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Ukraine 2024 Report

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1. INTRODUCTION[1]

1.1. CONTEXT

Despite the continuation of Russia's war of aggression, Ukraine has shown remarkable resilience and commitment to its European path. Ukraine applied for EU membership on 28 February 2022. Following the Commission's recommendation in November 2023, the European Council in December 2023 decided to open accession negotiations. With the four remaining steps set out in the Commission recommendations of November 2023 completed, the Council adopted the negotiating framework in June 2024. The first Intergovernmental Conference marking the formal opening of the accession negotiations took place on 25 June 2024, and bilateral screening meetings have started in July.

Regular political and economic dialogue between the EU and Ukraine has continued through the Association Agreement including a Deep and Comprehensive Free Trade Area, and the joint bodies under the agreement. A meeting of the EU-Ukraine Association Council took place in March 2023. The EU-Ukraine joint security commitments signed in June 2024 stated that security, resilience and defence support, as well as Ukraine's EU accession process, support to reforms, macro-financial, humanitarian and reconstruction assistance reinforce each other. For its part, Ukraine committed to continue undertaking reforms in line with its EU path, including in the security, defence and intelligence sectors.

Since the beginning of the Russian aggression, the EU and its Member States have mobilised almost EUR 122 billion in support of Ukraine and its people. The Ukraine Facility entered into force on 1 March 2024 providing up to EUR 50 billion in predictable and flexible support for Ukraine for 2024-2027, to support its recovery, reconstruction and modernisation, in line with its EU path. Of this amount, EUR 12.4 billion has already been disbursed. Most funding under the Facility will be disbursed to the State budget on fulfilment of the conditions included in the Ukraine Plan, which sets out the reform and investment agenda for the country. The recommendations in this report are aligned with the main priorities of the Ukraine Plan for the coming 12 months. The Ukraine Donor Platform (previously Multi-agency Donor Coordination Platform) co-chaired by the Commission coordinates support not just for established financing instruments but also Ukraine's immediate financing needs and its future economic recovery and reconstruction needs across different sources.

The EU supports the independence, sovereignty and territorial integrity of Ukraine, within its internationally recognised borders. Ukraine maintains a high level of alignment with the EU's Common Foreign and Security Policy (CFSP).

[1] The 2024 report is presented in a renewed format and structure. Main findings of the report, together with the recommendations (previously grey assessment boxes) are brought together at the beginning of the report. Furthermore, under the fundamentals cluster, for better readability and comparability across all reports, certain data is provided (also) in the form of graphs.

1.2. MAIN FINDINGS OF THE REPORT[2]

CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

Democracy

Overall, the legal framework remains conducive to the organisation of democratic ***elections***. Key recommendations from the latest OSCE/ODIHR election observation mission reports have been implemented. Electoral reforms should continue to address outstanding recommendations and prepare for the post-war elections.

The Ukrainian ***Parliament*** *(Verkhovna Rada)* continued to discharge its legislative function, ensuring an uninterrupted democratic decision-making process. Key decisions, especially on defence and security questions, were adopted by clear cross-party majorities. The use of urgent procedure to pass legislation is limited. Ukraine adopted a law on law-making, paving the way for a strengthened legislative process after the lifting of martial law. However, additional efforts are needed to ensure comprehensive impact assessments for proposed legislation and legislative oversight of the executive, including monitoring the implementation of legislation during and after martial law. The parliamentary opposition needs to be able to perform its function.

The main institutional ***EU integration*** structures were set up and are actively involved in the screening process. EU integration expertise, planning and interinstitutional mechanisms should be further strengthened so that they can cope effectively with the EU accession process. This strengthening should include the drafting of a National Programme for the Adoption of the *Acquis*. Active involvement of all stakeholders needs to be ensured with the emphasis on cooperation between executive and legislative powers. The government needs to continue engaging in public communication on EU integration.

Ukraine's ***government*** has continued to perform its functions in an effective way, prioritising security and defence, EU integration, economic recovery and reconstruction. Decentralisation reform should advance.

