12 October 2011 (concerning the improvement of the mechanism for holding a contest for youth and children's public organizations).

Agreements on youth exchanges have been made with Poland and Lithuania; a youth exchange council has been organized, projects for young people have been implemented within the framework of the Ukrainian-Polish youth exchanges.

More than 35 companies and organizations have signed the Pact for Youth 2020.

The U-report project has been launched jointly with UNICEF (the goal is to survey the youth via a free SMS on important youth-related issues).

10 training sessions have been conducted for young people from among the representatives of civil society institutions and executive governmental authorities working with youth within the framework of the "Youth Worker" program involving 254 persons.

Operation of the vocational guidance portal "My Career" , which contains information on all practicing, internship and job search opportunities available in Ukraine, has been strengthened.

60 projects have been implemented for young people in Ukraine, Poland and Lithuania within the framework of the Ukrainian-Polish and Ukrainian-Lithuanian youth exchanges involving more than 2,000 young people.

Operation of the online portal "Sportify" (information on all sports facilities and services existing in the cities) has been procured.

The Framework Program for Cooperation between the Ministry of Youth and Sport of Ukraine and the Council of Europe for Youth Policy for 2016-2020 has been signed and an appropriate action plan has been developed.

For three years, approximately 63 events have been held and approximately 97 projects for young people have been implemented, involving about 2 million people.

Proposals have been prepared for the adoption of the Typical Regulation on the Youth Center.

*Main points of the proposed medium-term approach*

Ensuring joint and coordinated activity of executive governmental authorities with civil society institutions, youth and children's public organizations, organizations, institutions and facilities working with youth, and volunteers.

Providing state support to socially important projects of civil society institutions, namely, youth and children's public organizations.

Strengthening the work to develop international youth cooperation, promoting the integration of Ukrainian youth into the world and European youth community.

Application of the best achievements of the world and European practice for the formation and implementation of the policy in the youth field.

Application of a participatory approach, i.e. maximizing the involvement of young people not only in any events but also in planning activities and conducting thereof, which will open up an opportunity to motivate young people to identify new opportunities that will meet the needs of the youth.

Creation of approximately 10 thousand places for work and internships for young people before 2020 within the framework of the implementation of the Pact for Youth 2020.

Involvement of approximately 200 partners from among the companies and business corporations to sign the Pact for Youth 2020 before 2020.

Implementation of 280 projects for young people within the framework of the Ukrainian-Polish and Ukrainian-Lithuanian youth exchanges involving 8 thousand young people.

Conducting a vocational guidance test among the youth (approximately 10 thousand people annually) via the portal "My Career".

Holding 40 events for young people in order to implement a regional youth policy involving approximately 300 thousand young people.

## **20. Forming a positive image of Ukraine in a global sports movement**

### *Main issues to be resolved*

The necessity of developing relevant conditions for proper training and participation of Ukrainian sportsmen in international sports competitions, holding official international competitions in Ukraine at a high organizational level.

Adoption of regulatory legal acts intended to deregulate the sphere of sports management development.

Procurig compliance of the Ukrainian sportsmen and their coaches with the anti-doping legislation.

Preservation of the network of children's and youth sports schools as the basic institutions for training sportsmen in back-up sport and improving the condition of their logistics.

*Key quantitative indicators that characterize the situation*

The national team of Ukraine in sports won 11 awards (two gold, five silver and four bronze) at the XXXI Summer Olympic Games 5 to 21 August 2016 in Rio de Janeiro (Brazil).

In 2016, sportsmen of the national team of Ukraine in Olympic sports took part in 645 international competitions, including 106 official international competitions (XXXI Summer Olympic Games, II Winter Youth Olympic Games, 29 world championships, 63 European championships, seven World Cups and five European Cups); Ukrainian sportsmen won 430 awards - 128 gold, 127 silver and 175 bronze (in the Olympic program numbers, 257 medals - 66 gold, 73 silver, 118 bronze, in the non-Olympic program numbers, 173 medals – 62 gold, 54 silver and 57 bronze).

From the beginning of 2017, sportsmen of the national team of Ukraine in the Olympic sports took part in 123 international competitions, including two world championships, eight European championships and the World Cup; Ukrainian sportsmen won 43 awards - 11 gold, 13 silver and 19 bronze (in the Olympic program numbers, 37 medals - 11 gold, 11 silver and 15 bronze, in the non-Olympic program numbers six medals - two silver and four bronze).

According to the results of the XV Summer Paralympic Games, the national Paralympic team took the III team place among the participating countries (Ukrainian sportsmen with disabilities won 117 medals - 41 gold, 37 silver and 39 bronze).

In 2016, there were 1,293 children's and youth sports schools operating in Ukraine, 493.2 thousand children and teenagers aged 6 to 18 were involved.

The logistics of children's and youth sports schools does not meet modern requirements to the organization of the educational and training process, and in 40 percent it is not available.

*Goal to be achieved*

Creating conditions for effective training of top class sportsmen.

Adoption of regulatory legal acts intended to deregulate the sphere of sports management development.

Creating conditions for ensuring proper preparation and participation of Ukrainian sportsmen in international sports competitions by means of effective training of top-class sportsmen and receiving licenses for participation in the most important international sports competitions.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Participation in 600 international competitions in Olympic sports, including 81 world and European championships.

Hosting three official international competitions by Ukraine.

Approval of target programs and plans for training the Ukrainian sportsmen for the XXXII Summer Olympic Games in 2020.

Conducting approximately 800 tests on the presence of prohibited substances at accredited laboratories.

Involvement of up to 12 percent of children and teenagers, who are systematically engaged in the backup sports system.

Ukraine's entry into the top 10 countries of the world according to the results of the X Non-Olympic Sports World Games in 2017.

Entry of the national team among the sportsmen with disabilities on the basis of results of participation in the Paralympics and Deaflympics in the team event in the strongest sports teams in the world.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;  
Sustainable Development Strategy "Ukraine – 2020" approved by the Decree of the President of Ukraine No. 5 dated 12 January 2015;  
Association Agreement.

*Previous Period's Outcomes*

The Law of Ukraine No. 1835-VIII dated 7 February 2017 "On Anti-Dope Control in Sport" has been adopted.

The following Decrees of the President of Ukraine have been issued:

No. 8 dated 15 January 2016 "On the Appointment of Scholarships of the President of Ukraine for Outstanding Sportsmen and Coaches of Ukraine in the Olympic Sports";

No. 446 dated 12 October 2016 "On the Appointment of Scholarships of the President of Ukraine for Outstanding Sportsmen and Coaches of Ukraine in the Olympic Sports";

No. 537 dated 1 December 2016 "On the Appointment of Scholarships of the President of Ukraine for Outstanding Sportsmen and Coaches of Ukraine in the Olympic Sports";

No. 549 dated 9 December 2016 "On State Scholarships to Champions and Prize Winners of the Olympic Games, Paralympics and Deaflympics".

The resolutions of the Cabinet of Ministers of Ukraine have been adopted:

No. 91 dated 4 February 2016 "On Encouraging the Sportsmen and Coaches for the Olympic and Non-Olympic Sports";

No. 579 dated 31 August 2016 "On Amending the Appendix to the Resolution of the Cabinet of Ministers of Ukraine No. 91 dated 4 February 2016";

No. 823 dated 16 November 2016 "Certain Issues of Encouraging the Sportsmen and Their Coaches Based on the Results of the XXXI Summer Olympic Games".

*Main points of the proposed medium-term approach*

Ensuring proper training and participation of Ukrainian sportsmen in the most important international sports competitions.

Hosting official international competitions by Ukraine.

Compliance with the anti-doping legislation.

Harmonization of the foundations of sport management in Ukraine with the recognized international standards, in particular, the Olympic Charter, European Sport Charter, International Charter of Physical Education, Physical Activity and Sport.

Deprivation of the Ministry of Youth and Sport of Ukraine of untypical functions in terms of approval of the rules for sports competitions, taking into consideration international experience.

Improvement of the training process quality, ensuring a healthy lifestyle for children and teenagers.

#### **IV. RULE OF LAW AND COMBATING CORRUPTION**

##### **1. Procuring functioning of the Unified State Register of Declarations of the Persons Authorized to Perform Functions of the State or Local Self-Government**

###### *Main issues to be resolved*

Creation of the software and hardware complex of the Unified State Register of Declarations of the Persons Authorized to Perform Functions of the State or Local Self-Government. Modernization of the information and telecommunication system of the Register, procuring the operation of the integration and verification modules, purchase of server and other equipment, creation of a data center that will procure technical capabilities for communication with relevant external registries and databases, receiving, transmitting, processing and storing information.

The problem arose in 2015-2016 during the process of creation and launch of operation of the National Agency for the Prevention of Corruption. As of today, the National Agency on Corruption Prevention does not have its own servers and data center. At the cost of the resources of the United Nations Development Program to procure functioning of the electronic declaration system, equipment for deployment of the system and services on joint placement of its software is rented (a monthly cost is 100 and 28 thousand Ukrainian Hryvnias respectively). The National Agency on Corruption Prevention will have an opportunity to use the rented equipment and receive the aforementioned services within the framework of the technical assistance of the United Nations Development Program only until 31 December 2016. In future, the United Nations Development Program does not intend to continue financing, and the National Agency on Corruption Prevention, as a newly established agency, without an adequate equipment and necessary funds, will not be able to ensure the

deployment and functioning of the electronic income declaration system.

Development of identification and verification software modules will allow expanding the opportunities in procuring automated access to the state registries and databases.

Solving the aforesaid problems will allow verifying electronic declarations to the extent necessary. Otherwise, declarations will be verified by sending paper requests, which will increase the time for inspections and obtaining information. Automated processing of electronic declarations will also allow determining the order of checking declarations by risk categories, reducing the discretionary powers of officials of the National Agency on Corruption Prevention.

In general, there is an imbalance between the technical possibilities for verification and the number of completed declarations, which worsens the pace of verification.

*Key quantitative indicators that characterize the situation*

As of 30 October 2016, the first stage of completing the declarations has been finished. 106,152 annual declarations for 2015 have been submitted to the Unified State Register of Declarations of the Persons Authorized to Perform Functions of the State or Local Self-Government (including adjusted declarations – 20,194). Declarations have been submitted by the President of Ukraine, Prime Minister of Ukraine, Chairman of the Verkhovna Rada of Ukraine, 413 People's Deputies of Ukraine, 78 members of the Cabinet of Ministers of Ukraine and their deputies, 65,087 persons holding public service positions of "A" and "B" categories, 30,422 officials of local self-government, 7,003 judges, 10,166 prosecutors and 10,963 investigators. These declarations require full verification.

*Goal to be achieved*

Increase in the level of virtue among the civil servants, minimization of the cases of corruption offenses, ensuring transparency in the appointment to relevant positions and promotion, changes in the quality of the management apparatus and continuation of the work on separating business from the government.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Procuring submission to the Unified State Register of Declarations of the Persons Authorized to Perform Functions of the State or Local Self-Government more than 100 thousand declarations of officials holding a responsible, especially responsible position or positions associated with high corruption risk (for the period 2015-2016 – over 200 thousand declarations), and receipt of more than 1 million declarations of officials in 2017, who are the subjects of declaration in accordance with Article 45 of the Law of Ukraine "On the Prevention of Corruption".

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

NATO's program to building integrity, transparency, accountability, implementing virtue and reducing corruption risks in operation of the defence and security institutions;

Memorandum with the IMF.

*Previous Period's Outcomes*

The submitted declarations of the officials of the first wave of declaration are being processed.

Based on the findings of analyzing the declarations, the National Anti-Corruption Bureau has initiated relevant criminal proceedings.

*Main points of the proposed medium-term approach*

Development of technical possibilities for the accumulation, storage and processing of electronic declarations of officials, who are the subjects of declaration, as well as ensuring automatic determination of the priority of checking declarations by risk categories, full verification of a significant part of electronic declarations for 2015 until the end of 2017, and an evidence base for bringing of officials guilty of committing corruption or corruption-related offenses to liability. In the medium term – ensuring the submission of declarations by all authorized persons and the conduct of their prompt verification by the National Agency on Corruption Prevention.

**2. Raising standards of virtue of the persons duly authorized to perform functions of the state or local self-government and similar persons, including the public**

*Main issues to be resolved*

Creating a system of virtuous and professional public service in accordance with the international standards and international best practices that will be to improve the regulatory legal basis for the virtue standards; training for the persons duly authorized to perform functions of the state or local self-government, and similar persons; conducting information campaigns to popularize standards of virtue; drawing attention to the standards of virtue in the national report on the implementation of the principles of anti-corruption policy; providing the anti-corruption programs of public authorities and legal entities with the requirements on compliance with the standards of virtue; giving clarifications, consultations, methodological assistance in cases provided by law.

The main factors contributing to the emergence of corruption, in particular, is the insufficient level of virtue of individuals duly authorized to perform functions of the state or local self-government; lack of a critical attitude of the society towards corrupt practices; public's perception of corruption as one of the means to achieve a desired result.

Procuring settlement of the aforementioned problems will allow, in particular, creating a negative attitude towards corruption and corrupt person in the society; changing traditional stereotypes of the attitude to corruption as a way of solving personal problems for the citizens and raising officials' financial standing; stimulating the activity of civil society in preventing and countering corruption; minimizing the corruption risks; improving a professional level and level of virtue of public figures.

*Key quantitative indicators that characterize the situation*

As of 28 February 2017, the National Agency on Corruption Prevention, within the framework of exercising its powers to provide clarifications, guidance and advisory assistance on the application of legislative acts on the prevention and settlement of a conflict of interest in the activities of the persons duly authorized to perform functions of the state or local self-government, 797 corresponding clarifications have been provided.

There is a need to raise the level of standards of virtue of the persons duly authorized to perform functions of the state or local self-government and similar persons as well as the public by implementing a complex of measures intended both for eradicating corruption as a phenomenon and preventing conditions that may contribute to its occurrence.

*Goal to be achieved*

Raising standards of virtue and legal awareness of the persons duly authorized to perform functions of the state or local self-government and similar persons, including the public.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Reducing a number of cases of violating requirements of the legislation on conflict of interest and other restrictions on prevention of corruption. Implementing the guidelines on the standards of virtue and preventing conflict of interest in the practice of appraisal and training of personnel by the central executive governmental authorities.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

NATO's program to building integrity, transparency, accountability, implementing virtue and reducing corruption risks in operation of the defence and security institutions;

Memorandum with the IMF.

*Previous Period' s Outcomes*

The National Agency on Corruption Prevention, on the basis of its decision of No. 2 dated 14 July 2016, approved the Guidelines on the Prevention and Settlement of a Conflict of Interest in the Activities of the Persons Authorized to Perform Functions of the State or Local Self-Government and Similar Persons, and Decision No. 10 dated 11 August 2016 – Guidelines on Transfer Enterprises and/or Corporate Rights for Management to Prevent a Conflict of Interest.

As of 28 February 2017, within the framework of monitoring and controlling compliance with the requirements of the legislation on a conflict of interest and other restrictions on the prevention of corruption, the National Agency on Corruption Prevention has processed 749 reports of offenses related to corruption, where 239 reports did not contain actual data on violation of legislation in the sphere of preventing corruption.

According to 433 reports, information contained in them was checked, where:

253 checks are still in progress;

30 messages have been sent to other specially authorized entities in the field of counteracting corruption;

138 inspections have been completed without the application of response measures, including in connection with the self-regulation of a conflict of interest or absence of an administrative offense;

eight protocols on administrative violations have been drawn up, where:

- based on the outcomes of consideration of two protocols, the court decided to bring the perpetrators to liability;

- three protocols have been accepted for consideration;

- one protocol has been returned for revision;

- with respect to two protocols, the case has been closed due to the lack of components of an offense;

four requirements have been drawn up, two of which have been fulfilled.

*Main points of the proposed medium-term approach*

Reducing the degree of corrupt practices, decreasing a number of corrupt persons among public servants, judiciary corps. Developing conditions to clear the public service from corrupt officials, in particular, by introducing knowledge in the standards of virtue into the system of training and appraisal at governmental authorities and local self-government authorities.

### **3. Procuring efficient general coordination and communication support of the anti-corruption reform**

#### *Main issues to be resolved*

Due to complexity and high difficulty of the reform as well as the involvement of a wide range of stakeholders (independent of each other), there is a need for an effective system of general reform coordination at the state level. For this purpose, the President organized the National Council on Anti-Corruption Policy in 2015, which combines the representatives of the state, business and the public to monitor the implementation of the anti-corruption reform, identify and remove barriers.

Due to the fact that a number of specialized anti-corruption agencies are included in the system of executive governmental authorities, and also all central executive governmental authorities should implement effective anti-corruption programs, it is expedient to establish an interdepartmental task team for coordination of the anti-corruption reform at the Cabinet of Ministers of Ukraine, which will allow increasing the efficiency of operation of newly organized anti-corruption institutions and implementing individual anti-corruption projects at central executive governmental authorities and state-owned companies.

In particular such task team will contribute to the provision of communication support for the anti-corruption reform. Despite the fact

that the combat against corruption in Ukraine over the past two years has received a powerful impetus due to the improvement of legislation and development of institutional capacity, findings of the current situation assessment carried out by the Anti-Corruption Reform Task Team certify some problems in the effectiveness of communications that need to be systematically addressed at the central level by means of regular communication campaigns aimed at raising awareness and changing the models of behaviour in the society. Implementation of a system of effective communications that ensure the exchange of information and encouragement to actively counteract corruption will generally contribute to the implementation of the anti-corruption reform in the country.

*Key quantitative indicators that characterize the situation*

According to the survey conducted by TNS as ordered by the National Reform Council in December 2016, 85 percent of respondents believe that Ukraine does not effectively combat corruption, and only 4 percent believe the opposite.

About a third of respondents believe that corruption in the country can be overcome in 10 years, 30 percent of respondents believe that the perspective of overcoming corruption in the country is more than 10 years, 42 percent do not believe that corruption in Ukraine can be overcome at all.

Therefore, ensuring positive communications for the purpose of informing the public about the real outcomes of the anti-corruption reform implementation, trust in state institutions and belief in future success is an important component of success of the anti-corruption reform.

