

On-going EU budget support programmes and related conditionality

Title of the programme	Period	Total amount	Expected results
Promoting mutual trade by removing technical barriers to trade between Ukraine and the European Union	2009-2016	39 million	<ul style="list-style-type: none"> ○ Harmonisation of the Ukrainian legal and regulatory framework and standards with the EU in the spheres of standardisation, market surveillance, metrology and legal metrology, conformity assessment and accreditation ○ Reform of the institutions necessary to implement the new legislation, with the focus on the separation of the regulatory, standardisation, accreditation and certification functions. ○ Setting up of necessary conformity assessment bodies to ensure third party certification to regulatory requirements. The system must have sufficient technical competence and independence verified by accreditation.
Support to the Implementation of the Transport Strategy of Ukraine	2010-2014	65 million	<ul style="list-style-type: none"> ○ Implementation of the institutional reforms in the transport sector of Ukraine ○ Improved safety and security in the transport sector of Ukraine ○ Improved conditions of the transport infrastructure ○ Increased transport flows through Ukraine ○ Administrative capacity to develop and implement the national transport strategy and EU <i>acquis</i> approximation
Support for Border Management Sector Policy in Ukraine	2011-2015	60 million	<ul style="list-style-type: none"> ○ Implementation of Development Concept “Reforming the Performance of the State Customs Service of Ukraine”. ○ Adoption of the Revised Customs Code and relevant secondary legislation ○ Implementation of an Integrated Border Management Concept and Action Plan ○ Modernisation of the border infrastructure in line with the state target law enforcement programme 'Development and Reconstruction of the border until 2015and the sector development strategy ○ Fight against corruption in State Border Guards and State Customs Service ○ Improvement of conditions in the temporary holding facilities for irregular migrants (system for early identification of asylum seekers, full observance

			of human rights in temporary holding facilities)
Continued support for the implementation of Ukraine's energy strategy	2013-2018	45 million	<ul style="list-style-type: none"> ○ Adoption of a sectoral programme on the reduction of emissions of certain pollutants into the air from the large combustion plants in the electricity sector of Ukraine in line with Energy Community Treaty (EnCT) obligations, including a detailed analysis of the needs and a strategy for achieving the necessary investments ○ Enforcement of the national standards DSTU 4839:2007 and DSTU 4840:2007 concerning the quality of oil products (petrol and diesel fuel) and strengthening the quality control system for compliance with national standards for oil products, which would be auditable and legally enforceable ○ A statement of approach (model) to be adopted by Ukraine for holding the oil security stocks. This model will comprise the establishment of the necessary mechanisms and a plan to progressively build up the crude oil and oil product stocks, in particular in line with the forthcoming obligations under the EnCT, as well as steps on transposition of the oil stocks acquis
State Building Contract for Ukraine	2014-2015	355 million	<ul style="list-style-type: none"> ○ Progress in the fight against corruption by setting up and ensuring effective functioning of a specialised anti-corruption investigative agency for corruption crimes in line with international standards, aligning criminal corruption offences with international standards, and the introduction and enforcement of provisions on illicit enrichment (with particular attention to the justice sector) ○ Effectively enforced procedures for declaration and verification of incomes, assets and expenses and for the prevention of conflict of interests of different categories of public officials ○ Ensuring transparency and competitiveness in public procurement, in particular ensuring competitive procurement and access to information ○ Improving access to information of public interest through aligning with the Access to Public Information Law of other legislative acts, setting up an institutional basis for independent oversight of the Access to Public Information Law implementation and ensuring access to public registers ○ Increasing transparency and accountability in Public Finance Management through public reporting on the Public Finance Management (PFM) Strategy and Action Plan implementation

			<ul style="list-style-type: none"> ○ Adoption and implementation of a comprehensive reform of civil service and service in local self-government bodies focusing on European principles of public administration is adopted and effectively implemented ○ Completion of the constitutional reform through an inclusive and participatory process in line with the Venice Commission recommendations ○ Harmonisation of electoral legislation and political parties financing in line with the OSCE/ODIHR and GRECO recommendations
All Budget Support operations are subjected to general conditions of eligibility in the following four areas:			General Conditionality
Public Policy			Satisfactory progress in the implementation of the relevant public policy.
Macroeconomic stability			Implementation of a credible stability-oriented macroeconomic policy.
Public financial management			Satisfactory progress in the implementation of Public Finance Management reform.
Budget Transparency			Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