While ***civil society*** organisations (CSOs) in Ukraine continue to operate in a broadly enabling environment, reported instances of pressure against civil society activists and organisations raise concerns. Ukrainian authorities should take swift and decisive action to bring perpetrators to justice, implement sanctions, and, where needed, strengthen existing mechanisms to protect civil society activists. The adoption of the Law on public consultations will help ensure that civil society remains an important part of Ukrainian democracy and that CSOs are generally recognised and treated as such by state institutions.

Public administration reform

Ukraine has **some level of preparation** in the field of public administration reform and has made **some progress**. Ukraine's public administration has maintained its resilience in the current challenging context of the war, and continued to provide services for the public and for businesses, helped by a sustained digitalisation of services. A law was adopted aligning and harmonising around 200 laws with the Law on

[2] This report covers the period from 15 June 2023 to 1 September 2024. It is based on input from a variety of sources, including contributions from the government of Ukraine, EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.

The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

administrative procedure (LAP). An interim salary reform was introduced via the 2024 Budget Law. Delivering on EU enlargement and recovery processes will require Ukraine to strengthen its public administration's capacity and improve human resource management, evidence-based policy making and monitoring.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should, in particular:

→ in line with the Ukraine Plan, advance with the salary reform by adopting legislation to introduce a fair and transparent remuneration framework based on functional classification positions; and adopt legislation to improve procedures for merit-based recruitment, promotion and dismissal;

→ in line with the Ukraine Plan, make progress in the country-wide roll-out and use of the unified Human Resources Management Information System;

→ complete implementation of the Law on administrative procedure, aligning sectoral and implementing legislation and bringing digital procedures into line with the law.

Chapter 23: Judiciary and fundamental rights

Ukraine has **some level of preparation** with regard to the judiciary, fight against corruption and respect for fundamental rights and made **some progress.**

Functioning of the judiciary

Ukraine has **some level of preparation** in the functioning of the judiciary. **Some progress** has been made during the reporting period. Ukraine continued to implement the reform of selection of Constitutional Court of Ukraine (CCU) judges and appointed two new CCU judges. The High Qualification Commission of Judges (HQCJ) resumed the selection of ordinary judges on the basis of legislation that was improved in December 2023. It also restarted the process of qualification evaluation (vetting) for sitting judges with the involvement of the Public Integrity Council (PIC). A transparent selection of the management and staff of the Service of Disciplinary Inspectors continued. One new member of the High Council of Justice (HCJ) was elected. The audit of the e-judiciary system was completed. The unified criteria for evaluating the integrity of judges still need to be approved by the HCJ. The institutional capacities of the HCJ, HQCJ and the PIC should be strengthened in view of their high workloads. Russia's aggression against Ukraine has however continued to impose a human toll also on the judicial system, with several judges and court staff killed in Russian attacks throughout 2024.

The Commission's recommendations from last year were partially met and remain valid. In the coming year, Ukraine should, in particular:

→ in line with the Ukraine Plan, continue to fill judicial vacancies, based on improved legislation; set up a new court to hear administrative cases involving national state agencies following a transparent and merit-based selection procedure for its judges with the involvement of independent experts;

→ in line with the Ukraine Plan, continue the qualification evaluation (vetting) of judges in line with established procedures and with the involvement of the PIC; start and continue settling old disciplinary proceedings (complaints) with the involvement of the Disciplinary Inspectors Service and based on the prioritisation criteria approved by the HCJ; adopt legislation to improve judges' declarations of integrity and the procedure for verifying them;

→ in line with the Ukraine Plan, adopt the law on the enforcement of court decisions related to monetary and non-monetary obligations and further digitalisation of enforcement proceedings; launch the data collection system for the enforcement of court decisions; adopt and start implementing a roadmap to

modernise IT in the judiciary based on audit results;

→ continue to fill judicial vacancies in the Constitutional Court; further improve the legislative framework for investigations and adjudication of criminal cases, in particular as regards high-level corruption, including to review existing pretrial investigation time limits and to remove provisions in the Criminal Procedure Code on the automatic closure of cases; make further progress on the introduction of a transparent and merit-based selection of management-level prosecutors and strengthening of the disciplinary system for prosecutors, by amending the legal framework and taking the necessary institutional measures; take effective measures to address corruption risks in the Supreme Court.