*Goal to be achieved*

Establishment of an interdepartmental task team on coordination of the anti-corruption reform for the purpose of procuring the following:

efficient cooperation between the central executive governmental authorities in the sphere of the anti-corruption reform;

cooperation with the National Council on Anti-Corruption Policy;

coordination of donor assistance in the projects to support the anti-corruption reform in Ukraine;

development and implementation of the communication strategy of the Cabinet of Ministers of Ukraine in the field of preventing and combating corruption.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Annual Increase of the percentage of people who believe that the country is effectively combating corruption.

Annual reduction of the percentage of people who do not notice specific activities of the government to prevent and counteract the corruption.

Annual increase of the percentage of people who believe in overcoming corruption in Ukraine within the period of 10 years.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the EU-Ukraine Association Agenda

*Previous Period' s Outcomes*

The National Council on Anti-Corruption Policy at the President of Ukraine, which does not ensure operational efficiency of the anti-

corruption initiatives of the Cabinet of Ministers of Ukraine, has been formed. The Cabinet of Ministers of Ukraine is advisable to ensure cooperation of existing anti-corruption institutions for the purpose of formulating recommendations to the regulatory legal acts of the Cabinet of Ministers of Ukraine and individual agencies.

The target team of the anti-corruption reform at the Ministry of Justice of Ukraine has analyzed the current state of communications within the framework of reform implementation and developed a framework strategy for anti-corruption communications. The concept of a specialized communication platform has also been developed.

*Main points of the proposed medium-term approach*

Formation of an interdepartmental task team on coordination of the anti-corruption reform from among the following representatives:

specialized anti-corruption institutions, which fall under the responsibility of the Cabinet of Ministers of Ukraine;

ministries and other central executive governmental authorities, which shall, within the framework of their activities, eliminate corruption risks and record cases of corruption offenses;

state-owned companies of strategic importance and the largest spending units;

key anti-corruption public organizations/experts;

international organizations that provide the Cabinet of Ministers of Ukraine with technical assistance in the field of preventing and combating corruption.

Solving existing problems to ensure the effectiveness of anti-corruption communications and applying a strategic approach to conducting anti-corruption communication campaigns, which includes, among other things, determination of specific goals, projects and

indicators of the progress compared to the established key performance indicators, which shall be simple, accessible and measurable. Development and implementation of effective tools for communication support of the reform, in particular, communication platform that will allow procuring the outcomes in the short run.

#### **4. Procuring efficient activities of the State Bureau of Investigation and the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes**

##### *Main issues to be resolved*

The National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes has been organized to solve problems related to inefficient detection of assets received from crime, particularly, by means of corruption and management of assets, which are subjected to the seizure in criminal proceedings. Foundation and beginning of its functioning was one of the key requirements provided for in the EU-Ukraine Visa Liberalization Action Plan within the Framework of the Visa Liberalization Dialogue.

Prior to that, Ukraine did not have an effective institutional tool to promptly detect the assets from crime, particularly, by means of corruption, for the purpose of their subsequent seizure or confiscation and their effective management in favour of the state. Considering the factors first mentioned above, a significant number of assets have been lost, and some of them, in particular those that are abroad, have not yet been found.

Relevant European institutions expressed their willingness to cooperate with Ukraine on the return of assets and due to the lack of a relevant profile institute began cooperation with the National Anti-Corruption Bureau of Ukraine and the Ministry of Justice of Ukraine within their powers. From the time of foundation of the National

Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes, such cooperation is entering a new functional level and will be implemented in full.

The National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes as a central executive governmental authority with a special status shall ensure the formation and implementation of the state policy on the aforesaid issues.

In accordance with the Law of Ukraine "On the State Bureau of Investigation" a central executive governmental authority has been established to carry out law enforcement activities for the purpose of preventing, detecting, terminating and investigating crimes included in its investigative jurisdiction, in particular:

crimes committed by officials holding an especially responsible position according to part one of Article 9 of the Law of Ukraine "On Public Service", persons, whose positions have been assigned to categories one to three of positions of civil servants, judges and law enforcement officers, except for the cases when pre-trial investigation of such crimes is included in the National Anti-Corruption Bureau's investigative jurisdiction in accordance with part five of the aforesaid article;

crimes committed by officials of the National Anti-Corruption Bureau, Deputy Prosecutor General of Ukraine – the head of the Specialized Anti-Corruption Prosecutor's Office or other prosecutors of the Specialized Anti-Corruption Prosecutor's Office, except for the cases when pre-trial investigation of such crimes is attributed to the investigators of the internal control unit of the National Anti-Corruption Bureau in accordance with part five of this article;

crimes against the established procedure of military service (military crimes), except for the crimes provided for in Article 422 of the Criminal Code of Ukraine.

Currently, the State Bureau of Investigation has not started its activities, since the competition to elect the Director of the State Bureau of Investigation and his/her deputies has not been completed yet.

*Key quantitative indicators that characterize the situation*

According to the Prosecutor General's Office of Ukraine, as of 2015, during criminal proceedings against former Ukrainian top officials, assets worth 6 billion Ukrainian Hryvnias and 1.7 billion US Dollars have been distrained, including funds on bank accounts in the amount of 2 billion 186 million Ukrainian Hryvnias, 4.5 US Dollars, 7,200 thousand Euros, securities worth 1 billion 67 million Ukrainian Hryvnias, shares in the amount of 620 million Ukrainian Hryvnias, funds of controlled companies in the amount of 1 billion 600 million Ukrainian Hryvnias, 170 million US Dollars; in addition, funds in the amount of 5 million US Dollars have been withdrawn during searches. As a result of imposing sanctions, foreign assets totaling more than 107 million US dollars, 122 million Swiss francs, 22 million Euros have been detected and blocked in Austria, Great Britain, Latvia, Italy, Liechtenstein, Switzerland, the Netherlands and Cyprus.

According to the Prosecutor General's Office of Ukraine, during the period January to July 2016, investigators of the prosecutor's office investigated 26,857 criminal proceedings (including 21,780 proceedings initiated in the current year).

Pre-trial investigation has been completed in every third proceeding (9,814, or 36.5 percent) and by 13.7 percent more than in the same period of the previous year (8,632).

Two-thirds of criminal proceedings have been closed (6,559, or 66.8 percent). Their number increased by 17.8 percent compared to the same period in 2015.

A share of finished indictments in the total number is 32.8 percent. Every seventh indictment has been sent to the court with agreements on reconciliation or admission of guilt (479, or 14.9 percent), where the vast majority (350) were the investigators of military prosecutor's offices in the Western, Southern and Central regions and the anti-terrorist operation forces. The number of such indictments has decreased almost 2 times (from 867 to 479).

As of 1 August 2016, 6,193 criminal proceedings have been opened (most of them in the military prosecutor's offices of the anti-terrorist operation forces (544), Central (484), Western (439), Southern (368) regions, city of Kyiv (544), Odesa (447), Dnipropetrovsk (342), Kharkiv (328), Kyiv (265), Donetsk (220) oblasts), where persons have been informed of suspicion in 317 proceedings (5.1 percent).

*Goal to be achieved*

Before the end of 2017:

procuring institutional and operational capacity of the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes to exercise key functions for tracing and managing asset, forming its structure and staffing for the most part with professional personnel, equipping with the necessary workplaces, developing and adopting the required by-laws, ensuring the formation of the Unified State Register of Assets Seized in Criminal Proceedings;

procuring activities of the State Bureau of Investigation;

In the medium term:

Ensuring effective detection of assets illegally withdrawn from Ukraine, cooperation with the Prosecutor General's Office of Ukraine, National Anti-Corruption Bureau of Ukraine, other law enforcement agencies with similar authorities of foreign countries, which competence includes the issues of identifying, searching and managing assets, and also relevant international organizations. Formation and implementation of the state policy in the field of identifying and searching for the assets that can be seized in criminal proceedings and/or managing assets that are seized or confiscated in criminal proceedings.

Ensuring the development of the institutional capacity of the State Bureau of Investigation, transparency and exercise of civil control over the State Bureau of Investigation.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

By the end of 2017, no less than half of the staff of the central office of the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes will be formed, and at least 65 workplaces will be equipped, initial training of personnel will be carried out; the necessary by-laws will be developed and adopted, connection to the automated information and reference systems, registers and data banks will be launched, which are owned (administered) by the public authorities and local self-government authorities, the Unified State Register of Assets Seized in Criminal Proceedings will be formed; international cooperation will be launched in the field of identifying and searching for assets, sufficient funding and resources will be provided (equipment, premises, transport, etc.).

In the medium term, the whole staff of the central office of the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes will be formed and

equipped with all necessary workplaces, staff will be trained; direct access to all automated information and reference systems, registers and data banks necessary in the work, which are owned (administered) by public authorities or local self-government authorities, will be granted; the Unified State Register of Assets Seized in Criminal Proceedings will be formed and maintained; measures will be ensured to identify and search for the assets on at least 99 percent of the applications of pre-trial investigation agencies, prosecutor's office, courts, relevant authorities of foreign states; cooperation will be established with international organizations and specially authorized agencies of foreign states; sufficient funding and resources (equipment, facilities, transport, etc.) for the functioning of the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes will be provided.

Formation of investigative units of the State Bureau of Investigation by means of the:

persons, who held offices of investigating prosecutors during the last year – by no more than 30 percent;

persons, who held offices of investigators in other governmental authorities during the last year – by no more than 19 percent;

other persons having relevant work experience in the field of law – by no more than 51 percent.

Formation of operative and search units as well as an internal security unit of the State Bureau of Investigation by means of the:

persons, who held offices in the operational and search units during the last year – by no more than 40 percent;

other persons having relevant work experience in the field of law – by no less than 60 percent.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Memorandum with the IMF;

Strategy for Reforming the Judiciary System, Legal Proceedings and Related Legal Institutions for 2015-2020 approved by the Decree of the President of Ukraine No. 276 dated 20 May 2015.

*Previous Period' s Outcomes*

The National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes has been organized and registered; and also the head of the Agency has been elected by an independent commission in an open tender and appointed to the position by a relevant decision of the Cabinet of Ministers of Ukraine; the Agency was provided with the premises; the Cabinet of Ministers of Ukraine approved an action plan to procure the exercise of the powers and fulfillment of functions of the executive power of the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes (order of the Cabinet of Ministers of Ukraine No. 1015 dated 14 December 2016), as well as a maximum headcount of the Agency (130 people); the Agency has approved the structure and staff list of its office, budget; accounts have been opened at the bodies of the Treasury; cooperation with international organizations and EU projects on supporting the operation of the Agency has commenced.

The Law of Ukraine "On the State Bureau of Investigation" has been adopted; on the basis of the order of the Cabinet of Ministers of Ukraine No. 125 dated 29 February 2016, composition of the commission for

holding a competition to fill the positions of the Director of the State Bureau of Investigation, his/her deputies, heads of territorial units and heads of departments of the central office of the State Bureau of Investigation has been approved; conduct of 30 meetings of the aforesaid commission has been procured.

*Main points of the proposed medium-term approach*

The main assignment of the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes is the formation of a state policy in the field of identifying and searching for assets that can be seized in criminal proceedings and management of assets that are seized in criminal proceedings as well as building a system of interaction with existing anti-corruption and law enforcement agencies to effectively and timely seizure of assets and management of them in the interests of the state. This will be achieved on the basis of the stage-by-stage implementation of such measures:

development of institutional and functional capacities of the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes, including the commencement of operation of the Unified State Register of Assets for the purpose of systematically implementing a policy of seizure, confiscation and management of assets (2017 to 2018);

implementation of the asset management system and keeping their value in favour of the state (2017 to 2019);

procuring cooperation with international organizations and public institutions of other countries in terms of returning the assets in order to collect information, evidence and asset tracking in the territory of the state and outside it as well as their return (2017 to 2018);

further improvement of the legislation to implement the requirements of UNCAC, FATF as well as best practices in the field of identifying and searching for the assets that can be seized in criminal proceedings and management of assets seized in criminal proceedings, instruments for the prevention of losing the assets, which may be seized in criminal proceedings, instruments of enforcement of assets of criminal and unjustified origin in favour of the state and procuring effective division of powers among the law enforcement agencies, including the National Anti-Corruption Bureau of Ukraine, State Bureau of Investigation of Ukraine and relevant units of the National Police of Ukraine (2018 to 2019);

effective communication with mass media and society with regard to the achievements and problems (2017 to 2020).

By the end of 2017, the work of the competitive commission will be provided in terms of selecting the Director of the State Bureau of Investigation and his/her deputies, heads of the central office and territorial units, employees of the internal control unit; organizational measures will be taken to start the work of the State Bureau of Investigation; the Public Control Council at the State Bureau of Investigation will be organized.

In the medium term, legislation will be improved to ensure the work of the State Bureau of Investigation along with the organizational structure of the Bureau; a methodology for investigating crimes within its competence will be implemented and the formation of the Ukrainian law enforcement system will be completed.

## **5. Improving the system of public control over party finances**

*Main issues to be resolved*

According to the Law of Ukraine No. 731-VII dated 8 October 2015 "On Amendments to Certain Legislative Acts of Ukraine Concerning the Prevention and Counteraction to Political Corruption", the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes exercises powers on the independent public control over financing the political parties.

However, as practice shows, the system of organizing public control over financing the political parties is imperfect as of today – an ineffective system of submitting reporting by political parties, lack of appropriate software and access to databases and information systems necessary for a complete and systematic analysis of reports of political parties on property, income, expenditures and financial liabilities as well as other instruments for monitoring party finance, disproportional system of liability of political parties, their local organizations for violating the established restrictions and prohibitions, lack of coordination and required level of information exchange between public authorities.

An obligation of political parties to submit reports on property, income, expenditures and financial liabilities in paper form complicates the procedure of analyzing such reports and requires much time. Implementation of the electronic reporting system of political parties, their local organizations, which received the status of a legal entity under the established procedure, with respect to property, income, expenditures and financial liabilities will solve this problem.

An important step is the imposition of administrative and criminal sanctions for violation of the established restrictions and prohibitions by political parties. However, the aforementioned sanctions are insufficiently effective, proportionate and deterrent to ensure a culture of reporting by political parties. Therefore, it is necessary to further

amend the legislation in order to establish effective sanctions for violations in the field of party financing and election campaigning.

*Key quantitative indicators that characterize the situation*

As of 1 January 2017, the Law of Ukraine "On Political Parties in Ukraine" has been implemented to the extent of providing public financing of the statutory activities of political parties amounting to 167,647,625 thousand Ukrainian Hryvnias (five political parties have received financing).

195 reports have been received from political parties for the first quarter of 2016, 200 reports for the second quarter of 2016 and 254 reports for the third quarter of 2016; they have been published on the official website of the National Agency of Ukraine for Identifying, Tracing and Management of Assets Derived from Corruption and Other Crimes together with the conclusions based on the findings of the analysis of such reports.

Furthermore, in 2016, 17 protocols on administrative violation were drawn up and submitted to the court for inopportune reporting by political parties. According to the court judgments in 2016, two persons were found guilty in committing an administrative offense provided for in Article 212<sup>21</sup> of the Code of Administrative Offences of Ukraine and brought to administrative responsibility in the form of a penalty.

A number of political parties which submitted reports on property, income, expenditures and financial liabilities – 80 percent in 2016; a number of violations while submitting financial reporting by political parties – 15 percent.

*Goal to be achieved*

Improving the system of public control over party finances, which will contribute to increasing the financial transparency of the activities

of political parties, limiting the influence of private capital and strengthening the financial independence of parties.

Raising the level of political awareness of political parties and citizens in terms of the issues related to the implementation of legislation.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Target indicator	2017	2020
Number of political parties that have submitted reports on property, income, expenditures and financial liabilities, percent	100	100
Number of violations while submitting the financial reporting by political parties, percent	5	1

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

State Program for Implementation of the Principles of the State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) for 2015-2017 approved by the resolution of the Cabinet of Ministers of Ukraine No. 265 dated 29 April 2015.

*Previous Period' s Outcomes*

In order to ensure transparency of financing the political parties, the National Agency on Corruption Prevention has approved all

regulatory legal acts stipulated by the Law of Ukraine "On Political Parties in Ukraine", including the following:

forms of statements to the payment document on a monetary contribution to support a political party to a banking institution of Ukraine or post office (decision No. 7 dated 2 June 2016);

a form of report of a political party on property, income, costs and financial liabilities (decision No. 3 dated 9 June 2016);

Regulation on the Procedure for Submission of Report by Political Party on Property, Income, Costs and Financial Liabilities (decision No. 2 dated 28 July 2016);

Regulation on the Procedure of Analyzing the Report of Political Party on Property, Income, Costs and Financial Liabilities (decision No. 26 dated 8 September 2016);

distribution of funds, which are allocated from the state budget for financing statutory activities of political parties in 2016, between the political parties, the electoral lists of which were supported during the last special elections of the members of Ukrainian Parliament of 2014 in the unified state general multi-member constituency by at least 5 percent of actual votes of voters (decision No. 13 dated 31 August 2016).

#### *Main points of the proposed medium-term approach*

The main assignments of public control over the financing of political parties are building a system capable of procuring the transparency of party finances, strengthening the financial independence of parties as well as increasing their accountability to voters by implementing the following major areas of reform:

further improvement of legislation for the purpose of strengthening the role of public control;

ensuring cooperation between all parties involved in public control over the activities of political parties, public authorities, non-governmental organizations and volunteers;

efficient strategy of communication with mass media and society.