EU Macro-financial Assistance and related conditionality

Title of the programme	Period	Total amount	Conditionality
<p>Macro-financial assistance for Ukraine Loan Facility from the European Union of up to 610 million EUR</p> <p>Link to the text of the Memorandum of Understanding: http://ec.europa.eu/economy_finance/eu_borrower/mou/mou_eu_ukraine1_en.pdf</p>	2014-2015	610 million	<p>Public Finance Management</p> <ul style="list-style-type: none"> ✓ Consistent with the Law of Ukraine “On carrying out public procurement” adopted in July 2010, consolidate progress in establishing a system of public procurement based on the principles of transparency, competition and non-discrimination among tenderers. With a view to increasing transparency, the Ministry of Economy will publish on a quarterly basis data on the number and the value of competitive procurement procedures and sole-source procurement procedures. ✓ As stipulated by the the Law of Ukraine “On carrying out public procurement”, make the Anti-Monopoly Committee operational as the authority to handle appeals in the sphere of public procurement, including by establishing within the Committee an appropriately staffed unit capable of effectively dealing with complaints submitted by aggrieved bidders. ✓ Adopt a national anti-corruption strategy that is in line with international best practice and a State Programme with time-bound deliverables to implement it. ✓ Implement comprehensive anti-corruption legislation in line with the recommendations made by the Council of Europe’s Group of States against Corruption (GRECO) and other international standards. ✓ With a view to strengthening public internal financial control and audit, adopt a strategy for staff training at the different levels of government (central and municipal level, including internal audit services) and for certification of internal auditors. ✓ Adopt an appropriate set of Public Internal Financial Control standards (based on the principles of managerial accountability and functionally independent internal audit).

			<ul style="list-style-type: none"> ✓ Submit to the Parliament a legislative proposal ensuring that the Accounting Chamber of Ukraine has the Authority to audit not only budget expenditures, but also revenues in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI), in particular Principle 3 of the Mexico Declaration on SAI (Supreme Audit Institution) Independence. ✓ Increase the financial resources allocated to the external audit function to a level that will ensure an appropriate increase in the number and quality of audits <p>Trade and Taxation</p> <ul style="list-style-type: none"> ✓ Refrain from introducing trade-distorting measures and fully apply Ukraine's WTO commitments. ✓ Introduce an up-to-date product coding system for foreign trade purposes based on the Harmonised System 2007 ✓ Consistent with the Economic Reform Programme, ensure that customs valuation practices are fully in line with WTO standards (Agreement on Implementation of Article VII of the GATT 1994). In particular, the customs value of goods will be determined mainly on the basis of declared transaction values (as defined in Article 1 of the Agreement on Implementation of Article VII of the GATT 1994) and, in case the customs value cannot be determined in this way, working down on a consecutive basis from Method 2 to Method 6 (as per Articles 2 through 7), with Method 6 being used only in exceptional cases in which the customs administration has justified reasons to doubt the truthfulness or accuracy of the declared value and cannot determine the customs value on the basis of Methods 1 through 5. Compliance will be measured by a diminishing share of customs transactions cleared based on Method 6, on the basis of government sources and independent reports. ✓ Ensure that all VAT refund arrears are cleared and that all legitimate VAT refund claims are paid in cash, or netted out against VAT obligations of the taxpayer in question, in a timely manner. ✓ Introduce in VAT legislation the provision that any VAT refund arrears
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carry an appropriate penalty interest of at least 120% of the NBU discount rate. All legitimate VAT refund claims that have not been settled within a period adding up to a maximum of 74 days after submission of the VAT refund claim to the tax authorities shall be considered in arrears.

- ✓ With a view to preventing the future occurrence of VAT refund arrears, make significant progress towards strengthening the VAT administration system. In particular, ensure timely VAT refunds through the operation of an automatic VAT refund system and risk-based audits.