Fight against corruption

Ukraine has **some level of preparation** in the prevention of and fight against corruption. It has made **some progress**, notably by strengthening its anti-corruption institutional framework and the gradual building of a track record in investigating, prosecuting and adjudicating high-level corruption cases. Ukraine has strengthened the independence and the institutional capacity of the Specialised Anti-Corruption Prosecutor's Office (SAPO), the National Anti-Corruption Bureau of Ukraine (NABU) and the National Agency for Corruption Prevention (NACP) by increasing the number of staff among other measures. This has helped specialised anti-corruption bodies to become more effective and to achieve a notable level of enforcement in high-level corruption cases. Targeted risk assessments and dedicated measures are needed to address corruption in the most vulnerable sectors.

The Commission's recommendations from last year were mostly implemented. In the coming year, Ukraine needs in particular to:

→ in line with the Ukraine Plan, increase the number of judges for the High Anti-Corruption Court (HACC) and increase the number of administrative staff;

→ continue efforts to further improve the track-record on high-level corruption cases, including the seizure and confiscation of criminal assets, focusing on top officials and high-impact cases that address systemic corruption in most relevant sectors and institutions; remove existing obstacles that hinder these efforts; strongly advance the implementation of the State Anti-Corruption Programme to a satisfactory level;

→ further strengthen the capabilities of NABU pertaining to forensic examinations and independent wiretapping; urgently finalise the deployment and complete operational use of the e-case management system for the anti-corruption agencies and the HACC; ensure HACC has suitable permanent premises.

Fundamental rights

Ukraine has implemented some key reforms, such as the overhaul of legislation on the protection of the rights of persons belonging to national minorities. Other necessary reform measures – such as implementation of the Istanbul Convention, improvement of the support system for persons with disabilities and increased investigation of torture and ill-treatment in places of detention – have yet to be addressed.

The Commission's recommendations from last year were partially met and remain valid. In the coming year, Ukraine should in particular:

→ continue implementing the amended legislation on the protection of the rights of persons belonging to national minorities in close cooperation with national minority representatives and providing adequate resources and capacity-building to the relevant authorities;

→ adopt legislation on data protection in full compliance with EU *acquis*; fully implement the Istanbul Convention; review the performance of the National Preventive Mechanism;

→ in line with the Ukraine Plan, adopt the strategy for de-institutionalisation of care for persons with disabilities and older persons.

Freedom of expression

Ukraine is **between having some level of preparation and a moderate level of preparation** with regard to freedom of expression. Ukraine has made **some progress**, amid the constraints and adverse conditions created by the ongoing Russian military aggression, such as the roadmap for re-establishing the media landscape post-war.

The Commission's recommendations from last year were partially met and remain valid. In the coming year, Ukraine needs in particular to:

→ ensure the safety and independence of journalists and respect for their public information role; and swiftly investigate all cases of intimidation and harassment against them;

→ provide adequate funding for the public service broadcaster that would allow the independent public service media to carry out its role enshrined in Ukraine's legislation;

→ continue its efforts to maintain and gradually restore a transparent, pluralistic and independent media landscape, ensuring that restrictions imposed on security grounds are in compliance with key public rights and interests, such as access to information and media freedom.

Chapter 24: Justice, freedom and security

Ukraine has **some level of preparation** in the field of justice, freedom and security, and made **some progress**, notably through the adoption of legislation criminalising the large-scale smuggling of goods, updating laws strengthening financial investigations and anti-money laundering measures as well as the adoption of the action plan for the implementation of the overarching strategic plan on law enforcement reform (OAS AP). Ukraine also adopted a law on preventive restructuring frameworks, which is pending the signature of the President. However, multiple shortcomings persist. Integrity and accountability mechanisms remain weak, as do institutional cooperation and coordination. As regards integrated border management (IBM), the launching of the IBM Coordination Centre contributed to effective data sharing and inter-agency cooperation, but further work is needed.

The Commission's recommendations from last year were partially met and remain valid. In the coming year, Ukraine should in particular:

→ make tangible progress in implementing the action plan for the implementation of the overarching strategic plan on law enforcement reform (OAS AP);

→ introduce transparent and merit-based recruitment and selection procedures for managerial positions in central and regional offices of the National Police and the State Bureau of Investigation (SBI), with meaningful involvement of independent experts, along with strong disciplinary and anti-corruption rules tailored to the local context and addressing actual corruption risks;

→ adopt a new integrated border management (IBM) strategy with an action plan incorporating measurable implementation indicators.