## **6. Reforming the system for enforcement of court judgments**

### *Main issues to be resolved*

Failure to enforce court judgments is the most common cause of complaints against Ukraine to the European Court of Human Rights. According to the Doing Business Index 2016 of The World Bank, a cost of fulfilling contracts in Ukraine is approximately 46.3 percent of the claim value (an average indicator in the EU is 26.2 percent). The implementation is properly completed by less than 6 percent of civil court judgements. According to the different estimates, approximately 400 billion Ukrainian Hryvnias is a cost of unfulfilled civil cases. It should be mentioned that the procedure of ensuring compliance with requirements to the property is imperfect. Inefficiency of the existing system and lack of a quality register of debtors lead to the avoidance of indebtedness repayment. It is sometimes prohibited to execute civil claims by public institutions or state enterprises at the expense of statutory established moratoria. More than 5 thousand executors at the department of the State Executive Service of Ukraine at the Ministry of Justice of Ukraine are currently responsible for the execution of court judgements. Officials of executive governmental authorities (public executors) are often not competent and motivated enough. The level of specialization and automation of business processes is quite low. An insufficiently developed system of performance management of state executors. A number of reforms (including in the area of tax administration, mortgage buyout and combating corruption) have not

been completed as of date, which leads to an increase in the volume and burden on the judicial system, and increases pressure on the agencies of the state executive service.

Laws on reforming the executive service were adopted in June 2016 and they implement a "mixed" system of enforcement of court judgments effective 2017, which means that the framework of private executors will function together with the State Executive Service of Ukraine at the Ministry of Justice of Ukraine.

A choice of the aforementioned area as a priority can be justified by such interests:

economic growth through better procuring of the ownership and enhancing access to financial resources;

effective management by reducing the burden on the state budget for financing the state executive service;

rule of law and combat against corruption by means of the effective implementation of court judgements, strengthening public confidence in the justice sector, ensuring greater clarity and predictability of rights and obligations in the society as well as the responsibility of debtors.

*Key quantitative indicators that characterize the situation*

Indicator	2014	2016
Number of executors, persons:		
according to the staff list	6,639	5,823
actually working	5,545	4,525
Volume of debts enforced by public executors in the reporting year, UAH	18,807,950,712	12,064,815,172

*Goal to be achieved*

Implementing a “mixed” execution system with the framework of private executors with a completely functioning system of their professional self-government.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Target indicator	Basic indicator, 2017	2018	2020
Number of private executors, persons	250	1,000	2,500
Reducing a number of unfulfilled decisions of public executors (number of cases unfulfilled by public executors), percent	10	20	35
Improving competencies of public executors (share of public executors having one full business day of professional training per annum), percent	20	50	100
Managing efficiency of public executors (number of public executors not receiving additional remuneration within the framework of a new system of material encouragement), percent	50	30	20
Efficient supervision of the activities of public executors (number of inspections conducted by the Ministry of Justice of Ukraine)	75	110	300

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Strategy for Reforming the Judiciary System, Legal Proceedings and Related Legal Institutions for 2015-2020 approved by the Decree of the President of Ukraine No. 276 dated 20 May 2015.

*Previous Period's Outcomes*

Laws on reforming the executive service were adopted in June 2016 and they implement a "mixed" system of enforcement of court judgments effective 2017, which means that the framework of private executors will function together with the State Executive Service of Ukraine at the Ministry of Justice of Ukraine. Private executors will be allowed participating in all cases, except for those the state is a party to, or in cases concerning custody of children and eviction. Currently, the Ministry of Justice of Ukraine is developing a comprehensive testing system for access to the profession of private executors, regulatory and legal framework for the functioning of a new profession, training for granting access to the profession, tools for monitoring and controlling the activities of private executors and solving the issue of creating a self-government authority of private executors. In addition, procuring operation of the Electronic Trading System for Seized Property (CETAM) contributed to an increase in the transparency and liquidity of the debtor's property.

*Main points of the proposed medium-term approach*

Creating an accessible, cost-effective and efficient system for controlling the observance of the creditors' interests with due regard to

the rights of debtors by implementing the following major areas of the reform:

full access to acquiring a private executor profession, formation of an appropriate self-government authority as well as an efficient mechanism of supervision by the Ministry of Justice of Ukraine;

clear and transparent incentives and performance management system for public executors;

creating integrated information systems at the stage of enforcement of court judgements and collection of debts, including web management modules for maintaining the keeping of electronic cases and automated system for restriction of funds;

further development and regulation of the executive service, taking into account best practices of delegation of public services.

## **7. Reforming a probation and resocialization system**

### *Main issues to be resolved*

One of the main reasons for creating a probation system in Ukraine is the need to build a modern European criminal justice system that will ensure an effective balance between the needs of public security and counteracting crime, preventing the commission of repeated crimes through the effective rehabilitation of offenders. Rehabilitation is of great importance for the society because of the reduction in a number of repeated crimes committed and, accordingly, a number of committed crimes in general. Application of sanctions and measures will reduce government spending on the maintenance of offenders at places of liberty deprivation and focus resources on rehabilitation of offenders (including preservation of their socially useful civil capacity). Using the technology in the process of serving sentences and electronic monitoring may replace certain aspects of imprisonment, in particular, twenty-four-hour monitoring of behaviour. Pre-trial probation supervision and probation control of those released on parole are the

areas in which further legislative changes and work with other criminal justice participants are possible. Further development and assessment of the outcomes will allow creating an evidence base for the probation system and demonstrating its effectiveness. Probation shall use all available resources of the society for the purpose of procuring rehabilitation. Effective risk management of cases is crucial both for the safety of society and establishing trust in the probation service. Control and rehabilitation shall be balanced in order to have the support of the courts and society.

*Key quantitative indicators that characterize the situation*

In 2016, a basic indicator of the number of sentences not related to the deprivation of liberty amounted to 76 thousand, and the number of sentences related to the deprivation of liberty was – 44 thousand.

*Goal to be achieved*

Creating of a full-fledged probation system capable of procuring a balance between the safety of society, prevention of crimes and prevention of the commission of crimes/rehabilitation of offenders.

Improving the level of trust in the probation system among the participants of the sector of justice and society.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Target indicator	Basic indicator 2016	2017	2018	2020
Number of verdicts not related to the deprivation of liberty	76 thousand	+ 10 percent	+ 8 percent	+ 7 percent
Number of verdicts	44	- 8	- 6	- 5

Target indicator	Basic indicator 2016	2017	2018	2020
related to the deprivation of liberty	thousand	percent	percent	percent
Level of re-conviction after release from the institution for deprivation of liberty	50 percent	no changes	- 1 percent	- 2 percent
Level of re-conviction while on probation			15 percent	10 percent
Number of court requests for pre-trial reports		60 percent	70 percent	80 percent
Achievement of results (in particular, a number of verdicts without deprivation of liberty in terms of a number of pre-trial reports prepared with the conclusion on a possibility to correct the offender without the restriction or deprivation of liberty)		+ 5 percent	+ 5 percent	+ 5 percent
Number of convicts, who undergo the programs designed to reduce the level of repeated commitment of crimes (particularly, for the persons with alcohol and			3 percent (pilot year)	15 percent of all the convicted people who are registered

Target indicator	Basic indicator 2016	2017	2018	2020
drug addiction, with regard to anger management, general skills)				d with the probation agency

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

Program of Operation of the Cabinet of Ministers of Ukraine;

Strategy to Reform the Judicial System, Legal Proceedings and Related Legal Institutions for 2015-2020 approved by the Decree of the President of Ukraine No. 276 dated 20 May 2015;

The Action Plan to Implement the Strategy According to the United Nations General Assembly Resolution of 14 December 1990 (The Tokyo Rules) and relevant recommendation of the Council of Europe.

*Previous Period's Outcomes*

A new service has been organized. As of the beginning of 2017, 489 authorized probation agencies functioned in Ukraine, which activities were procured by 3.9 thousand probation inspectors, social workers with probation subjects and psychologists. The probation system agencies recorded 76 thousand offenders; the work with the accused persons started from drafting pre-trial reports. The Law of Ukraine No. 1492-VIII dated 7 September 2016 "On Amendments to Certain Legislative Acts of Ukraine Concerning the Ensuring of Execution of

Criminal Punishments and Implementation of the Rights of the Convicted” amended a number of laws, which allowed completely performing the functions of probation set forth in the Law of Ukraine "On Probation".

*Main points of the proposed medium-term approach*

The main assignment of implementing the probation is to build a system that can balance between the security of society/crime prevention and rehabilitation of offenders, by implementing the following main areas of reform:

Further improvement of strategic goals in the field of reducing a number of committed crimes, forecasting the risks of committing repeated crimes and procuring safety of the society, rehabilitation approach and reducing a number of sentences with deprivation of liberty, determining the scope of restrictions established by law, which are applicable to the subjects of probation, and forms of control over them, and conducting preventive and rehabilitation work at the penitentiary stage and after the release of convicts;

further improvement of legislation for the purpose of strengthening the role of probation;

development of capabilities of the new service, implementation of a system to manage the effectiveness of its operation and scientifically justified approaches to its organization;

ensuring cooperation between all participants of the criminal justice sector, public authorities, non-governmental organizations and volunteers.

## **8. Procuring equal access to justice and legal assistance**

*Main issues to be resolved*

Despite Ukraine's international and constitutional liabilities, which are established, particularly, in the International Covenant on Civil and Political Rights, Convention for the Protection of Human Rights and Fundamental Freedoms, Convention Relating to the Status of Refugees, Convention on Legal Aid and Legal Relations in Civil, Family and Criminal Cases, needs of the public for implementation of the right to a fair trial, preventing and countering torture, procuring free legal aid have not yet been fully satisfied in Ukraine.

Moreover, a significant share of the population, namely, its vulnerable groups, has a low level of legal awareness of a possibility to solve their problems in a legal way or is physically unable to take advantage of such right, which leads to the settlement of legal issues in a non-legal way and stimulates the emergence of corruption phenomena, restrains active involvement of the people in the economic life, provokes and supports poverty.

As a result of the temporary occupation of a part of the Ukrainian territory by the Russian Federation, new vulnerable groups of the population, in particular, internally displaced persons, persons claiming the status of an anti-terrorist operation participant requiring free secondary legal aid have occurred.

Implementation of the aforementioned strategic goal will allow enhancing access of the citizens to qualitative free primary and secondary legal aid in accordance with the existing need throughout the whole territory of Ukraine; creating and ensuring the functioning of new access points to the free legal aid and expanding the list of persons, who will be eligible to receive it; Increasing the level of legal capacity of territorial communities and legal consciousness of the citizens, mitigating the level of corruption at the domestic level; developing a network of independent of free legal aid providers, actively interacting with each other on the basis of the principles of partnership and free

competition, which activities will be financed by the territorial communities and the state and also supported by a unified system of standards and knowledge management; creating conditions for sustainable economic growth.

*Main quantitative indicators, characterising the situation*

A number of processed customer requests to local centers are 275,039.

A number of calls to the Single Contact Center processed by an operator are 111,489.

A number of visits of mobile and existing remote access points to the free legal aid are 8,815.

A number of local self-government authorities, which have been provided with guidance assistance, and institutions providing free primary legal aid (public organizations, volunteer movements, private law legal entities), with which cooperation to provide free legal aid has been established is 5,398.

A number of cases of providing free secondary legal aid by advocates to the persons eligible for it are 111,893. A number of cases of representing the interests in court by the center employees are 3,293.

*Goal to be achieved*

In the medium term – using legal instruments to decide on the life issues and granting equal access to justice; compliance of a network of independent legal aid providers with the legal needs of the people; defining the importance and need for legal assistance by territorial communities and the state as a social guarantee and ensuring a stable financing of it from the state and local budgets.

By the end of 2017, reorientation of the system of free legal aid from the provision of legal aid to certain individuals to strengthen the

legal capacity and legal possibilities of territorial communities, decentralize the system of free legal aid in civil and administrative cases, develop a concept and necessary regulatory and legal framework for the implementation of pilot models of offices for social protection in criminal proceedings as well as the creation of an efficient legal knowledge management system and development of human potential of the legal community and partnership networks of the free legal aid system.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Item	2017	In the medium term (on average per annum):
Number of processed customer requests to local centers	300 thousand	300 thousand
Number of calls to the Single Contact Center processed by an operator	150 thousand	150 thousand
Number of certificates for the provision of free secondary legal aid processed by local centers, which are submitted by an advocate	170 thousand	170 thousand
Number of visits of mobile and existing remote access points to the free legal aid	5,400	5,400
Number of cases of providing free secondary legal aid by advocates to the persons eligible to it	80 thousand	80 thousand

Item	2017	In the medium term (on average per annum):
Number of cases of representing the interests in court by the center employees	20 thousand	20 thousand

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority corresponds to the following:

National Strategy of Contributing to the Development of the Civil Society in Ukraine for 2016-2020 approved by the Decree of the President of Ukraine No. 68 dated 26 February 2016;

Strategy to Reform the Judicial System, Legal Proceedings and Related Legal Institutions for 2015-2020 approved by the Decree of the President of Ukraine No. 276 dated 20 May 2015;

Sustainable Development Strategy "Ukraine – 2020" approved by the Decree of the President of Ukraine No. 5 dated 12 January 2015;

National Human Rights Strategy approved by the Decree of the President of Ukraine No. 501 dated 25 August 2015;

State Target Program to Form a System of Free Legal Aid for 2013-2017 approved by the resolution of the Cabinet of Ministers of Ukraine No. 394 dated 13 February 2013;

*Previous Period's Outcomes*

Effective 1 January 2013, free secondary legal aid in the criminal process has been provided in Ukraine as well as to the detainees, and effective 25 October 2014 – to the convicted. Provision of free secondary legal assistance to the aforesaid categories of persons is

procured by 25 regional centers for the provision of free secondary legal aid.

In 2014, according to the instructions of the regional centers for free secondary legal aid, 67,453 persons belonging to the aforesaid categories were provided with assistance by advocates, in 2015 – 75,112 persons, in 2016 – 81,176 persons.

Effective 1 July 2015, provision of free secondary legal aid in civil and administrative cases to vulnerable categories of the persons has been procured, 100 local centers for free secondary legal aid have been organized in compliance with item 6 of Section VI "Final and Transitional Provisions" of the Law of Ukraine "On Free Legal Aid."

For the period 1 July 2015 to 31 December 2015, 41,309 people applied to the local centers for free secondary legal aid, where 28,444 persons were provided with explanations, and consultations by the employees of the centers, 6,042 clients were sent to the institutions and organizations with which the centers organized cooperation for providing legal aid on the issue in question. A decision to provide free secondary legal aid was made with regard to 8,911 persons.

Effective 1 September 2016, access to free secondary legal aid at district centers and small towns has been significantly expanded through the foundation of more than 400 legal aid offices within the whole territory of Ukraine as structural units of local centers for free secondary legal aid. The offices provide legal information and consultations, access to free secondary legal aid, access to the electronic services of the Ministry of Justice of Ukraine, legal awareness and strengthening a legal capacity of territorial communities. The opening of the offices provided an opportunity to overcome a significant shortage of centers for free legal aid in remote areas.

During the first four months of operation of the offices, four times more clients applied for free legal aid than in the previous similar periods, and 67 percent of clients received free legal aid at the offices.

Totally in 2016, 275,039 clients applied to local centers, where 239,164 were provided with legal consultations; it was decided in 34,126 cases to provide free secondary legal aid, and 6,699 persons received legal aid from partnership institutions.

Moreover, in 2016, a wide network of mobile and remote access points to free legal aid has been organized within the whole territory of Ukraine.

#### *Main points of the proposed medium-term approach*

Ensuring the transition to a mixed model for the provision of free secondary legal aid – representation of interests at court both by advocates working in the system of free legal aid, and full-time advocates and lawyers of the centers for free secondary legal aid.

Reorientation of the entire system of legal aid individually to each client in order to strengthen the legal capacity and legal capabilities of territorial communities, which is an important prerequisite for the success of many reforms conducted in Ukraine: decentralization, anti-corruption reform, justice reform and also inclusive and sustainable economic growth as well as improving public security.

Creating an efficient system of qualification improvement, generalization and distribution of best practices and exchange of experience for employees of the system for free legal aid, prosecutors, law enforcement agencies, judicial bodies, advocates, public organizations, volunteer movements, representatives of local self-government authorities.

Ensuring the continuous monitoring of legal needs of citizens, functioning and regular updating of the electronic legal consultation

database in public domain and launching five interregional resource and communication platforms in the cities of Kyiv, Kharkiv, Dnipro, Odesa and Lviv, which will form the basis of infrastructure of the legal knowledge management system.

Procuring a system work to attract local self-government authorities, public organizations, volunteer movements to provide free primary legal aid, develop a network of partners and independent providers of free legal aid and create a favourable environment at the level of territorial communities in order to ensure their legal needs with an appropriate quality.

Formation of a flexible system for free legal aid, which promptly responds to the society's legal needs.

## V. SECURITY AND DEFENCE

### 1. Introducing united leadership of the defence forces

#### *Main issues to be resolved*

The lack of a clear division of responsibilities for building and engaging armed forces, which has had a negative effect on Ukraine's leadership ability to provide effective command and control of defence forces.

The lack of a united leadership of defence forces in line with the principles and standards adopted by NATO countries.

#### *Main quantitative indicators, characterising the situation*

The organisational structure of the Ministry of Defence has been reformed. 15 structural formations have been disbanded, 8 structural formations and 4 military units under the direct supervision of the Ministry of Defence have created, 4 structural formations have been reformed, the organisation and establishment of 17 structural formations has been changed; the number of structural formations has been reduced from 25 to 18 (28%); the number of personnel in the organisational structure has been reduced by 179 (23%).

Functions, responsibilities and powers have been reviewed with a view to resolving issues related to defence force command and control and to the development of a management and coordination system to regulate the activities of the Ministry of Defence (MOD) and the General Staff of the Armed Forces (GSAF). 25% of structural formations of the General Staff of the Armed Forces have been reorganised in line with principles and values adopted by NATO countries.

The Joint Operations Headquarters and other defence administration bodies have been established.

*The 2015 White Book: The Armed Forces of Ukraine* was published.

An integrity check on 403 candidates for senior MOD and GSAF positions was conducted on a voluntary basis by using a lie detector.

*Goal to be achieved*

To create a defence command and control system based on a new division of defence powers, functions, tasks, duties and responsibilities and in line with principles adopted by NATO countries.