Energy Sector

- ✓ Consistent with the Economic Reform Programme, increase substantially the overall collection rate of Naftogaz through better enforcement of payments discipline, notably among communal utilities. To this end: open a special purpose account for centralised collections from communal utilities, through which the corresponding balances for the gas component are directly forwarded to Naftogaz; and substantially expand the utilisation of individual gas meters.
- ✓ In order to compensate vulnerable households for the increase in gas prices, while improving collection rates, strengthen in a targeted manner the social safety net.
- ✓ Reach “Candidate” status in the Extractive Industries Transparency Initiative to underpin transparency in the energy sector.
- ✓ Achieve substantial progress in the implementation of Ukraine’s obligations under the Energy Community Treaty, which include ensuring compliance with EU Directive 2003/55/EC, which notably foresees the separation of the production, distribution and transport in the national gas sector. Progress will be monitored by the European Commission, taking into account relevant implementation reports by the Energy Community Secretariat.
- ✓ Make substantial progress towards achieving “EITI Compliant” status in the Extractive Industries Transparency Initiative.

Financial Sector

			<ul style="list-style-type: none"> ✓ Amend legislation, notably the accounting law, so as to ensure the application of the International Financial Reporting Standards to all financial market participants by 2014 at the latest. ✓ In line with the Ukrainian commitment in the EU-Ukraine Association Agenda, prepare the implementation of EU legislation concerning financial services, as mentioned in the Annex of the relevant Co-operation Chapter of the Association Agreement, in particular through adoption of a strategic multi-year plan. This strategic plan would define the priority areas for legislative approximation, provide a list of specific steps and measures to be taken and outline the timeline for their implementation.
<p>Macro-financial assistance for Ukraine Loan Facility from the European Union of up to 1 billion EUR^</p> <p>Link to the text of the Memorandum of Understanding: http://ec.europa.eu/economy_finance/eu_borrower/mou/mou_eu_ukraine2_en.pdf</p>	2014-2015	1 billion	<p>Public Finance Management and Anti-Corruption</p> <ul style="list-style-type: none"> ✓ Elaboration and publication of draft Annual Procurement Plans for the year 2015 by each of the Procurement Entities or Contracting Authorities financed by the State Budget by 15 September 2014. ✓ The government submits to the Verkhovna Rada and publishes (after submission to the Parliament) the first draft of the national Budget for the year 2015 at the latest on 15 September 2014 in line with the Budget Code. ✓ In order to improve budget transparency, publication of monthly data on budget execution in line with article 28 of the Budget Code. ✓ Implementation of the Law on Principles of Preventing and Counteracting Corruption (2011), article 12, which foresees annual declaration of assets (property, income, expenses and financial obligations) by persons defined in the legislation as declaration subjects. The government will prepare a draft law setting up an independent body with sufficient financial and human resources to ensure proper implementation and enforcement of the legislation. ✓ Submission to the Verkhovna Rada a draft law updating the existing legislation on the ACU and extending its remit to include state-owned enterprises. <p>Trade and Taxation</p> <ul style="list-style-type: none"> ✓ Ukraine will consult with EU and other WTO members on its request for renegotiation of its WTO commitments under article XXVIII of the

GATT, so as to address systemic concerns raised by WTO members. These consultations will include the consideration of other WTO compatible instruments, such as the BOP exception. The consultations should result in a further substantial reduction of the number of tariff lines affected by the renegotiation request..

- ✓ Ensure that all legitimate VAT refund claims are paid in cash, or netted out against VAT obligations of the taxpayer in question, in a timely manner.

Energy

- ✓ In order to increase transparency on the operations of Naftogaz, prepare an Annual Financial Report of Naftogaz and its subsidiaries segmented into i) production, ii) import/supply, and iii) network management and storage in line with International Financial Reporting Standards.

Financial Sector

- ✓ The NBU will prepare norms and regulations on systemic banks for adoption later in the year.
- ✓ Improvement of implementation of the legislation on the disclosure of ultimate ownership of banks. Publication of data on ultimate ownership for all banks by 1 September on the NBU website.
- ✓ The government submits to the Verkhovna Rada the draft law amending the "law on financial services and state regulation of financial services markets concerning disclosure of information".