Fight against organised crime

Ukraine has **some level of preparation** to implement the EU *acquis* and made **some progress,** notably on firearms and other small arms and light weapons, financial investigations and revising legislation on the Economic Security Bureau of Ukraine (ESBU). However, the serious and organised crime threat assessment (SOCTA) has still not been adopted and no body has yet been set up to be the permanent national coordinator of the fight against organised crime.

The Commission's recommendations from last year were partially met and remain valid. In the coming year, Ukraine should in particular:

→ in line with the Ukraine plan, enact the law reforming the Asset Recovery and Management Agency (ARMA);

→ draft and adopt the SOCTA, strengthen the institutional capacities needed to implement it and establish a permanent national coordinator to fight organised crime;

→ continue developing and adopt relevant legislation on financial investigations, allocate sufficient resources, and provide additional trainings to ensure systematic conducting of financial investigations by law enforcement agencies.

ECONOMIC CRITERIA

The existence of a functioning market economy

Ukraine has made **some progress** and **is between an early stage of preparation and** having **some level of preparation** in establishing a functioning market economy. Economic growth in 2023 exceeded expectations and inflation fell to the pre-war central bank target, which allowed the rollback of some emergency measures. The authorities have made very good progress in implementing important reforms as part of the Ukraine Plan, International Monetary Fund (IMF), and Macro Financial Assistance+ (MFA+) programmes, which have proven to be effective policy anchors. However, in the challenging context of the war, public finances have continued to deteriorate, and the destruction of key infrastructure is severely disrupting economic activity. The business environment is affected by corruption, low levels of competition, and, increasingly, labour shortages.

Ukraine has advanced on last year's recommendations, which remain valid. In the coming year, taking into account also its commitments under the Plan, Ukraine should in particular:

→ enhance the domestic revenue base and the sustainability and transparency of public finances, in particular by rationalising tax exemptions, strengthening the functioning of the State Tax Service, and improving publication of macro-fiscal data, including general government data. Continue to implement policies underpinning macroeconomic and financial stability, including through regular asset quality assessments of the banking sector, and start implementing the Non-Performing Loans strategy;

→ adopt the state ownership policy and the triage document for state-owned enterprises (SOEs) and continue deregulation efforts;

→ step up efforts to tackle the growing presence of labour shortages in the economy, including by implementing the Demographic Development Strategy, while also reducing informality in the labour market through relevant measures under the national revenue strategy.

The capacity to cope with competitive pressure and market forces within the Union

Ukraine is at **an early stage of preparation** in terms of its capacity to cope with the competitive pressure

and market forces within the EU and has made **limited progress** in this area against the background of the destruction caused by the war and limited resources available.

Ukraine has advanced in last year's recommendations, which remain valid. In the coming year, Ukraine should in particular:

→ continue taking measures to support the repair, rehabilitation and building of infrastructure, in particular related to energy generation capacity, including from renewable decentralised sources;

→ take measures to facilitate investment by establishing a unified, comprehensive and transparent framework for planning and management of public investments, implementing the commitments in the Roadmap for Public Investment Management and the corresponding action plan;

→ take steps to improve the quality of education and training to ensure outcomes align with the needs of the labour market, including the skills required for reconstruction, in particular through implementing the reforms and investments set out in the Ukraine Plan in this area.

Chapter 5 - Public procurement

Ukraine has **some level of preparation** in the area of public procurement. **Limited progress** was made, primarily through the preparation of a draft law on public procurement the adoption of the Strategy for Reforming the Public Procurement System for 2024-2025, and progress in reducing exceptions to the laws on public procurement required under martial law.

The Commission's recommendations from last year were only partially met and remain valid. In the coming year, Ukraine should in particular:

→ make progress towards adopting EU-*acquis*-compliant laws on public procurement and on concessions and public-private partnerships (PPPs);

→ draw up a road map for enhancing public procurement control by the State Audit Service, in line with the Ukraine Plan;

→ assess the relevance of the current exceptions to public procurement legislation under martial law and take measures to reduce them to the minimum.