To ensure an effective MOD and GSAF organisation in line with NATO's best practice and principles of democratic civilian control of the armed forces.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

In the medium term:

to appoint civilians to positions of the Defence Minister, his deputies, State Secretary and heads of structural subdivisions of the MOD organisation;

to separate the post of the Chief of Defence Staff from the post of the Commander-In-Chief of the Armed Forces;

to ensure that *The White Book: The Armed Forces of Ukraine* is published annually by defence organisations;

to develop Armed Forces Regulations, military regulations and Armed Forces instructions, military and operational training plans and programmes in line with principles adopted by NATO countries;

to vest responsibilities for national defence planning and strategic planning of armed forces engagement in the GSAF, responsibilities for armed forces building and training – in Individual Commands (individual branches of the armed forces), and responsibilities for engaging troops

(armed forces) – in the Joint Operations Headquarters. To introduce J, G, S structures in military command and control bodies of defence forces at all levels;

to deploy a single defence resource management information system in line with NATO standards, doctrines and recommendations;

to deploy regional information protection and cybersecurity centres (in Vinnitsa, Chernihiv, Mykolaiv), administrative security centres and information security centres as a part of the Armed Forces information and telecommunication system;

to reduce corruption risks in defence activities; to be awarded a C rating in the Transparency International Index.

By the end of 2017:

to reorganise 40% of structural formations of the General Staff of the Armed Forces in line with principles and values adopted by NATO countries;

to introduce a two-way cross-system based on military personnel rotation between the MOD and the GSAF;

to ensure that 100% of MOD's internal auditors are trained and familiar with internationally accredited standards.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287;

the National Military Doctrine of Ukraine approved by the Decree of the President of Ukraine of 24 September 2015 No. 555;

the Concept for Ukraine's security and defence sector development approved by the Decree of the President of Ukraine of 14 March 2016 No. 92;

the Strategic Defence Bulletin of Ukraine approved by the Decree of the President of Ukraine of 6 June 2016 No. 240.

#### *Previous Period's Outcomes*

Regulations on the Ministry of Defence of Ukraine in the version contained in the Resolution of the Cabinet of Ministers of Ukraine of 19 October 2016 No. 730 were approved. The introduction of organisational measures in the MOD was completed, a new organisational structure and the division of main tasks and functions between its structural subdivisions were approved, the main structural formations were defined and their staffing lists came into effect.

The Draft Decree of the President of Ukraine On Regulations on the General Staff of the Armed Forces of Ukraine was prepared, under which functions, responsibilities and powers relating to defence force command and control were newly defined.

The Armed Forces structure was updated and now includes the Joint Operational Headquarters and separate branches of arms, i.e. the Special Operation Forces Command and the High Mobility Assault Forces.

The Strategic Communications Council of the Ministry of Defence and the Armed Forces and the Strategic Communications Council of the General Staff of the Armed Forces were established. The Communications Strategy of the Ministry of Defence and the Armed Forces was approved.

*Main points of the proposed approach to be implemented  
in the medium term*

There are plans to implement this priority in accordance with the master plan and common performance indicators as part of the Strategic Defence Bulletin implementation. This will ensure coordinated efforts by State authorities at all levels in implementing the defence reform by:

having an effective MOD and GSAF organisation in order to ensure optimum resource utilization and the implementation of defence missions as defined by national strategic defence plans;

strengthening democratic civilian control over defence forces;

creating an effective command and control system in line with Euro-Atlantic standards;

standardizing the functions, tasks and powers of officials at strategic and operational levels and introducing an organisational structure of defence force command and control adopted by NATO countries;

running common processes while adhering to rules which promote zero tolerance of corruption and a high level of public administration in line with international standards and creating an integrity building system within the Ministry of Defence and the Armed Forces.

ensuring communications capabilities at strategic, operational and tactical levels with a view to promoting integration and supporting strategic communications at all levels of State security and defence policy-making and implementation.

**2. Introducing an effective policy and a resource planning and management system in the defence sector**

*Main issues to be resolved*

Corrupt practices in the military logistics system, which undermine the capability of defence forces to perform their missions.

Inadequate defence planning procedures, lack of consistency with the budget process, inadequate defence resource programme management mechanisms.

Lack of production capacity to meet defence procurement demands, critical depreciation and obsolescence of property, plant and equipment.

Lack of operational (combat, special) capabilities of defence forces.

Low proportion of public procurement in the procurement system. The electronic procurement system has been introduced only for public procurements.

Performance (preservation) of non-core functions by the Ministry of Defence.

*Main quantitative indicators, characterising the situation*

In 2016, total funding for the Ministry of Defence was Hryvnia 58,025.6 million (2.57% of GDP), which is Hryvnia 8.7 billion more than in 2015. This enabled the minimum essential demands of the Armed Forces to be met.

The ProZorro e-procurement system was introduced, enabling a saving of over Hryvnia 162 million in 2016.

By conducting operational audits before making management decisions we ensured the receipt of additional revenues and prevented unnecessary spending in the amount of Hryvnia 489 million.

100% of MOD's public procurement personnel had professional training.

*Goal to be achieved*

To bring public policy making, planning and management processes into conformity with Euro-Atlantic principles, thereby ensuring the creation of well trained, equipped and maintained defence forces, capable of effectively carrying out their missions defined by Ukraine' s strategic national security documents; to defend the country and to take part in international peace-keeping operations to support peace and security by developing the necessary capabilities within the limits of allocated resources.

To lay the foundations for the development of MOD and Armed Forces capabilities by developing legislative and regulatory acts in accordance with the principles and experience of NATO countries; to create and ensure the effective operation of permanent joint bodies.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In the medium term:

to deploy an integrated risk management system as an integral part of defence planning;

to create centralised procurement organisations on the basis of four Land Force Operational Commands in accordance with the Law of Ukraine On Public Procurement, which will undertake procurement for military units under the relevant commands;

for the MOD, to join all services and partnerships of the NATO Support and Procurement Agency;

to make 100% of public procurement decisions in the form of derivative national strategic documents;

to undertake 100% of public procurement via the e-procurement system;

to ensure the rotation of 100% of public procurement personnel every 3 years;

to produce 3-year State defence procurement programmes;

By the end of 2017:

to align the defence planning system with the State forecasting and strategic planning system;

to prepare a unified list of MOD and Armed Forces capabilities;

to ensure that 100% of key personnel of the MOD, GSAF and commands of individual Armed Forces branches (arms) have had training in building and developing Armed Forces capabilities following the example of Euro-Atlantic countries, taking due account of Ukraine's specific features;

to join Random Brokerage Services and partnerships to support joint management of items procured via the NATO Support and Procurement Agency;

to ensure that 100% of contracts with each supplier are audited by an external auditor selected by the Cabinet of Ministers of Ukraine;

to ensure 100% availability of small and low-profile modules, which meet combat and operational mission requirements, in operating locations (ranges) to create autonomous military bases;

to arrange for an independent audit of 100% State-owned companies (enterprises), which have been in existence for over one year and are under the MOD management.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287;

the National Military Doctrine of Ukraine approved by the Decree of the President of Ukraine of 24 September 2015 No. 555;

the Concept for Ukraine's security and defence sector development approved by the Decree of the President of Ukraine of 14 March 2016 No. 92;

the Strategic Defence Bulletin of Ukraine approved by the Decree of the President of Ukraine of 6 June 2016 No. 240.

#### *Previous Period's Outcomes*

Following the results of the comprehensive security and defence sector review, the Concept for Ukraine's Security and Defence Sector Development, the Strategic Defence Bulletin of Ukraine and the State Targeted Programme for the Development of Arms and Military Equipment for the period up to 2020 were adopted together with their implementation plans. The Draft State Programme for the Development of Ukraine's Armed Forces for the period up to 2020 was adopted at the meeting of the National Security and Defence Council of Ukraine. The Programme's objectives and tasks were agreed with Ukraine - NATO partnership objectives, taking account of NATO's Comprehensive Package of Assistance to Ukraine.

The MOD and Armed Forces Reform Committee was created to coordinate, monitor and assess progress with defence reform.

International consultative and advisory assistance was sought. Over 30 advisors from 12 NATO countries are engaged in activities in individual functional areas for the benefit of the Ministry of Defence and the Armed Forces; and 5 high-level strategy advisors are providing

assistance with improving the efficiency of the defence reform process and the rational use of national resources and international aid.

There are plans to increase expenditures on arms and military equipment development in 2017 by 2%.

*Main points of the proposed approach to be implemented  
in the medium term*

There are plans to implement this priority in accordance with the master plan and common performance indicators as part of the Strategic Defence Bulletin implementation. This will ensure coordinated efforts by State authorities at all levels in implementing the defence reform by:

improving the defence planning system, which involves coordinating the defence and budget planning systems, forming annual defence budgets and ensuring a reliable budget projection for the next 2-3 years;

creating an integrated risk management system, to prevent strategic errors, which could cause significant losses in the future (over-expenditure of financial resources, ineffective use of the State's economic potential, etc.), ensure support for the long-, medium and short-term decision making process, which will help to improve the quality of budget planning for all defence force components, prepare relevant defence planning documents, facilitate the necessary operational (combat, special) capability building for all defence force components involved in safeguarding military security and the State's defences;

planning defence force capability building, which will enable the streamlining of defence planning procedures and documents and improve defence budgeting; developing control mechanisms to ensure

the achievement of planned defence force capabilities on the basis of NATO' s best practices;

co-ordinating defence budget planning with social and economic development planning and security and defence planning, introducing rational allocation of spending on troops (forces) maintenance, operational needs and combat training, developing and procuring arms, military equipment and special equipment in line with NATO' s best practice;

introducing a procurement system in accordance with the principles and approaches applied by European and NATO countries, and using the e-procurement system for all public procurement while ensuring its openness and transparency;

programming State defence procurement for a 3-year period with the possibility of adjusting its indicators annually, introducing innovative armaments technology, creating closed development and manufacturing cycles for the main types of armaments, military equipment and special equipment, achieving complete production independence, obviating the need to obtain supplies of equipment, component parts and materials from the Russian Federation;

updating and developing the military infrastructure management system, which will support the creation of autonomous military bases capable of meeting defined operational needs and supplying small and low-profile field modules to defence force units;

### **3. Building the operational (combat, special) capabilities of the defence forces**

*Main issues to be resolved*

Lack of defence force operational (combat, special) capabilities.

Low efficiency of the operational (combat) control, communication, intelligence and surveillance system.

The inability to effectively respond to the growing number and magnitude of cyber-attacks and to combat cybercrimes.

*Main quantitative indicators, characterising the situation*

In 2016, the Armed Forces created: 15 Land Force brigades; 210 Air Force aircrews; 3 naval groups, 28 ships (motor boats) and Naval Support Service vessels; 4 High Mobility Assault Force brigades; 13 special purpose units of the Special Operations Forces.

20 types of armaments and military equipment were commissioned (supplied). Around 14,400 new and modernized types of armaments and military equipment, hardware and properties as well as over 155,000 items of ammunition were procured and supplied.

13 unified multi-index tables of establishment were developed and introduced in 63 military units.

*Goal to be achieved*

The joint capabilities of the defence forces will ensure reliable resistance to armed aggression, enable an effective response to national security threats in the military area, strengthen Ukraine's defences, guarantee its sovereignty, territorial integrity and inviolability, ensure compliance with Euro-Atlantic standards and criteria, which is required for Ukraine to become a NATO member, enable Ukraine's defence forces to participate in peace-keeping and international security operations.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In the medium term:

to approve new doctrinal documents on training and engagement of the Armed Forces and other defence force components (a set of directives, manuals and other strategic, operational and tactical documents); to put into effect new regulations for arms or branches of forces and special forces;

to establish a training and development centre (Centre of Excellence) on the basis of the International Peacekeeping and Security Centre (city of Yavoriv) using NATO approaches;

to provide legislative definition of the overall and detailed structure of the main functions of the Armed Forces and other defence force components, considering their experience of joint engagements, and to create new individual branches of forces (Special Operation Forces and High Mobility Assault Forces);

to divide the peacetime effective combat strength on a functionality basis: rapid deployment forces, augmentation forces and reserve forces;

to return armaments, military equipment, missiles and ammunition to service (repair, extension of service life and shelf life) in accordance with GSAF-defined requirements;

to modernise advanced armaments, military equipment, missiles and ammunition and to develop new types of advanced armaments, military equipment missiles and ammunition, to begin their domestic production in cooperation with NATO countries in accordance with the State defence procurement programme;

to create an individual structural unit within the GSAF, whose main mission would be to provide intelligence support to the Armed Forces;

to create a military intelligence training unit within the Land Forces organisation;

to form (reform) the command and control body and other command bodies of the Naval Forces in accordance with NATO's principles;

to create Naval and Coastguard operating base infrastructure;

to provide necessary housing, logistic and material support as well as modern armaments and military equipment for the command and control bodies and military units of the Military Police and to ensure their operation within the new structure.

By the end of 2017:

to put into effect training and engagement directives and standards for the Special Operations Forces of the Armed Forces;

to finalize the establishment of the command and control system of the Special Operations Forces;

to change the organisation and establishment of the Special Operations Forces in accordance with NATO's criteria;

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287;

the National Military Doctrine of Ukraine approved by the Decree of the President of Ukraine of 24 September 2015 No. 555;

the Concept for Ukraine's security and defence sector development approved by the Decree of the President of Ukraine of 14 March 2016 No. 92;

the Strategic Defence Bulletin of Ukraine approved by the Decree of the President of Ukraine of 6 June 2016 No. 240.

*Previous Period's Outcomes*

The Law of Ukraine of 16 June 2016 No. 1420-VIII On Amendments to Certain Laws of Ukraine relating to defence was passed, which provides for the definition of the Special Operations Forces, High Mobility Assault Forces as branches of the armed forces, as well as of the Joint Operational Headquarters as a command and control body of inter-branch and interdepartmental groups of forces.

The Law of Ukraine of 7 July 2016 No. 1437-VIII On Amendments to Certain Laws of Ukraine relating to the Special Operations Forces of the Armed Forces of Ukraine was passed, which introduces amendments to Ukrainian laws regulating the engagement and operation of the Special Operations Forces.

The Draft Law of Ukraine On the Military Police of Ukraine was prepared. It is in the process of approval by the relevant central executive authorities in accordance with the Regulations of the Cabinet of Ministers of Ukraine.

*Main points of the proposed approach to be implemented  
in the medium term*

There are plans to implement this priority in accordance with the master plan and common performance indicators as part of the Strategic Defence Bulletin implementation. This will ensure coordinated efforts by State authorities at all levels in implementing the defence reform by:

bringing doctrinal documents related to training and engagement of the Armed Forces and other defence force components in line with modern standards, taking due account of anti-terrorist operational experience and the principles adopted by NATO and EU countries;

providing legislative definition of the overall and detailed structure of the main functions of the Armed Forces and other defence force components, considering their experience of joint engagements and creating new individual branches of forces (Special Operations Forces and High Mobility Assault Forces);

optimizing the structure and number of Intelligence command and control bodies, units and subunits, strengthening their intelligence-gathering capabilities and carrying out special operations to support the engagement of Special Forces and other defence force components;

enhancing Ukraine's naval capabilities in order to ensure the defence of the Black and Azov Sea coastlines, the inviolability of State borders and the protection of Ukraine's sovereign rights within its exclusive (marine) economic zone, as well as to ensure Ukraine's participation in international (joint) operations with NATO and the EU.

#### **4. Introduction of an integrated logistics system and a medical support system**

##### *Main issues to be resolved*

Lack of an effective integrated logistics system capable of providing support to all defence forces.

Low efficiency of the defence forces' medical support system.

The inability of the existing military infrastructure to meet operational requirements, the need to introduce an infrastructure project management system in accordance with Euro-Atlantic principles and standards.

Critically low level of operational logistic reserves.

Lack of an automated logistic management system.

*Main quantitative indicators, characterising the situation*

17 NATO documents (16 NATO military standards and 1 military handbook) have been integrated into the material support system in accordance with NATO standards. 53 specifications and 9 technical kit descriptions have been adopted. 78 national legal documents on the basis of 126 NATO standards have been prepared.

The total number of medical points-of-care for military personnel has been increased to 6550. A medical rehabilitation system was created with a capacity of 1600 beds. 164 tactical medical instructors were trained on the basis of the International Peacekeeping and Security Centre (city of Yavoriv).

*Goal to be achieved*

To create an effective integrated defence logistics system in accordance with NATO doctrine, standards and instructions regulating logistics, defence logistic support management and logistic reserves with a view to ensuring compliance with maintenance standards to ensure the support of missions during peacetime and war (special period).

To build a medical support system with a view to providing appropriate medical support to all defence forces' missions.

*Quantitative Targets to be achieved**by the end of 2017 and in the medium term*

In the medium term:

to introduce the J-structure of military command bodies in accordance with NATO standards relating to Armed Forces logistics;

to create the Main Logistics Directorate (J4) and Logistic Forces Command;

to ensure automation of 100% of logistics management processes;

to ensure that 100% of Armed Forces personnel are supplied with modern combat gear kits, containing field uniform of international quality standards, individual protective gear, night vision devices, navigation and communications devices (with appropriate levels of immunity resistance to jamming and protection);

to ensure the compatibility of medical support services by using NATO standards, including compatibility in terms of Role 1 and Role 2 evacuation times (first aid within 10 minutes, evacuation to Role 1 facilities within 1 hour, and evacuation to Role 2 facilities within 2 hours);

to ensure that 100% of medical units and military medical facilities are supplied with casualty search and rescue equipment, medical and aeromedical evacuation transport, including armoured vehicles;

to ensure that 100% of troops (forces) are supplied with modern standard-issue kits (medicines, instruments and medical equipment) in order to be able to provide medical aid and treatment.

By the end of 2017:

to introduce a unified military property codification system compatible with the NATO codification system;

to establish a single Armed Forces medical support body and to build its capabilities;

to approve the Armed Forces medical support doctrine in accordance with AJP 4.10 NATO;

to achieve compatibility in terms of medical support by applying NATO standards, including compatibility with evacuation times (first aid within 10 minutes, evacuation to Role 1 facilities within 2 hours, and evacuation to Role 2 facilities within 4 hours) during defence force operations.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287;

the National Military Doctrine of Ukraine approved by the Decree of the President of Ukraine of 24 September 2015 No. 555;

the Concept for Ukraine's security and defence sector development approved by the Decree of the President of Ukraine of 14 March 2016 No. 92;

the Strategic Defence Bulletin of Ukraine approved by the Decree of the President of Ukraine of 6 June 2016 No. 240

*Previous Period's Outcomes*

The main provisions of the Armed Forces logistic support were defined in accordance with NATO standards. The Road Map for the Armed Forces logistic support reform for 2016-2020 was developed.

Terms of Reference for an automated Logistics Support Management System for the Armed Forces of Ukraine were approved.

Rehabilitation departments were established at the Western Region Military Medical Clinical Centre (Lviv), the Military Medical Clinical Centre for Occupational Pathology for Armed Forces Personnel (Irpin), the Starokostyantynivsky Military Hospital and the Dermatology Sanatorium and Resort (Truskavets, Khmilnyk, and Kyiv).

The Armed Forces Medical Support Doctrine was developed, as well as provisional directives on casualty and patient medical evacuation and

on medical support for military units (formations) of the Armed Forces during the Special Period and instructions on military field surgery.

*Main points of the proposed approach to be implemented  
in the medium term*

There are plans to implement this priority in accordance with the master plan and common performance indicators as part of the Strategic Defence Bulletin implementation. This will ensure coordinated efforts by State authorities at all levels in implementing the defence reform by:

creating an effective integrated logistics and supply system for peacetime and for the Special Period, introducing a modern comprehensive defence logistics system and technology;

establishing a medical support system in accordance with NATO standards, capable of providing appropriate medical support to defence missions.

**5. Ensuring the professionalization of the military and creating  
the necessary military reserve**

*Main issues to be resolved*

Manpower supply for the defence forces during partial mobilisation, the need to improve the professional skills of defence personnel and the need to build up the necessary military reserve.

Unfinished transition to a contract-based principle of recruitment in accordance with NATO staffing policy principles.

Non-compliance of individual legislative provisions relating to mobilization preparation and mobilization with modern requirements, which has affected the mobilisation capability of the Armed Forces and other military forces in the course of their deployment, fighting armed aggression and carrying out anti-terrorist operations, as well as the

functioning of government authorities and sectors of the national economy.

Inability of the current system of mobilisation task-setting, approval and execution, which is based on an administrative mechanism of economic management, to meet defence needs for human, financial, material, technical and other resources during the Special Period.

The lengthy process for obtaining clarification of mobilization tasks (orders).

*Main quantitative indicators, characterising the situation*

A Primary Reserve (over 100,000 persons) has been formed, up to 10,000 reservists and over 3,000 persons subject to compulsory military service have been trained in reserve training camps at military units of the territorial defence forces. Around 400,000 persons subject to compulsory military service have been re-registered with the military authorities. Around 30,000 Ukrainian citizens have been drafted.

Around 70,000 citizens have been enlisted for military service on a contractual basis, including 7,500 officers.

Over 400 candidates for senior MOD and GSAF positions, especially those at risk of corruption, were subjected to an integrity check on a voluntary basis by using a lie detector.

*Goal to be achieved*

The necessary human resources of the Armed Forces and other defence force components have been built by recruiting professionally trained, morally-upstanding military personnel, capable of performing complex military and professional missions during peacetime and the Special Period.

The defence forces are manned by well-trained and motivated personnel.

The deployment-ready strategic reserve forces of the Armed Forces have been built. They are capable of carrying out offensive (counter-offensive) actions, reinforcing troops (forces) in danger areas, ensuring troops (forces) rotation and reinforcement in case of attrition.

An effective mobilization planning mechanism has been introduced in the country, including various sectors of the national economy.

A new, market-economy based mobilization orders generation, approval and execution system has been developed in order to satisfy the country' s defence needs during the Special Period.

Core European principles have been introduced into the State mobilisation and mobilisation preparation system.

The time taken to clarify mobilization orders to meet State defence needs has been reduced.

State defence demands during the Special Period are guaranteed to be met.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

By the end of 2017:

to optimize the military pay and allowance structure in accordance with service hardship conditions, to align military pay with the country' s minimum wage;

to introduce a pilot territorial recruitment and social support centre on the basis of a military commissariat in one of the Oblasts;

to reduce the proportion of colonel grade positions by increasing the proportion of major and lieutenant-colonel grade positions and civilian jobs in strategic and operational command bodies, in higher educational institutions, research institutions and organisations.

In the medium term:

to introduce an overtime recording system for military personnel to keep a record of working hours during weekends and public holidays with a view to providing time off in lieu for those hours later;

to put the Unified State Register of Persons Subject to Compulsory Military Service into operation;

to reduce the proportion of officers down to a level generally accepted in NATO countries and to accordingly increase the proportion of enlisted grade personnel serving on a contractual basis;

to optimize the number of Armed Forces employees;

to itemize the list of military personnel positions which can be replaced with civilian personnel;

to ensure that 100% of positions at non-commissioned officer and sergeant major grades, as well as positions in combat units and positions and positions critical for combat capabilities are manned with personnel serving on a contractual basis;

to have non-commissioned officer positions 100% manned by professional personnel, capable of carrying out their missions of training and educating personnel, strengthening military discipline and eradicating negative developments in military teams;

to introduce the "Personnel" unified automated information and analytical human resource system throughout the Armed Forces down to the level of a single unit.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287;

the National Military Doctrine of Ukraine approved by the Decree of the President of Ukraine of 24 September 2015 No. 555;

the Concept for Ukraine's security and defence sector development approved by the Decree of the President of Ukraine of 14 March 2016 No. 92;

the Strategic Defence Bulletin of Ukraine approved by the Decree of the President of Ukraine of 6 June 2016 No. 240

#### *Previous Period's Outcomes*

The Draft Law of Ukraine On the Unified State Register of Persons Subject to Compulsory Military Service was submitted for the consideration of the Supreme Rada of Ukraine and reviewed at its first reading.

The Cabinet of Ministers of Ukraine adopted a Resolution of 27 July 2016 No. 474 On Amendments to the Resolution of the Cabinet of Ministers of Ukraine of 12 November 2014 No. 607, which provided for improvements to the military reserve structure.

The Draft Law of Ukraine On Amendments to the Law of Ukraine On Mobilization Preparation and Mobilization (new edition) was developed, agreed with the central executive authorities, other State bodies and Oblast administrations and submitted for the consideration of the Cabinet of Ministers of Ukraine.

A Primary Reserve (over 100,000 persons) was formed, around 10,000 reservists and over 3,000 persons subject to compulsory military service were trained in reserve training camps at military units of the territorial defence forces. Around 400,000 persons subject to

compulsory military service were re-registered with the military authorities. Around 30,000 Ukrainian citizens were drafted.

Around 70,000 citizens were enlisted for military service on a contractual basis, including 7,500 officers.

The Cabinet of Ministers of Ukraine prepared a Draft Resolution On Pay and Allowances of Military Personnel and Certain Other Persons. The Draft Law is in the process of approval by relevant central executive authorities in accordance with the Regulations of the Cabinet of Ministers of Ukraine.

*Main points of the proposed approach to be implemented  
in the medium term*

There are plans to implement this priority in accordance with the master plan and common performance indicators as part of the Strategic Defence Bulletin implementation. This will ensure coordinated efforts by State authorities at all levels in implementing the defence reform by:

introducing new approaches to the mobilization preparation and mobilization system, incorporating mobilization planning into the activities of central executive authorities, other State bodies, local State administration, local self-government authorities and industrial enterprises within the national economy;

building the necessary human resources of the Armed Forces and other defence force components by recruiting professionally trained morally-upstanding military personnel, capable of performing complex military and professional missions during peacetime and the Special Period;

manning the defence forces with well-trained and motivated personnel;

building and maintaining the Armed Forces deployment-ready strategic reserve forces, capable of carrying out offensive (counter-offensive) operations, reinforcing troops (forces) in danger areas, ensuring troops (forces) rotation and reinforcement in case of attrition;

aligning the pay and allowances of military personnel with their service hardship conditions.

## **6. Providing more reliable protection and improving State border security**

### *Main issues to be resolved*

Until 2014, Ukraine had virtually no systemic approach to border infrastructure development and technical improvement (with borders extending to an overall length of around 7,000 km).

The increase in cross-border crime, the migration crisis and international terrorism had created a need for enhanced border security based on improved engineering and technical facilities among other things.

There is still a pressing need to simplify border-crossing procedures at border crossings and to align them with European standards in order to ensure comfortable crossing of the State border.

This priority is aimed at creating an effective border improvement system to ensure an adequate response to modern threats and challenges.

### *Main quantitative indicators, characterising the situation*

#### Current state of State border improvement

Indicator	Quantitative Indicators by year		Overall
	2015	2016	

Indicator	Quantitative Indicators by year		Overall
	2015	2016	
Demarcation of the Ukrainian-Moldovan and Ukrainian-Belarusian parts of the State border (km)			1437
Marking of the Ukrainian-Russian part of the State border (km)			224
Number of international border crossings in operation		1	164
Number of video surveillance systems installed	1	4 are operationally ready, which is 95%	5
Lateral communication routes (km)	107.9	48.3	156.2
Artificial obstacles (km)	191.4	67.2	258.6
Watch towers (number)	38		38
Antivehicle ditches (km)	245.2	52.5	297.7
Trace strips (km)	91.3	26.4	117.7
Combat modules purchased	4		4
Early detection, identification and warning systems installed		1	1

*Goal to be achieved*

In the medium term, to improve State border security, so as to guarantee an adequate response to modern threats and challenges, including, among other things, terrorist and military threats, and to introduce European standards into the border control system.

By the end of 2017, to improve security of the most dangerous parts of the Ukrainian-Russian border and of the Azov Sea coastline.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In the medium term:

to reduce the number of border and migration legislation offences by 40%;

to increase the number of border-crossing operations by 12.5%;

to reduce control procedure times by half: a vehicle (four persons) — down to 7 minutes, one person — down to 20 seconds;

to improve the technical state of the whole Ukrainian-Russian border and part of the Ukrainian-Moldovan border, adjacent to the Trans-Dniester region of the Moldovan Republic.

By the end of 2017:

to reduce the number of border and migration legislation offences by 5%;

to increase the number of border-crossing operations by 2.5%;

to reduce control procedure times by one-third;

to complete 20% of improvement works along the Ukrainian-Russian border.

Indicator	Quantitative targets			
	planned for 2020	in comparison with 2016	planned for 2017	in comparison with 2016
Demarcation of the	+ 865	4x		

Indicator	Quantitative targets			
	planned for 2020	in comparison with 2016	planned for 2017	in comparison with 2016
Ukrainian-Belarusian part of the State border, km	(together with the Republic of Belarus)	increase		
Marking of the Ukrainian-Russian border (km)	+ 1750	7.8x increase	+ 874	3.9x increase
Number of international border crossings in operation	+ 6	+ 3.53%	+ 1	+ 0.61%
Number of video surveillance systems installed	+ 45	9x increase	+ 4	+ 80%
Lateral communication routes (km)	+ 1184.5	7.5x increase	+ 65	+ 41.6%
Artificial obstacles (km)	+ 1199	4.6x increase	+ 150	+ 58%
Watch towers (number)	+ 79	2x increase	+ 2	+ 5.3%
Antivehicle ditches (km)	+ 1019	3.4x increase	+ 30	+ 10%
Trace strips (km)	+ 1500.6	12.7x	+ 100	+ 85%

Indicator	Quantitative targets			
	planned for 2020	in comparison with 2016	planned for 2017	in comparison with 2016
Combat modules purchased	+ 68	17x increase	12	
Early detection, identification and warning systems installed	4	4x increase	+ 1	+ 100%

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287;

the Ukrainian State Regional Development Strategy 2020, approved by the Resolution of the Cabinet of Ministers of Ukraine 6 August 2014 No. 385;

the Concept for Ukraine's security and defence sector development approved by the Decree of the President of Ukraine of 14 March 2016 No. 92;

the State Border Service Development Strategy adopted by the Ordinance of the Cabinet of Ministers of Ukraine of 23 November 2015 No. 1189.

*Previous Period' s Outcomes*

The State Border Service has started planned works on State border infrastructure development, State border improvement and State border security enhancement.

The Ordinance of the Cabinet of Ministers of Ukraine of 14 May 2015 No. 439 approved the action plan for the engineering and technical improvement of the Ukrainian-Russian border, the Ukrainian-Moldavian border and territories adjacent to the anti-terrorist operation zone and to the Autonomous Republic of Crimea (version contained in the Ordinance of the Cabinet of Ministers of Ukraine of 28 December 2016 No. 1060), which provided for the following improvements in 2015-2016: 273.5 km of anti-vehicle ditches, 40.6 km of trace strips, 83.2 km of metal fencing, 153.2 km of lateral communication roads, and 6 metal watchtowers were constructed, 5 fortified posts were built, 5 smart control and video surveillance systems were installed on the border within the Kharkiv Oblast, 4 combat turrets were purchased and 3 units were reconstructed (equipped).

Furthermore, the State Targeted Law Enforcement Programme was developed in accordance with the Concept of the State Targeted Law Enforcement Programme "Improvement and reconstruction of the State border during the period up to 2020" approved by the Ordinance of the Cabinet of Ministers of Ukraine of 11 November 2015 No. 1179.

Aiming to ensure an effective response to border legislation offences, the State Border Service Administration developed Draft Laws that were registered with the Supreme Rada of Ukraine: On Amendments to the Code of Administrative Offences and Certain Other Laws related to Border Security of Ukraine No. 5442 of 23 November 2016; the Draft Law of Ukraine On Amendments to Certain Legislative Acts of Ukraine concerning the improvement of certain procedures

related to Ukraine's commitments under international agreements on readmission No. 5344 of 2 November 2016.

*Main points of the proposed approach to be implemented  
in the medium term*

The medium-term plans include a number of measures and targeted programmes involving border infrastructure development, border engineering and technical improvement (namely, plans related to the engineering and technical improvement of the Ukrainian-Russian border, the Ukrainian-Moldovan border and areas adjacent to the antiterrorist operation zone and the Autonomous Republic of Crimea, approved by the Ordinance of the Cabinet of Ministers of Ukraine of 14 May 2015 No. 439 (version contained in the Ordinance of the Cabinet of Ministers of Ukraine of 28 December 2016 No. 1060), the State Targeted Law Enforcement Programme "Equipment and Reconstruction of the State Border" for 2020, and departmental plans related to engineering equipment).

Planned activities in 2017:

to complete engineering and technical improvement of the border sections under the management of 3 units in the Kharkiv Oblast (the Border Guard Service departments of Dergachi, Vesele and Topoli); to continue works in the Luhansk Oblast (the Border Guard Service department of Troitske) and in the Kharkiv Oblast (the Border Guard Service department of Tymofiyivka);

to complete pre-commissioning works and to put into service video surveillance and alarm systems at the border sections under the management of 4 units in the Kharkiv Oblast (the Border Guard Service departments of Topoli, Vilkhuvatka, Dergachi and Tymofiyivka);

to prepare the terms of reference and calculations for the installation of video surveillance and alarm systems in the Kharkiv

Oblast (the Border Guard Service department of Vesele) and in the Chernihiv Oblast (the Border Guard Service department of Leonivka);

to continue the deployment (reconstruction, equipment) of border units: in 2017, to put 2 facilities into operation (Sumy Commandant's Office, the Border Guard Service Department of Leonivka), to continue work on registering land plots as in the ownership of the State Border Guard Service).

## **7. Ensuring the combat capability and readiness of the National Guard**

### *Main issues to be resolved*

The results of the comprehensive security and defence review and the military security assessment have shown that that today, in the current environment of real and potential threats, the National Guard has a limited capability to carry out its defined missions of protecting public order and ensuring public safety, protecting nuclear installations, nuclear materials, radioactive waste and other State-owned ionizing radiation sources and key State facilities, participating in activities aimed at ending armed conflicts and other provocations at the State border as well as supporting Armed Forces operations to overcome crisis situations threatening national security during the Special Period. The main problems are as follows:

inadequate legislative framework regulating individual aspects of their activities related to the protection of public order and public safety, nuclear installations, nuclear materials, radioactive waste and other State-owned ionizing radiation sources and key State facilities, as well as ensuring co-operation between other security and defence sector components in the course of exercising their legal functions considering, among other things, dealing with new challenges;

the creation of an effective operational (combat) control, communication, intelligence and surveillance system in accordance with standards adopted by NATO countries has not been completed;

inability to effectively respond to the growing number and magnitude of cyber-attack and to combat cybercrimes;

inconsistency of defence planning procedures with the budget process, inadequate resource programme management mechanisms;

insufficient operational (combat, special) capability;

insufficient funding, considering the increasing responsibilities entrusted to the National Guard;

the lack of an effective logistics system, enabling the National Guard to operate effectively;

critically low level of operational logistic reserves, the need to renew the National Guard's stock of arms, military equipment, armaments and other supplies;

the re-equipment of the National Guard with special equipment, new generation armaments, riot control equipment and communications equipment to enable them to carry out their missions has not been completed;

low efficiency of the medical support system for National Guard personnel and units;

unfinished transition to a contract-based principle of recruitment in accordance with NATO staffing policy principles;

the need to build up the necessary military reserve;

the need to create a modern military psychological support system.

*Main quantitative indicators, characterising the situation*

The National Guard manpower ceiling is 60,000 persons.

Over 2016, the level of provision with armaments and military equipment increased by 18%.

Today, the National Guard of Ukraine is manned at 80.5% of its full strength; its armament level is at 90%, its military equipment levels are as follows: vehicles — 76%, armoured vehicles — 60%, aircraft — 67%.