Chapter 18 - Statistics

Ukraine has **some level of preparation** in official statistics. In view of the martial law, respondents are not obliged to provide data and hence data collection by the State Statistics Service of Ukraine (SSSU) is very limited. Despite these circumstances, Ukraine has made **some progress** towards alignment with the EU *acquis*, including the adoption of the national law on statistics to integrate the European Statistics Code of Practice, the classification of the statistical regions of Ukraine, and approval of the Programme for the development of official statistics up to 2028.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should, in particular:

→ further strengthen the administrative capacity of the SSSU and the coordination of the national statistical system to improve the quality of statistics;

→ increase the production and transmission of timely, high-quality statistics to Eurostat, sex-disaggregated where relevant.

Chapter 32 - Financial control

Ukraine is at an **early stage of preparation** for implementing financial control. Ukraine made **limited progress** concerning internal controls and external audit.

The Commission's recommendations from last year were only partially implemented and remain valid. In the coming year, Ukraine should, in particular:

→ increase the quality of public sector internal auditing and bring it in line with relevant international standards by adopting the new international internal audit standards and strengthen the role of the Centralised Harmonisation Unit;

→ strengthen the mandate and political, financial and administrative independence of the Accounting Chamber of Ukraine, through the adoption of a new law;

→ strengthen oversight of the state budget by increasing cooperation between Parliament and the Accounting Chamber and improve the state financial control system in line with international standards and EU best practice and the commitments under the Ukraine Plan.

CLUSTER 2: INTERNAL MARKET

Chapter 1 - Free movement of goods

Ukraine is **moderately prepared** in the field of free movement of goods and has made **some progress** through alignment with the EU product *acquis* and the reintroduction of market surveillance in some sectors.

The Commission's recommendations from last year were partially met and remain valid. In the coming year, Ukraine should in particular:

→ ensure full alignment with the EU *acquis* on market surveillance and resume full implementation of inspections and checks by the market surveillance authorities;

→ further align legislation with the *acquis* on general principles and harmonised sectoral legislation;

→ pursue full integration into the European Quality Infrastructure in the field of standardisation, metrology and market surveillance.

Chapter 2 - Freedom of movement for workers

The country remains at an **early stage of preparation** in the field of freedom of movement of workers. **No progress** was made.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Ukraine should in particular:

→ bring its legal framework into line with the EU *acquis* on access to the labour market, and in particular with rules on non-discrimination on grounds of nationality against EU workers;

→ work on concluding agreements on social security coordination and healthcare insurance with EU Member States.

→ Carry out preparatory work towards joining the European Network of Employment Services (EURES) upon accession.

Chapter 3 - Right of establishment and freedom to provide services

Ukraine has **some level of preparation** in relation to the right of establishment and freedom to provide services. **Limited progress** was made. Further efforts are needed to align legislation with the EU *acquis* under this chapter.

The Commission's recommendations from last year were only partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ take measures towards eliminating existing restrictions for the provision of services, using the possibilities provided for by the Association Agreement;

→ continue progress on alignment with the EU postal *acquis*, including the Regulation on cross-border parcel delivery services;

→ continue progress in aligning with the EU *acquis* on mutual recognition of professional qualifications.

Chapter 4 - Free movement of capital

Ukraine is **between having some level of preparation and a moderate level of preparation** in the field of the free movement of capital. **Some progress** was made, in particular as regards relaxation of the foreign currency restrictions introduced during martial law. Furthermore, Ukraine made preparations to apply for the Single European Payments Area (SEPA).

The Commission's recommendations from last year were partially met and remain valid. In the coming year, Ukraine should in particular:

→ in line with the Ukraine plan, prepare and implement the next National Risk Assessment in accordance with the updated methodology for the national assessment of money laundering and terrorist financing risks in Ukraine;

→ continue preparations to apply to join SEPA;

→ take steps to set up a unified registry of bank accounts for individuals and legal entities in line with the EU *acquis* and complement legislation on beneficial ownership registration for all types of corporate and legal entities in Ukraine, including trusts.

Chapter 6 - Company law

Ukraine has **some level of preparation** in the field of company law. **Some progress** was made, including legislative amendments on foreign branches and country-by-country reporting by multinational enterprise groups, and aligning national accounting standards with international financial reporting standards (IFRSs) for SMEs.