*Goal to be achieved*

The goal is to develop the National Guard as a mobile, combat-effective organisation with law enforcement functions, which is able, together with other security and defence agencies, to carry out certain defined law enforcement and defence missions to counteract threats to national security.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

By the end of 2020:

to create an effective military command and control system based on the reformed organisation and establishment structure of the military command and control bodies of the National Guard, which will be compatible with other security and defence sector components and analogous military command and control bodies of counterpart units in NATO countries;

to create a cyber-protection system to protect information and telecommunications networks;

to introduce an effective planning system, a transparent and effective resource management system aligned with the national forecasting and strategic planning system;

to improve the National Guard's capability to carry out its missions as defined by the Law of Ukraine On the National Guard of Ukraine;

to improve the personnel and forces training system;

to improve training infrastructure and resources, taking due account of personnel and force training needs with a view to enabling the National Guard to carry out its missions;

to build the necessary intelligence gathering capabilities for the purposes of engaging the National Guard and other defence force components;

to create an effective logistic system to be used during peacetime, crises and the Special Period;

to introduce a modern comprehensive supply system;

to replenish military supplies;

to create a medical support system, capable of providing appropriate medical support to the National Guards' missions;

to create sufficient capacities for providing psychological support to military personnel when performing their duties, to provide timely psychological support to casualties;

to create the necessary military reserve.

During the first stage (by the end of 2017):

to put into operation the National Guard situation centre, command and control points at the Central National Guard Directorate' s mobile base, to facilitate the creation of command points at operational and territorial formation and military unit mobile bases;

to integrate the situation centre of the National Guard of Ukraine into the nation-wide network of situation centres with a view to enabling fast security and defence decision-making processes;

to create cyber-protection units to protect information and telecommunication networks;

to create a permanent joint body, tasked with making proposals on optimal ways of reforming the National Guard;

to complete the deployment of special purpose units;

to procure and supply innovative and modern armaments, riot control and other equipment to military units with responsibilities for protecting public order, nuclear installations, nuclear materials, radioactive waste and other State-owned ionizing radiation sources and key national facilities.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Concept for Ukraine's security and defence sector development approved by the Decree of the President of Ukraine of 14 March 2016 No. 92;

the Strategic Defence Bulletin of Ukraine approved by the Decree of the President of Ukraine of 6 June 2016 No. 240.

*Previous Period's Outcomes*

The National Guard Development Concept for the period up to 2020 was approved by the Ordinance of the Cabinet of Ministers of Ukraine of 1 February 2017 No. 100.

The Rehabilitation and Health Care Department for ATO veterans was created at Novi Sanzhary medical centre.

The military reserve service system has been introduced and is in operation.

The first working module of the National Guard situation centre has been established.

The advanced command and communication system has been developed.

The technical design for the command centre building to house a personnel command body (G-structure) has been prepared.

The organisation and establishment table of the Central National Guard Directorate, territorial directorates, brigades and regiments has been defined, taking account of the NATO military organisation and command structure of security and defence forces (G and S structures).

A rapid response brigade and operational units have been established in line with NATO standards.

A number of departments have been established: the department of strategic and medium-term planning and compatibility with NATO military structures; the department of government-funded products, works and services procurement; the directorate (inspectorate) of forces' operations control, and the psychological support department.

A Language Centre has been established on the basis of the National Academy of the National Guard of Ukraine. An Instructor Training School has been set up at the Zolochiv Training Centre.

A personnel and unit modular training programme has been developed.

The rank of sergeant major has been introduced.

*Main points of the proposed approach to be implemented  
in the medium term*

To develop regulatory and legislative acts relating to the National Guard's performance of its missions as defined by the Law of Ukraine On the National Guard of Ukraine, the operation of military command and control bodies as well as co-ordination between the National Guard and competent security and defence agencies;

To introduce a new organisation and establishment structure of military command and control bodies similar to analogous military structures in NATO countries.

To optimize the command points network.

To introduce unified processes and rules, which promote zero tolerance of corruption and effective public administration in line with international standards, and to create a unified integrity-building system for the National Guard of Ukraine.

To build communications capabilities at operational and tactical levels to ensure integration and support to strategic communications at all levels of security and defence policy planning and implementation;

To commission modern military communication systems and military intelligence equipment, including unmanned aerial vehicles, to introduce modern digital communication technologies at command and control points.

To introduce secure information communication channels.

To introduce procurement systems in accordance with principles and approaches used by European and NATO countries.

To introduce a 3-year State defence procurement programme with the possibility of adjusting its indicators annually.

To improve and optimize the structure and manpower of the National Guard.

To build the necessary human resources by recruiting professionally trained morally-upstanding military personnel, capable of performing complex military and professional tasks during peacetime and the Special Period.

To man the National Guard with well-trained and motivated personnel.

To develop and introduce new combat and special training programmes for personnel and units.

To develop and equip training centres and ranges for military personnel, reservists and units of the National Guard in accordance with modern demands and experience gained during the ATO.

To introduce modern teaching aids.

To introduce new logistic system components of the National Guard in accordance with the Strategic Defence Bulletin of Ukraine.

To automate logistic management processes.

To replenish military supplies and maintain their level in accordance with relevant standards in order to ensure an adequate response to all challenges and threats in co-operation with other security and defence sector components.

To return armaments and military equipment to service (repair, extension of service life and shelf life), to modernise the existing and to develop new types of armaments and military equipment.

To introduce modern medical aid and treatment technologies in line with medical aid standards, clinical protocols and other health care industry standards.

To introduce a medical rehabilitation system.

To introduce a transparent personnel recruitment system in line with NATO standards as well as an effective career development system for military personnel.

To bring training and professional development content and quality into conformity with requirements of the National Guard on the basis of its participation in the ATO and combat operations.

To introduce innovative technologies in the professional and psychological selection system for entry-level personnel.

To create a social safety net for military personnel and their families as well as incentives to serve in the National Guard.

To bring the operational environment of military units (bases) in line with Euro-Atlantic principles, including their self-sufficiency, structure, availability of social and welfare facilities in accordance with the demands of everyday operations and the needs of military personnel and their families.

To commission the construction of housing and the conversion of barracks into service housing, to purchase housing on the secondary market.

To assist reservists in attaining the necessary competence level to carry out their official duties.

To introduce a system of manning the reserve service on territorial and extraterritorial principles.

To create the National Guard' s in-service territorial recruitment centres to recruit personnel on a contractual basis.

To get the psychological service standardized and certified.

To develop descriptions for every military occupational speciality.

To develop and implement organisational and technical measures to strengthen cybersecurity of information and telecommunication systems.

## **8. Protecting and restoring (by political and diplomatic means) the territorial integrity of Ukraine within the internationally recognized borders**

*Main issues to be resolved*

Due to the full-scale armed aggression by the Russian Federation (temporary occupation of the Autonomous Republic of Crimea and some territories of the Donetsk and Luhansk Oblasts, participation by Russian Federation regular forces in combat operations on the territory of our country, provision of arms and mercenaries by the Russian Federation to Donbass, as well as information, trade and other hybrid war aspects, etc.), the territorial integrity of Ukraine has been violated. Our State faces a number of hybrid war challenges and threats. Our key priorities are to counteract the Russian aggression by political and diplomatic means, to restore our territorial integrity by peaceful means, to protect our sovereignty and to improve Ukraine's defensive capability. To achieve them, Ukraine needs to take proactive foreign-policy actions in order to gain political, financial, economic and humanitarian support from the international community as well as consultative, material and technical assistance from NATO and its members.

*Main quantitative indicators, characterising the situation*

As a result of the Russian aggression against Ukraine, around 9,500 people died, over 22,000 people were wounded and almost 2 million people were displaced.

The Russian Federation is taking action to integrate the Crimea internally, to get its actions internationally recognised as legitimate and does not admit the fact of occupation. The militarisation of the occupied peninsular is in under way: the Armed Forces of the Russian Federation have deployed 29,300 personnel in the Crimea. Human right violations in the Crimea are pervasive, including ethnic and religious discrimination. Over 20,000 people had to flee the Autonomous Republic of Crimea.

Following the inception of the Russian aggression, NATO established 6 trust funds to support Ukraine in: reforming its logistics and standardisation system, updating command and control, communications and IT systems within the Armed Forces, improving cyber-protection, medical rehabilitation, military personnel retraining for civilian jobs, and developing the national system for dealing with mines and improvised explosive devices. At their meeting in Warsaw (Poland) on 9 July 2016, the Heads of State and Government of the NATO-Ukraine Commission endorsed the Comprehensive Package of Assistance (CAP) to Ukraine with a view to consolidating and enhancing NATO's assistance for Ukraine. The CAP defines 13 key areas and 40 targeted support measures.

*Goal to be achieved*

Medium-term goal: to protect and restore (by political and diplomatic means) the territorial integrity of Ukraine within the internationally recognized borders.

Goal for 2017:

to ensure further consolidation of international political support for Ukraine in its fight against Russian aggression and to step up political and diplomatic pressure on the Russian Federation with the purpose of achieving the de-occupation of the Donbass area;

to initiate international negotiations on the de-occupation of Crimea;

to utilize practical support provided to Ukraine by NATO.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

In the medium term: to achieve the liberation of the temporarily occupied areas, to restore the territorial integrity of Ukraine, to strengthen Ukraine's defences in accordance with NATO criteria.

In 2017: to achieve the implementation of all security and humanitarian provisions of the Minsk agreements; to initiate international negotiations on the de-occupation of Crimea; to implement the Annual National Programme of NATO-Ukraine Cooperation.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287.

*Previous Period' s Outcomes*

Through their systemic efforts, the President, the Cabinet of Ministers of Ukraine and the MFA have succeeded in ensuring that the position of our foreign partners and influential international organisations has remained unchanged in relation to their support for the territorial integrity and sovereignty of Ukraine (Resolution 68/262 of the UN General Assembly of 27 March 2014 "Territorial integrity of Ukraine"), for the non-recognition of the annexation of the Autonomous Republic of Crimea and the city of Sevastopol, for condemnation of continuing human rights violations by the occupation authorities, for the introduction of special economic and other restrictive measures (sanctions) against the Russian Federation as well as for the considerable financial, humanitarian, military and technical, expert and

other support to our country with a view to counteracting the Russian aggression and to overcoming its consequences.

In 2015-2016, a number of conceptual documents relating to national security and defence strategic planning and to integration with NATO were adopted. A Vice-Prime-Minister for European and Euro-Atlantic Integration was appointed within the Cabinet of Ministers of Ukraine and an interdepartmental Commission on Euro-Atlantic integration coordination was set up.

*Main points of the proposed approach to be implemented  
in the medium term*

To use political and diplomatic tools to restore the territorial integrity of Ukraine within the internationally recognized borders and to strengthen its defences by:

obtaining political, financial and economic, humanitarian and other support from Ukraine from the international community;

stepping up pressure on the Russian Federation in order to ensure it meets its commitments under the Minsk agreements primarily by maintaining/increasing sanctions against it;

bringing the Russian Federation to accountability under international laws;

creating an international tool to assist the de-occupation of the Crimea, i.e. an international platform involving States that undertook to assure Ukraine's security under the Budapest memorandum, EU countries and key regional leaders;

promoting a political dialogue with NATO, in particular within the framework of the NATO-Ukraine Commission;

preparing draft Annual National Programmes for NATO-Ukraine co-operation on the basis of proposals submitted by relevant State authorities;

conducting an information campaign to raise awareness of NATO-Ukraine relations and to gain support for Ukraine's accession to NATO as part of the Concept of Informing the General Public on the Issues of Euro-Atlantic Integration for 2017-2020, approved by the Decree of the President of Ukraine of 21 February 2017 No. 43.

### **9. To address problems in the territories affected as a result of temporary occupation or armed conflict, to protect the rights and freedoms of internally displaced persons**

#### *Main issues to be resolved*

One of Ukraine's pressing problems today is rapid social and economic decline in the eastern regions of Ukraine (Donetsk, Luhansk, Dnipropetrovsk, Zaporizhzhya and Kharkiv Oblasts) caused by the armed conflict. The problem was aggravated by such negative developments as:

destruction of housing stock, social infrastructure and vital services;  
loss of immovable and other property suffered by the population,  
difficulties with providing the necessary communal, health care, social, education and other services in the Eastern regions;

economic decline and a growing unemployment rate caused by business closures, loss of economic links and physical destruction of production facilities;

breakdown of the financial, banking, transport infrastructure and communication systems;

low level of external and internal demand due to slow economic development;

reduction in consumer purchasing power due to the decrease in real earnings;

declining quality of life;

increased population in the Eastern territorial communities of Ukraine due to internal displacement;

rapid deterioration in environmental health, increasingly complex environmental situation in the East;

ineffective information policy.

At the same time, there is a need to end the information isolation of certain areas of the Donetsk and Luhansk Oblasts, where the State authorities temporarily cannot operate (hereinafter the "Donbass") and the temporarily occupied territory of the Autonomous Republic of Crimea, which is caused by the following problems:

lack of an effective policy to end the information isolation of these regions; active attempts by the Russian Federation to draw the attention of the international community away from the issue of the Russian military presence in the Donbass area and Russian occupation of the Autonomous Republic of Crimea and to legitimize its occupation of the peninsula; inefficient counteraction of Russian propaganda and the impact of information generated by the Russian Federation on the population of the Donbass area and the Autonomous Republic of Crimea as well as on the international community; poor coverage of combat operations in the Donbass area and the occupation of the Autonomous Republic of Crimea by global media; poor access for the population of the Eastern and Southern Oblasts and the Autonomous Republic of Crimea to Ukrainian television and radio services; distorted perception of reality by the population of Donbass and the

Autonomous Republic of Crimea, increased isolationism caused by insufficient number of transmitters and, therefore, poor coverage of these territories due to low signal levels.

*Main quantitative indicators, characterising the situation*

The share of Donetsk Oblast in the gross regional product in 2013 was 10.8% and of Luhansk Oblast - 3.6%; their shares in goods exports was 19.6% and 5.6%, respectively. At the beginning of 2014, 93,000 legal persons were operating in the Donetsk Oblast and 44,700 - in the Luhansk Oblast. A large number of them were major enterprises in the following sectors: coal mining, energy, metallurgy, coke chemicals and mechanical engineering.

According to the official statistics, in 2014, gross output fell by 31.5% in the Donetsk Oblast and by 42% in the Luhansk Oblast, and in 2015 - by 34.6% and 66%, respectively.

250.5 km of public highway and 13 engineering structures with an overall length of 842 linear metres in the Donetsk Oblast and 711.5 km of roads and 17 engineering structures with an overall length of over 1,800 linear metres in the Luhansk Oblast were destroyed.

Out of 2,025 damaged railway infrastructure facilities (of which 523 located in the controlled territory) 364 have been repaired.

The total number of damaged buildings in the Donetsk Oblast is around 8,365, 2,100 of which have been rebuilt. In the Luhansk Oblast, around 9,000 buildings were damaged and 1,500 completely destroyed.

As at 6 March 2017, there were 1,622,835 internally displaced persons in Ukraine, 21,041 of them from the Autonomous Republic of Crimea.

32 Russian-registered legal persons, 5 unlawfully established Donbass legal entities and 21 unlawfully established Crimean legal

entities are illegally broadcasting on the territory of the Donbass area and the Autonomous Republic of Crimea and use Ukraine's radio-frequency resources.

*Goal to be achieved*

To restore and rebuild peace in the East of Ukraine by driving the social and economic development of communities, improving their institutional, economic and social capacities and by taking local and nation-wide actions aimed at: the restoration of critical infrastructure and key social services; economic revival; reducing social tensions in communities with a large number of refugees; implementing conflict and post-conflict resolution activities.

To ensure adequate signal coverage of Eastern and Southern oblasts including the Autonomous Republic of Crimea. To counteract anti-Ukrainian propaganda through the dissemination of relevant information products with a view to promoting pro-Ukrainian sentiments in the region.

*Quantitative Targets to be achieved*

*by the end of 2017 and in the medium term*

The National Targeted Peace Restoration and Building Programme in the East of Ukraine provides for the restoration and reconstruction of 120 educational facilities; 85 health care facilities; 670 social infrastructure facilities; 197.6 km of power transmission lines; 44 water supply and disposal facilities, and for purchasing 168 municipal transport vehicles. Of them in 2017, it is planned to restore and reconstruct: 63 educational facilities and 53 health care facilities; 250 social infrastructure facilities; 123.1 km of power transmission lines; 17 water supply and disposal facilities, and to purchase 46 municipal transport vehicles.

To restore technical broadcasting facilities in the Donbass and Southern oblasts of Ukraine, including the Autonomous Republic of Crimea, in particular, to construct towers in the Novoaidar District of the Luhansk Oblast in the South and to modernise the existing 92 m high tower in the village of Chaplinka in Kherson Oblast with a view to increasing its height by 20-30 m.

To ensure access for the population of the Donbass and the Crimea to objective information about events in Ukraine and the world, to disseminate materials directed at countering the information war efforts by the Russian Federation against Ukraine.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287;

Ukraine' s State Regional Development Strategy for the period up to 2020, approved by the Resolution of the Cabinet of Ministers of Ukraine of 6 August 2014 No. 385;

the National Human Rights Strategy approved by the Decree of the President of Ukraine of 25 August 2015 No. 501;

Resolution 68/262 of the UN General Assembly;

the Strategy for Sustainable Development Ukraine-2020 adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the National Human Rights Strategy approved by the Decree of the President of Ukraine of 25 August 2015 No. 501.

*Previous Period's Outcomes*

Priority needs for rebuilding infrastructure in the Donetsk and Luhansk Oblasts were analysed and works were carried out to restore:

railway infrastructure: the work done by the Subgroup on Social and Economic Matters of the Trilateral Contact Group resulted in the resumption of 24/7 train services in the Sentyanove-Shepilove and Mykytivka-Mayorsk sections and in the coordination of efforts to complete construction works in the Popasna-Stakhaniv section;

water supply: through coordinated efforts by ministries and other central executive authorities, a consignment of relief supplies (chemicals, coagulants and silica sand for water purification) from the Swiss Government was delivered and a reliable water supply was resumed in the Mariupil area (Mariupil, Volnovakha, etc.); drinking water was supplied to the population of Luhansk Oblast;

electric power supply: the feasibility study and cost estimate were completed for the construction of a new 500 kW electrical substation, "Kreminska", and an overhead power transmission line (220 kW), "Kreminska-Yuvileina", in the Luhansk Oblast;

The Cabinet of Ministers of Ukraine adopted the Resolution On Establishing the Council on Restoring and Building Peace in Ukraine of 14 September 2016 No. 672.