The Commission's recommendations from last year were only partially met and therefore remain valid. In the coming year, Ukraine should in particular:

→ develop a technological solution for transferring the financial statements of registered legal entities into a unified state register;

→ make further improvements concerning transparency requirements for capital markets, in line with EU acquis;

→ further align legislation with the EU *acquis*, on digital tools and processes and takeover bids.

Chapter 7 - Intellectual property law

Ukraine has **some level of preparation** on intellectual property law. **Limited progress** was made, namely adoption of implementing legislation to implement the Law on copyright and related rights.

The Commission's recommendations from last year were only partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ continue alignment with the EU *acquis* on copyright, industrial property rights, as well as on trade secrets;

→ improve the functioning of collective management organisations and the payment of royalties to right holders;

→ further improve the industrial property rights (IPR) enforcement system, in particular by combating piracy and counterfeit products, making the intellectual property court operational, and leverage the collaboration with the European Union Intellectual Property Office.

Chapter 8 - Competition policy

Ukraine has **some level of preparation** in competition policy and there was **limited progress**. The amendments to the Law on the protection of economic competition entered into force in January 2024.

The Commission's recommendations from last year were only partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ amend the law on State aid to align it with the EU *acquis* and fully unsuspend the application of State aid control by AMCU, in line with the commitments in the Ukraine Plan;

→ compile a reliable and comprehensive inventory of State aid schemes instituted before the establishment of the authority responsible for State aid control in Ukraine;

→ pursue further steps towards alignment with the EU acquis under this Chapter, including the State aid acquis in connection with services of general economic interest, also following the relevant commitments in the Ukraine Plan.

Chapter 9 - Financial services

Ukraine has **some level of preparation** in the field of financial services and has made **some progress.** It continued to reverse emergency measures, strengthened regulation of non-bank financial services, notably by implementing new legislation on insurance and credit unions.

The Commission's recommendations from 2023 were partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ start preparations for an independent asset quality assessment of the banking sector, in line with the Ukraine Plan commitments;

→ continue to align banking regulations (including bank resolution and bank deposit guarantee schemes) and regulations for non-banking sectors, including insurance and regulation of securities and capital markets, investment funds and financial market infrastructures;

→ in line with the Ukraine Plan, further implement the new Law on the National Securities and Stock Market Commission, following the principles of the International Organisation of Securities Commission.

Chapter 28 - Consumer and health protection

Ukraine has **some level of preparation** in consumer and health protection. **Some progress** was made with limited reintroduction of market surveillance, new measures on cancer prevention and initiatives on communicable diseases, serious cross-border health threats and health inequalities.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ adopt legislation that aligns with the EU acquis on market surveillance and on general product safety;

→ adopt a national health strategy and action plan, including provisions on public healthcare and health information systems, underpinning investments in the sector, in line with Ukraine Plan commitments;

→ adopt legislation that further aligns with the EU acquis on serious cross-border threats to health.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

Chapter 10 - Digital transformation and media

Ukraine is **between a moderate and a good level of preparation** in the field of digital transformation and media. It made **some progress.** Notably, Parliament adopted the Law on amendments to certain legislative acts regarding implementation of European legislation on roaming. Ukraine also started preparatory work on the regulatory framework for radio spectrum policy and further developed its well-advanced e-government system. In addition, Article 36 of the Law on media entered into force, bringing Ukraine into line with the EU Code of Conduct on countering illegal hate speech online.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ ensure full alignment with EU roaming *acquis* and its implementation that would allow integration of Ukraine into the EU "roam like at home" area;

→ ensure that independent telecom and media regulators and central executive bodies in the field of electronic communications have sufficient funding and human resources to perform their role;

→ further align with the EU Directive on the security of network and information systems (NIS), in line with Ukraine Plan commitments.

Chapter 16 - Taxation

Ukraine has **some level of preparation** in the field of taxation. **Good progress** was made. Notably, the Tax Code was amended to further align it with EU *acquis*. The first automatic exchange of information on financial accounts started successfully in 2024.