The Concept of the Targeted National Programme for Restoring and Building Peace in the East of Ukraine was adopted (the Ordinance of the Cabinet of Ministers of Ukraine of 31 August 2016 No. 892).

On 28 October 2016, the Memorandum of Understanding on Cooperation between the Cabinet of Ministers of Ukraine, the United Nations and the International Bank for Reconstruction and Development was signed concerning the establishment of a Multi-Partner Special Fund in order to facilitate the attraction of funds and the implementation of measures to restore peace.

With respect to strengthening social resilience and protecting the rights and freedoms of internally displaced persons and other categories of the population, which were violated as a result of the temporary occupation of, or the loss of control over parts of Ukraine's territory, a monthly targeted subsistence has been paid to temporarily displaced persons from the occupied territories and the ATO zone from 1 October 2014 to cover their living expenses, including payments for housing and utility services. The 2017 State Budget of Ukraine allocated Hryvnia 3,263.7 million for this assistance. As at 1 February 2017, the subsistence payment had been approved for 164,887 families.

Furthermore, the following legislative acts have been prepared:

the Draft Law of Ukraine On Recognizing the Law of Ukraine On Creation of a Free Economic Area of the "Crimea" as no longer in Force, on Special Features of Economic Activities in the Temporarily Occupied Territory of Ukraine and on Amendments to Certain Legislative Acts of Ukraine was adopted;

the Draft Resolution of the Cabinet of Ministers of Ukraine On Amendments to the Resolution of the Cabinet of Ministers of Ukraine of 16 December 2015 No. 1035 On Restrictions to Supplying Certain Goods (Works, Services) from the Temporarily Occupied Territory to other Areas of Ukraine and/or from Other Areas of Ukraine to the Temporarily Occupied Territory.

Actions were taken to seek and utilize international technical assistance under a number of projects: Aid to families affected by the conflict in the East of Ukraine (sponsored by the US Government via the United States Agency for International Development); Economic Opportunities for People Affected by the Conflict in the East of Ukraine (sponsored the US Government via the United States Agency for International Development); Strengthening the Human Rights Protection of Internally Displaced Persons in Ukraine (sponsored by the Council of Europe); Ukrainian Initiative to Improve Confidence (sponsored by the US Government via the United States Agency for International Development).

With respect to ending the information isolation of individual territories of the Donetsk and Luhansk Oblasts and the temporarily occupied territory of the Autonomous Republic of Crimea, the Commission on Ensuring the Reliable Operation of the National TV and Radio Broadcasting System was set up within the Ministry of Information Policy.

The Strategy for the development of TV and radio broadcasting services in the Kherson Oblast and initiating broadcasting in the Crimean territory for 2016-2017 was developed; a Draft Ordinance of the Cabinet of Ministers of Ukraine On Approval of the Action Plan to Resolve Issues with Ukrainian TV and Radio Broadcasting in the Autonomous Republic of Crimea and the city of Sevastopol and to Legally Formalize the Existing Broadcasting Services was prepared.

The construction of the following facilities is being coordinated: a radio and television station in the Novoaidar district of the Luhansk Oblast; a 100 m TV tower in the village of Kalanchak in Kherson Oblast. The return to service of the broadcast relay station in the village of Olgino in Kherson Oblast is under consideration.

Over 60 transmitters and 1 TV tower have been supplied by foreign partners; the TV tower of the destroyed radio and TV substation in the town of Slovyansk (Mount Karachun) has been repaired; assistance has been provided to increase the FM signal coverage of Kherson Oblast.

The entry procedure for foreign journalists visiting the Autonomous Republic of Crimea was simplified as well as their operation in the territory of Ukraine as a whole.

A number of communications campaigns have been carried out: *The Crimea is Ukraine, 1944: I Survived the Genocide, Two Flags, One Country*, and *Three Peoples with One Root*. Information campaigns under the Crimean Public Diplomacy Strategy were held to commemorate the following dates: the Day of Crimean Tartar Journalism on 10 April, the Day of Remembrance of the Crimean Tartar Genocide Victims on 18 May, the Day of the Crimean Tartar Flag on 26 June, the International Day of the World's Indigenous Peoples on 9 September, and the Day of Crimean Tartar Literature and Culture on 5 November.

The semi-documentary film *Crimea. The Resistance* was produced and screened. It presents the chronicle of the Autonomous Republic of Crimea occupation in February 2014.

A number of information and educational, cultural and media events, international fora, conferences and round table discussions have been held. Information materials about the situation in the Donbass area and the Autonomous Republic of Crimea have been produced and distributed.

The Crimean office of the UA|TV world service was launched.

*Main points of the proposed approach to be implemented  
in the medium term*

To introduce amendments to the legislation relating to crossing the administrative border with the Autonomous Republic of Crimea, including the Law of Ukraine On Enforcement of Civil Rights and Freedoms and the Legal Order in the Temporarily Occupied Territory of Ukraine, to develop the Draft Law of Ukraine On Amendments to the Law of Ukraine On Enforcement of the Rights and Freedoms of Internally Displaced Persons and other regulatory and legislative acts.

Also, there are plans to increase the capacity of entry/exit control points on the territory of the Donetsk and Luhansk Oblasts, to set up entry/exit control points on the territory of Kherson Oblast, to establish administrative service centres at entry/exit points (Chongar, Kalanchak, Chaplinka) in order to simplify access to a wide range of administrative and related services for Ukrainian citizens, residing in the temporarily occupied territory.

To adopt and implement the State Targeted Programme for Restoring and Building Peace in the East.

To seek assistance from international financial institutions and international technical assistance programmes in order to restore infrastructure facilities and to facilitate the operation of the Multi-Partner Special Fund.

Plans to ensure the end the information isolation of the Donbass area and the Autonomous Republic of Crimea involve activities in three areas: institutional, instrumental and communications. The institutional activities are aimed at improving coordination of efforts in the information sphere between State authorities, civil society institutions and international partners involved in the making and implementation of the State policy on the Donbass area and the Autonomous Republic of Crimea. The instrumental activities are aimed at providing the population of the Donbass area and the Autonomous Republic of

Crimea with access to objective information about events in Ukraine and in the world and disseminating information to counter the Russian information aggression. The communications activities involve launching communications campaigns.

## **10. Formulating and implementing public information security policy and developing a system of public strategic communications**

### *Main issues to be resolved*

Ukraine has now entered the stage of dynamic development, formation of an effective civil society and self-identification as a European sovereign nation. In this context, there is a need for the Ukrainian people to have contemporary common national values and priorities and a developed national information space. These elements form the national consciousness, define the nation's further development and determine its place in the modern world, contribute to the success of reforms and approximation to EU standards.

Yet, in the circumstances of Russian aggression, one of the major threats to national security is the anti-Ukrainian information war launched by the Russian Federation. Within this campaign, the Russian Federation carries out information operations in the following areas of influence: inciting a mood of protest within society, destabilising the situation in Ukraine, undermining its defences, hindering its Euro-Atlantic integration and minimizing international support, legitimizing the self-proclaimed republics of the so-called DPR/LPR and the occupation of the Autonomous Republic of Crimea.

The aggressor is using hybrid war technologies against Ukraine, primarily, in the information sphere, which has created new challenges and threats to our national information security. It remains very important for Ukraine to create a holistic and harmonized system to protect its information sovereignty, to manage risks and new

information challenges, to develop our own reliable and trustworthy national communications capabilities and to promote close cooperation between State authorities, to develop the national information space with a view to facilitating its integration into the global information space, and to establish a process of communications between State authorities and consumers of information.

*Main quantitative indicators, characterising the situation*

Over 2016, the following communications campaigns were implemented: a campaign to support the decentralisation reform; an education communication campaign; an energy efficiency campaign; the provision of electronic services to the general public; the health care system; introduction of uniform gas prices and improvement of the subsidy mechanism; an increase in the minimum wage; communication of the priorities of the State Budget of Ukraine for 2017; an anticorruption campaign; public procurement; free legal aid; support for internally displaced persons, a campaign concerning the temporary occupation of the Autonomous Republic of Crimea; the European integration processes; measures to combat the illicit circulation of arms; support for the elderly.

*Goal to be achieved*

The main goal is to promote common national values and priorities of the Ukrainian people, to create a quality information space based on the principles of self-regulation, freedom of speech and journalists' right to practise journalism.

Another goal is to protect Ukraine' s information space from the Russian aggression, to alleviate consequences of the information element of this aggression and to implement principles, priority tasks and basic measures by the authorities with the aim of protecting Ukraine' s information sovereignty and shaping the national

information space. The development of the national strategic communication system is a key part of this process. The purpose of strategic communications is to deliver key messages to target audience by using relevant media channels within the time required to achieve the desired long-term effects, which involves, among other things, coordinated and effective application of State communications measures and capabilities to support national policy objectives.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

The 2017 plans involve the provision of communications support to the following reforms (priority activities) of the Cabinet of Minister of Ukraine: transition to digital broadcasting; security and defence sector reform; public administration reform; decentralisation; energy efficiency; national and patriotic education, human rights protection; education reform as well as promotion of social advertising and conducting information campaigns on the occasion of important national events. At least 12 communications campaigns are planned in these areas.

In the medium term, there are plans to build an effective national strategic communications system as part of the activities of the Cabinet of Ministers of Ukraine and individual executive authorities. That system involves the following plans: to build State strategic communications capacity, to reform governmental communications, to promote public diplomacy, to develop the information operations sphere, to develop a crisis communication system and a professional training system.

The medium-term plans of the Cabinet of Ministers of Ukraine in the field of information security also include the following: to improve national information security under the Information Security Doctrine as well as to increase the number of communications campaigns to support reforms implemented by the Cabinet of Ministers of Ukraine,

while increasing the variety of means of communication with the general public and ensuring a larger coverage of the target audience.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Programme of Activities of the Cabinet of Ministers of Ukraine;

the Strategic Communications Partnership Road Map between the National Security and Defence Council of Ukraine and the NATO International Staff;

the Strategy for Sustainable Development Ukraine-2020 adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5;

the National Military Doctrine of Ukraine approved by the Decree of the President of Ukraine of 24 September 2015 No. 555;

the Strategic Defence Bulletin of Ukraine approved by the Decree of the President of Ukraine of 6 June 2016 No. 240.

#### *Previous Period's Outcomes*

The Law of Ukraine On Reforming State-Owned and Communal Print Media was adopted and the first stage of the State-owned and communal publications reform began.

Legislative initiatives were introduced to simplify the entry procedure for foreign journalists to the temporarily occupied territory of the Autonomous Republic of Crimea as well as journalists' operation on the territory of Ukraine as a whole.

The Ministry of Information Policy, together with the Ministry of Defence, implemented the *Embedded Journalism* project, which

involved assigning journalists to military units in the ATO zone. During the course of 2015, 35 journalists were deployed in the ATO zone, who wrote 39 articles, produced 3 films and made 18 video reports to provide objective information about events in the East of Ukraine.

The situation regarding rights and freedoms of journalists, human rights to freedom of speech and expression is constantly monitored including violations of freedom of speech by the Russian Federation in the temporarily occupied territories.

Large-scale social information campaigns have been conducted.

With respect to the implementation of the Strategic Communications Partnership: strategic communications were defined in major political security and defence documents, i.e. the Military Doctrine of Ukraine and the Strategic Defence Bulletin of Ukraine. Global experience in the development of strategic communications was carefully considered. The communications resources of the Ministry of Defence and the Armed Forces and the institutional capacity of executive authorities in governmental communications were audited, a new communications structure for the Cabinet of Ministers of Ukraine, and a new governmental communications services structure were developed. A basic training programme for specialists in governmental communications was developed and 25 instructors were trained.

*Main points of the proposed approach to be implemented  
in the medium term*

The plan includes the following main actions:

to create a system of effective independent publications on the basis of the State-owned and communal print media by 1 January 2019, which will provide quality and objective information to the public on events and developments in Ukraine and in the world;

to facilitate the professional activities of journalists and other mass media employees;

to improve the regulatory and legislative framework to support the mass media and freedom of speech;

to promote self-organisation and self-regulation of mass media based on the principle of checks and balances between the owner, the management and the journalists, to prevent monopolisation and concentration of ownership in the mass media;

to keep the public informed of the government's activities as fully as possible, to ensure transparency and openness of government by effectively cooperating with the independent mass media and journalists;

to develop public control over the provision of full and objective information to the public, to broaden citizen' s access to the global information space, including the Internet.

The implementation of the strategic communications system involves the creation of a legislative and practical framework, including through:

coordinated activities by executive authorities;

institutional capacity building of executive authorities involved in the development of the national strategic communications system;

creating/updating a monitoring and analytical system within the framework of crisis communications;

the development and introduction of a specialist strategic communications training system.

## **11. Promoting Ukraine' s interests in the world**

*Main issues to be resolved*

In the modern global and geopolitical environment, it is important to have an effective mechanism to promote Ukraine' s interests in the world, to provide objective information about events in Ukraine, to create a positive image of Ukraine, and to increase the number of various types of visitors to Ukraine, from tourists to investors. Promoting Ukraine globally can improve the country' s investment appeal, its integration into global economic processes and international support. It is an important step towards European integration, a landmark for the internal transformation of society and an indicator of fundamental democratic values.

Yet, almost no objective and topical information about Ukraine is currently available in the global information space. As a result, foreign citizens and Ukrainian communities abroad receive partial or distorted information about events in Ukraine, which has led to the creation of a negative image of Ukraine and affects its economic, tourist, investment and other performance indicators.

Details of the problem:

the lack or distortion of information about Ukraine trigger fear, distrust or aggression towards the country;

the downgrading of the country's ranking based on the subjective attitude of experts;

weak positions in terms of international political and economic negotiations;

the fragmented nature of the activities of various state authorities impedes the implementation of effective policies.

*Main quantitative indicators, characterising the situation*

Low level of knowledge about Ukraine in other countries, negative assessment of Ukraine in terms of European liberal values. According to research studies conducted in some European countries in 2015, only 21% of respondents in France and 24% of respondents in Italy consider Ukraine to be a European country. Key associations with Ukraine are "war" (46%), "Russia" (18%) and "poverty" (9%).

*Goal to be achieved*

To promote Ukraine globally by using foreign information resources with the aim of protecting its political, economic, social and cultural interests, strengthening its defences and restoring its territorial integrity.

To create a positive image of Ukraine by promoting objective information on its competitive advantage, strengths, major global achievements and the wide-ranging prospects for international cooperation with Ukraine.

To ensure interdepartmental coordination of efforts to prepare and disseminate truthful and objective information about Ukraine, including its regions, in the global information space and to improve Ukraine's tourist attractiveness and investment profile.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To promote knowledge about Ukraine globally, especially in European countries. To increase the level of perception of Ukraine as a European country by over 24%. To reduce the following negative key associations with Ukraine to below the current levels: "war" (46%), "Russia" (18%) and "poverty" (9%).

To increase the UA|TV signal coverage by 30%.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

The Concept for promoting Ukraine globally and advancing its interests in the global information space, adopted by the Ordinance of the Cabinet of Ministers of Ukraine of 11 October 2016 No. 739;

the Strategy for Sustainable Development Ukraine-2020 adopted by the Decree of the President of Ukraine of 12 January 2015 No. 5.

*Previous Period' s Outcomes*

The Concept for promoting Ukraine globally and advancing its interests in the global information space was approved. The UA|TV channel started broadcasting, the Law of Ukraine On World Service Broadcasting was adopted; the UA|TV' s overseas audience was increased, the number of its language services was increased, and cooperation with diplomatic missions to promote Ukraine's interests in the world was stepped up.

*Main points of the proposed approach to be implemented in the medium term*

Our global approach involves systemizing available resources, concentrating the efforts of the authorities responsible for various aspects of promoting Ukraine globally as well as engaging the public sector in the implementation of projects to promote Ukraine globally.

Steps to implement the priority:

for executive authorities, to organise and conduct information campaigns to improve the international community' s awareness of events in Ukraine and promote Ukraine's positive image in various spheres;

to ensure the availability of wide-ranging and objective information about Ukraine in the global information space;

to define and ensure the operation of a mechanism to monitor and counter information campaigns and disinformation against Ukraine;

to develop an effective mechanism to attract international attention to violations of the rights and freedoms of Ukrainian citizen residing in the temporarily occupied territories;

to spread information about Ukraine's course towards European and Euro-Atlantic security integration;

to further develop foreign language broadcasting services and to provide information support to Ukraine's policy abroad;

to ensure mutually beneficial cooperation with the Ukrainian diaspora to promote Ukraine, Ukrainians and their interests;

to hold a regular open dialogue between the Cabinet of Ministers of Ukraine and the global community leaders, experts and mass media representatives who report and comment on Ukrainian topics;

to make effective use of Ukrainian cultural and information centres abroad, to improve their technical facilities with a view of engaging them in publishing and disseminating information and image materials about Ukraine;

to raise the investment profile of Ukraine and to constantly promote available opportunities and proposals;

to facilitate the creation of a positive image of Ukraine as a tourist destination.

To succeed in promoting Ukraine globally, we need:

to take comprehensive action to build a positive image of Ukraine and its individual regions;

to concentrate the efforts of authorities, businesses and civil society in promoting Ukraine's interests in the world;

to raise Ukraine's presence at international events and in international academic, cultural and public environments;

to provide information and communications support to the international community's efforts to report on the progress of Ukraine's reforms;

to provide State financial and organisational support to Ukraine's foreign language TV services, to promote them and to assist in expanding their audience.

To implement the Concept for promoting Ukraine globally and advancing its interests in the global information space, we need:

to develop unified brand standards for promoting Ukraine globally and conducting communications campaigns;

to implement cultural diplomacy projects;

to make the international community aware of existing opportunities to study in Ukraine.

To bring the reform of the State foreign language TV and radio service to completion, we need:

to improve the content of programmes and to create new programme products;

to implement the Law of Ukraine On Foreign Language TV and Radio Service of Ukraine in relation to the English language service;

to increase the number of bureaux, to introduce new language services, to set up new offices.