The Commission's recommendations from last year were well implemented but remain valid as further alignments should be pursued. In 2024, Ukraine should in particular:

→ improve in aligning legislation on VAT incentives, the structure of excise duties and rates;

→ amend national legislation to further align it with the Anti-Tax Avoidance Directive;

→ make further progress in preparing to implement provisions of the Directive on Administrative Cooperation (DAC) concerning exchange of information with EU Member States.

Chapter 17 - Economic and monetary policy

Ukraine **is moderately prepared** in the field of economic and monetary policy. Since last year, there has been **good progress**, with a gradual return to a flexible exchange rate regime without undermining

macroeconomic stability, inflation targeting as well as by reinstating the publication of a medium-term budgetary framework.

The Commission's recommendations from last year were implemented. In the coming year, Ukraine should in particular:

→ continue implementation of the NBU strategy to ease foreign exchange restrictions, transition to greater exchange rate flexibility and return to inflation-targeting;

→ limit monetary financing of the state budget;

→ improve medium-term budgetary framework policies and practices, in particular by enhancing technical capacities.

Chapter 19 - Social policy and employment

The country remains at an **early stage of preparation** in the field of social policy and employment and **limited progress** has taken place.

The Commission's recommendations from last year were only partially met and remain valid. In the coming year Ukraine should in particular:

→ adopt new framework legislation for labour relations and occupational safety and health in line with the EU *acquis*, ensure an enabling environment for bipartite and tripartite social dialogue, and strengthen the capacities of social partners;

→ adopt the strategy for de-institutionalisation of alternative care for children in line with Ukraine Plan commitments and ensure implementation of the related reforms;

→ continue to reform the social benefit system and put in place a system for procuring social services in line with the Ukraine Plan commitments, so as to improve their targeting, adequacy and sustainability.

Chapter 20 - Enterprise and industrial policy

Ukraine is **between having some level of preparation and a moderate level of preparation** in the field of enterprise and industrial policy. Since last year, it has made **good progress,** notably in setting mid-term priorities for SMEs in the SME strategy and its action plan until 2027, approved by the Government in August 2024. A new version of the action plan on deregulation was also adopted in September 2024 providing measures for dynamic deregulation and enhancement of the business environment, in line with the Ukraine Plan.

The Commission's recommendations from last year were largely implemented. In the coming year, Ukraine should, in particular:

→ in line with the Ukraine Plan, continue deregulation and digitalisation of permitting procedures to further enhance the business environment and investment climate in Ukraine;

→ implement measures to stimulate private sector and industrial development, facilitate the transition to the production of goods with higher added value and support incentives to attract foreign direct investment.

Chapter 25 – Science and research

Ukraine is **moderately prepared** in the field of science and research. **Some progress** has been achieved, notably in integrating Ukraine into Horizon Europe and on regional smart specialisation strategies.

The Commission's recommendations from last year were partially met and remain valid. In the coming year, Ukraine should in particular:

→ intensify efforts to take advantage of the opportunities presented by Horizon Europe, taking advantage of the establishment of the Horizon Europe office in Ukraine and taking active part in the relevant governance structures;

→ continue enabling the administrative conditions to design regional smart specialisation strategies.

Chapter 26 - Education and culture

Ukraine has **some level of preparation** in education and culture. **Some progress** was made, including with measures on education and training statistics, improvements to the network of education institutions, approval of a strategic plan on education reforms, adoption of a National Strategy for the Development of Inclusive Education for 2024-2029 and its corresponding action plan for 2024-2026, as well as adoption of the law on preschool education.

The Commission's recommendations from last year were, therefore, well implemented. In the coming year, Ukraine should, in particular:

→ ensure that legislation on preschool education is implemented;

→ ensure that legislation on vocational education is adopted and enters into force;

→ ensure that the Strategy for the Development of Ukrainian Culture is adopted.

Chapter 29 - Customs union

Ukraine has **a good level of preparation** with regard to the customs union and made **good progress**. The Ukrainian Customs Code was further aligned with the EU Customs Code. The International operation of the New Computerised Transit System – phase 5 (NCTS-P5) started successfully in April 2024. A law criminalising large-scale smuggling of all goods was adopted.