## **12. Creating an effective system to protect the public from emergencies and fires**

### *Main issues to be resolved*

The existing State Emergency Service (SES) system does not enable it to fully perform its duties of civil defence, ensuring public health and safety, protecting people from emergencies, fires and other hazardous events.

Among major problems that need to be addressed are:

delayed response to emergencies, fires and other hazardous events because of the distance between SES and civil defence unit locations and sites where such emergencies may occur. The problem is particularly acute in the countryside;

overregulation related to fire and anthropogenic hazard supervision, which causes distrust of the State on the part of the public and businesses and has a negative effect on the investment climate;

outdated SES equipment and facilities (over 80% of special equipment is over 30 years old and needs to be replaced), which makes it difficult for Ukraine to honour its search and rescue commitments in the zone, which includes the territory of Ukraine and the Black and Azov Sea areas, as well as to create special SES units to operate during the Special Period.

Considering the above as well as changes in relation to the decentralisation of power and the security and defence sector reform, there is a need to reform the SES system.

### *Main quantitative indicators, characterising the situation*

During 2016, there were 149 classified emergencies in Ukraine, including: 56 anthropogenic emergency situations, 89 natural disasters

and 4 social emergencies, of which: 1 national level situation, 9 regional level situations, 64 local level situations and 75 situations at individual location level.

In comparison with the same period of 2015, the total number of emergencies in 2016 increased by 0.7%, with the overall number of anthropogenic situations decreasing by 11% and that of social emergencies - by 50%. The number of natural disasters increased by 15.6%. Also, in comparison with the same period of 2015, the number of meteorological emergencies increased threefold.

Emergencies resulted in 183 deaths (including 37 children) and 1,856 injuries (including 861 children). In 2016, the number of deaths decreased (by over 24%), whilst the number of injuries increased (by almost 93% in comparison with 2015), which can be explained by the increased proportion of medical and biological emergencies.

In 2016, 74,221 fires were registered in residential areas and at business locations, which is 6.7% less than in 2015.

Fires caused 1,872 deaths (including 57 children) and 1,351 injuries. In comparison with 2015, the number of deaths caused by fires decreased by 3.9% and the number of injuries - by 0.4%.

Material losses resulting from by fires amounted to over Hryvnia 5,166,000,000, including Hryvnia 1,626,000,000 of direct losses (11.4% more than in 2015) and Hryvnia 3,540,000,000 of consequential damage (41% less than in 2015).

During fire response, over 2,500 persons were rescued, including 307 children, and material assets in the amount of Hryvnia 3,600,000,000 were saved.

In the residential sector, there were 53,591 fires (9.4% less in comparison with 2015), which resulted in 1,793 deaths (3.8% less than in 2015).

At business locations, there were 2,211 fires (1.2% more than in 2015), including 1,391 fires at privately owned facilities (6.5% more than in 2015), 432 fires at communal facilities (13.8% more than in 2015) and 236 fires at State-owned facilities (7.1% less than in 2015).

The SES has 986 fire rescue units with 36,000 employees, the required manpower being 42,000. The SES operates around 4,000 units of fire-fighting equipment, over 80% of which are subject to write-off. There is practically no access, rescue and firefighting equipment for rescuing people and fighting fires in buildings of over nine storeys. Yet, in Kyiv alone there are over 2,000 such buildings, while only 5% of SES units' demand for relevant equipment is met. The situation in other cities is even worse. There is an urgent need to procure off-road fire engines with a large capacity to carry supplies of fire extinguishing agents (only 10% of the demand is currently met) in order to fight fires in the countryside and natural ecosystems.

Local executive authorities and local self-government authorities have 1,100 local fire rescue units with 5,900 employees against the requirement for 2,200 units and 34,000 employees.

According to the available figures, the number of firefighters in developed countries is on average 0.7% of their population. Yet, in Ukraine it is only 0.1% (there are 42,700 firefighters for 42.5 million of population, including 36,800 firefighters in the SES units and 5,900 firefighters in local firefighting units).

#### *Goal to be achieved*

To improve the State Emergency Service and its capability, together with other security and defence agencies, local executive and self-government authorities, to counteract threats to Ukraine' s national security in the area of civil defence; to protect people and territories from fires and emergencies.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

Considering modern international experience, Ukraine needs around 300,000 firefighters to be able to respond to fires in an efficient and timely manner. To achieve this number, local territorial communities should establish local firefighting units (minimum additional requirement of 1,860 units) and to encourage voluntary firefighting formations. This will make the fire and emergency response system more effective due to shorter response times.

The above-mentioned measures will help to improve public health and safety, to protect people from fires, emergencies and hydrometeorological events and to reduce the negative economic impact of such events on the lives of people and the State.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the Association Agreement;

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No 287;

the National Military Doctrine of Ukraine approved by the Decree of the President of Ukraine of 24 September 2015 No. 555;

the Concept for the reform of local self-government and the territorial organisation of the government in Ukraine approved by the Ordinance of the Cabinet of Ministers of Ukraine of 1 April 2014 No. 333;

the Concept for Ukraine's security and defence sector development, approved by the Decree of the President of Ukraine of 14 March 2016 No. 92.

### *Previous Period's Outcomes*

To enforce the Civil Defence Code of Ukraine, the Cabinet of Ministers of Ukraine developed and adopted 38 regulatory and legislative acts.

The Strategy for State Emergency Service Reform was adopted by the Ordinance of the Cabinet of Ministers of Ukraine of 25 January 2017 No. 61. The draft Law of Ukraine On Amendments to the Law of Ukraine On High Risk Locations was developed.

Together with the State Regulatory Service, the National Commission on Financial Services Regulation, the Employers Federation of Ukraine, the League of Insurance Organisations of Ukraine, insurance companies, academic institutions, NGOs and entrepreneurs' industrial associations, we have drafted changes to the risk assessment criteria related to economic operations and determined the frequency of regular State inspections related to fire and anthropogenic emergency safety.

Memorandums on Cooperation with the Vinnitsa, Dnipropetrovsk, Donetsk, Lviv and Ternopil Oblast Administrations were signed, under which pilot projects were initiated in relation to civil defence activities by merged territorial communities, which are being established in the regions in accordance with the Law of Ukraine On the Voluntary Merger of Territorial Communities.

*Main points of the proposed approach to be implemented  
in the medium term*

Medium-term plans including the following actions:

to transition from the system of State supervision (control) of fire and anthropogenic safety to a system of emergency and fire prevention;

to introduce changes to regulatory and legislative acts with a view to improving the unified public civil defence system by reforming the SES, local self-governance and territorial organisation systems and ensuring the performance by local self-government authorities of their duties related to fire and anthropogenic safety;

to ensure the appropriate level of public health and safety as well as protection of economic facilities and territories from the threat of emergencies;

to provide methodological and practical assistance to local self-government authorities in creating new and reforming existing firefighting and rescue units (fire units) of local and voluntary fire departments in merged territorial communities;

to optimize the SES structure and personnel numbers at all levels, to reorganise civil defence forces within the SES system, taking due account of the tasks entrusted to them;

to continue the improvement of civil defence technical facilities and equipment and to reequip civil defence forces with modern equipment.

**13. Automating national policy implementation processes in relation  
to migration**

*Main issues to be resolved*

There is a need to ensure the transition from paper-based to electronic population registers.

There are no centralized electronic databases, including personal information databases of the Unified National Demographic Register, the National system for biometric verification and identification of Ukrainian citizens, foreign nationals and stateless persons, and electronic databases of the Unified migration management and analysis system.

There is no interoperability between public migration information resources.

*Main quantitative indicators, characterising the situation*

80% of requirements for workstations to process and issue documents are met.

The creation of the Unified Public Demographic Register components used for processing and issuing Ukrainian citizenship, identity and special status documents has been only half completed.

The Unified migration management and analysis system is 50% complete.

The National system for biometric verification and identification of Ukrainian citizens, foreign nationals and stateless persons is 20% complete.

80% of telecommunications requirements are met.

*Goal to be achieved*

To introduce an electronic population registration system. To create personal information databases of the Unified Public Demographic Register, the National system for biometric verification and identification of Ukrainian citizens, foreign nationals and stateless persons and electronic databases of the Unified migration management

and analysis system with a view to ensuring the implementation of public migration (immigration and emigration) policies (including the prevention of illegal (unlawful) migration, citizenship, registration of natural persons, refugees and other categories of immigrants as defined by the law), issuing Ukrainian identity, citizenship or special status documents by using the Unified Public Demographic Register, analysing the migration situation in Ukraine and problems connected with refugees and other categories of immigrants.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To put into service the United Public Demographic Register, the Unified migration management and analysis system, the National system for biometric verification and identification of Ukrainian citizens, foreign nationals and stateless persons.

*How the priority fits in with the Programme of Activities of the Cabinet  
of Ministers of Ukraine, other strategic documents, and international  
commitments*

The priority is consistent with:

the Association Agreement;

the Concept for creating the Unified migration management and analysis system, adopted by the Ordinance of the Cabinet of Ministers of Ukraine of 7 November 2012 No. 870;

the Concept for creating the National system of identification of Ukrainian citizens, foreign nationals and stateless persons, adopted by the Ordinance of the Cabinet of Ministers of Ukraine of 23 December 2015 No. 1428.

*Previous Period' s Outcomes*

The information and communications infrastructure has been developed, which is necessary for the operation for the Unified National Demographic Register, the National system of biometric verification and identification of Ukrainian citizens, foreign nationals and stateless persons and of the internal information system of the State Migration Service, the Unified migration management and analysis system.

Since 1 January 2015, Ukrainian national external passports have been issued with contactless electronic chips.

Since April 2015, Ukrainian diplomatic and service passports, and since May 2015 Ukrainian national external passports have been issued by Ukrainian foreign diplomatic missions.

Since 15 January 2016, Ukrainian national passports have been issued as a card.

*Main points of the proposed approach to be implemented  
in the medium term*

To provide access to information held in the United National Demographic Register to central executive authorities, law enforcement bodies and local self-government authorities in accordance with the Regulations on Electronic Interoperability of State Electronic Information Resources adopted by the Resolution of the Cabinet of Minister of Ukraine of 8 September 2016 No. 606.

To build and maintain the Unified National Demographic Register, to develop the procedure for providing access to information from the Register, to issue certificates on information contained in the Registry and on documents issued previously, to ensure cooperation between competent agencies.

To ensure that the following documents will be issued on the basis of the United National Demographic Register, by 2020: seafarer identity cards, crew member certificates, repatriated person ID, temporary ID for

Ukrainian citizens, stateless person ID for travel abroad, permanent address registration certificates, temporary address registration certificates, immigrant ID cards, refugee certificates, refugee travel certificates, ID for persons requiring protection.

to build a minimum level of information infrastructure to ensure the operation of the National system for biometric verification and identification of Ukrainian citizens, foreign nationals and stateless persons.

#### **14. Ensuring road traffic safety**

##### *Main issues to be resolved*

High road accident rate, increased number of road traffic incidents as well as injury and death rates from road traffic incidents.

Insufficient National police manpower to ensure road traffic safety and to regulate traffic.

Low rate of road traffic offence detection and prevention as well as identification of their causes and circumstances.

##### *Main quantitative indicators, characterising the situation*

During January - October 2016, there were 10,287 road traffic incidents (26% more than during the same period in 2015), including 1,650 road traffic accidents resulting in death (25% more than during the same period in 2015).

##### *Goal to be achieved*

To reduce the injury and death rate from road traffic accidents.

To reduce the number of violations of road traffic regulations by drivers.

By the end of 2017, to ensure traffic police patrols on international roads.

In the medium term:

To ensure traffic police patrols on international and national roads.

To create a universal high mobility unit to patrol international and national roads; to increase stretches of roads to be patrolled by road traffic police to 9,000 km.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To ensure the operation of road traffic patrols on all international and national roads.

To set up road traffic police patrol units in the cities of Lviv, Odesa, Kharkiv, Dnipro, Kyiv, Poltava, Zhytomyr, Vinnitsa, Severodonetsk, Lysychansk and Rubizhne, Rivne, Chernihiv, Uzhgorod and Mukacheve, Kherson, Mykolaiv, Khmelnytsky, Mariupol, Chernivtsy, Ternopil, Kropivnytsky, Lutsk, Zaporizhzhya, Ivano-Frankivsk, Cherkassy, Kramatorsk and Slovyansk, Sumy, Boryspil, Kremenchuk, Kryviyi Rih, Uman, Kovel, Sarny and Melitopil.

To increase police patrol manpower by recruiting more skilled personnel, who will ensure road traffic safety by patrolling roads and manning fixed monitoring stations.

To launch an automated road traffic offence registration system.

*How the priority fits in with the Programme of Activities of the Cabinet  
of Ministers of Ukraine, other strategic documents, and international  
commitments*

The priority is consistent with the Programme of Activities of the Cabinet of Ministers of Ukraine.

*Previous Period's Outcomes*

In 2015, police patrol units began operating on the Kyiv-Boryspil (37 km) and Kyiv-Zhytomyr (140 km) motorways to ensure road traffic safety.

In 2016, police patrol officers were in operation on all national and international motorways in the Lviv Oblast (Lviv-Rava-Ruska (65 km), Lviv-Krakovets (69 km), Lviv-Shegini (80 km), Lviv-Chervonograd (72 km), and on some motorways in the Kyiv, Zhytomyr, Odesa, Mykolaiv, Kherson, Volyn, Zakarpatya and Rivne Oblasts (Kyiv-Chop (816 km), Odesa-Mykolaiv (133 km), Mykolaiv-Kherson (69 km), Lutsk-Ustilug (88 km), Lutsk-Rivne (73 km)).

Today, 32 auto police patrol units are in operation on motorways in the Kyiv, Odesa, Lviv, Mykolaiv, Kherson, Volyn and Rivne Oblasts, covering an overall length of 1,502 km.

*Main points of the proposed approach to be implemented  
in the medium term*

To ensure operation of road traffic units on all international and national roads.

To prevent an increase in the number of road traffic incidents.

To take preventive measures, including educating drivers operating on the nation' s roads.

To advertise jobs and recruit road traffic police personnel. To use new approaches and methods of training for future police officers on the basis of international best practices.

To tighten control over compliance with road traffic safety laws and other regulatory and legislative acts.

**15. Creation of the National telecommunication network, ensuring  
cyber protection**

*Main issues to be resolved*

The need to ensure the reliable operation of existing systems, networks and special communications facilities through their gradual re-equipment.

The inability to integrate the fragmented resources of the special information and telecommunications system.

The lack of unified approaches to the development of secure electronic communications in State authorities, including State security and defence bodies, and to the modernisation of State authorities' information infrastructure.

The inability to satisfy the demands of State authorities for secure electronic communications services during peacetime, the Special Period and war and to introduce unified approaches to the development of secure electronic communications within State authorities, including State security and defence bodies.

The inability to improve operational and technical system (network) management and to ensure an appropriate level of information protection (cyber-protection) of State authorities' electronic communications networks, including State security and defence bodies.

Outdated system (network) and special communications technologies, which are lagging far behind modern electronic communications technologies.

The lack of a transport network platform to ensure further development of the secure information space in Ukraine.

Insufficient security of data being transferred for the purposes of public administration, protection of critical information infrastructure and information resources in today' s environment of growing cyberthreats.

*Main quantitative indicators, characterising the situation*

Telecommunications resources currently used by State authorities are leased from private operators and providers, which presents a potential risk of network operation disruptions during the Special Period and in the event of emergencies. Furthermore, it can result in the ineffective use of State Budget funds allocated to meet State authorities' telecommunications needs.

In 2016, expenditure on current network maintenance amounted to: around Hryvnia 800 million as payment for equipment purchased, around Hryvnia 250 million as payments for communications services, and around Hryvnia 600,000 as payment for leased communication channels. Considering the State authorities' growing needs for telecommunications services, this expenditure is likely to increase.

*Goal to be achieved*

In the medium term: to create a unified multi-layer interdepartmental special information and telecommunications system based on modern digital technology, with elements of centralised control with a view to ensuring secure data transfers for the purposes of public administration during peace time, the Special Period and war (the National Telecommunications Network).

Stage I (by the end of 2017):

to build a transport platform for the National Telecommunications Network in Kyiv;

to create an Interdepartmental telephone communication system based on modern digital technologies;

to upgrade the central segment of the Secure Internet Access System for State authorities in order to ensure cyber-protection.

*Quantitative Targets to be achieved  
by the end of 2017 and in the medium term*

To deploy and connect:

two main (central) National Telecommunications Network nodes;

50 transport network nodes in the National Telecommunications Network and their outstations at the premises of State authorities, including 12 – at the premises of security and defence bodies.

*How the priority fits in with the Programme of Activities of the Cabinet of Ministers of Ukraine, other strategic documents, and international commitments*

The priority is consistent with:

the National Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 26 May 2015 No. 287;

the National Military Doctrine of Ukraine approved by the Decree of the President of Ukraine of 24 September 2015 No. 555;

the Concept for Ukraine's security and defence sector development approved by the Decree of the President of Ukraine of 14 March 2016 No. 92;

the Cyber Security Strategy of Ukraine approved by the Decree of the President of Ukraine of 15 March 2016 No. 96.

*Previous Period's Outcomes*

The State Targeted Programme for Special Communications Development, Information Protection and Technical Counterintelligence for 2016-2021 was adopted.

During 2016:

a technical feasibility study for the National Telecommunications Network Construction project was completed and project documents for the deployment of 12 transport network nodes were prepared;

technical requirements for the updating of the Special Communications Network' s secure Internet access node were drafted.

*Main points of the proposed approach to be implemented  
in the medium term*

Our priority is to ensure the reliable operation of existing special communications systems (networks) and complexes, to gradually update special telecommunications systems (networks) and complexes and to integrate them into the Unified Secure Electronic Communications Platform of the State National Telecommunications Network bodies in order to ensure a comprehensive approach to the development of secure electronic communications for State authorities.

At the same time, there are plans:

to gradually update the information protection system by using domestic and foreign products, while introducing innovative technologies which have been developed and improved in the course of previous programmes;

to create and develop a Secure Internet Access System for State authorities with a view to ensuring cyber-protection of State information resources and critical infrastructure facilities.

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