The Commission's recommendations from last year were well implemented. In the coming year, Ukraine should in particular:

→ progress with the implementation of recent amendments to the Customs Code and finalise and adopt a new Customs Code, aligned with the EU Customs Code;

→ make progress in implementing the Strategic Plan for digitalisation of the State Customs Service for 2024-2026 and further proceed with extending the current NCTS phase 5 to NCTS phase 6;

→ improve administrative capacities of the State Customs Service by implementing competency-based people management approach into main HR processes (selection, performance appraisal, professional development and trainings).

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

Chapter 14 - Transport policy

Ukraine has **some level of preparation** in the field of transport policy, with **limited progress** achieved.

The Commission's recommendations from last year were only partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ adopt the Law on railway transport creating an institutional and legislative set-up for competitive rail market in line with EU standards and as required by the Ukraine Plan, and start preparatory work for a law amending certain legislative acts on merchant shipping and shipping on inland waterways;

→ adopt the revised National Transport Strategy 2030 and the Strategy for developing and expanding the border infrastructure with EU member states and the Republic of Moldova until 2030 in line with the Ukraine Plan, and start implementation;

→ adopt the social and market rules for road transport, strengthen administrative capacities and enforcement of the compliance with the haulage market rules and measures of traffic safety and establish inspection and investigation bodies for rail, road and inland waterways.

Chapter 15 - Energy

Ukraine has a **good level of preparation** in the field of energy and made **some progress.** It adopted renewables legislation and a National Energy and Climate Plan and implemented market coupling measures. Ukraine has suffered the steady massive destruction of its energy infrastructure, which has negatively impacted its security of supply and planning capability. The gas sector has seen increasing monopolisation under martial law.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming period, Ukraine should in particular:

→ advance the green energy transition by starting to implement the National Energy and Climate Plan (NECP), adopting a market-based legislative and regulatory framework for renewable energy (RES) investment in line with Ukraine Plan commitments and resolving the issue of debt settlement for RES producers;

→ advance electricity market reforms by adopting and implementing the electricity integration package (which will involve designating a Nominated Electricity Market Operator amongst other measures), and taking next steps to implement the law on wholesale energy market integrity and transparency (REMIT) (which will involve adopting implementing legislation and developing the IT system) in line with Ukraine Plan commitments;

→ in line with Ukraine Plan commitments, adopt legislation to further strengthen the energy regulator's independence and build a track record of fair and transparent decision-making.

Chapter 21 - Trans-European networks

Ukraine has **some level of preparation** in the field of TENs, with **some progress** achieved, related to energy trading with the EU.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ assess the potential for upgrades to critical energy and transport infrastructure, including with neighbouring countries, and plan those upgrades; ensure better connections with EU Member States through more efficient TEN-T rail and road border-crossing points;

→ further align with and implement the TEN-T- and TEN-E-related regulatory framework, including alignment with the new TEN-T and TEN-E Regulations and improvements to the permit-granting process for TEN-E projects;

→ develop administrative capacities and scale up project preparation to ensure that transport and energy infrastructure projects can be implemented in line with EU standards.

Chapter 27 - Environment and climate change

Ukraine has **some level of preparation** in the field of environment and climate change and has made **some progress** including enhanced public access to environmental information, adoption of legislation on waste management, industrial pollution, chemicals, and water quality. On climate, some progress was made with the adoption of the framework law on climate policy in October 2024, formalising Ukraine's alignment with the EU's long-term target of climate neutrality by 2050, and the National Energy and Climate Plan (NECP) in June 2024. The ongoing war and the martial law hinder the implementation of some of the legislation.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ ensure environment and climate mainstreaming and the application of cross-cutting horizontal environmental legislation, in particular regarding environmental impact assessment (EIA) and strategic environmental assessment (SEA), to all plans, programmes, and projects, including those relating to reconstruction. This implies further limiting the regime of exemptions, and implementing and enforcing the EU *acquis* relating to environmental crime, liability and access to justice;

→ based on the Law on State climate policy, prepare and submit a new, more ambitious Nationally Determined Contribution under the Paris Agreement, update the long-term low-emission development strategy and ratify the Kigali Amendment to the Montreal Protocol;

→ progress towards an effective carbon-pricing mechanism by resuming the compulsory monitoring, reporting and verification of greenhouse gas emissions and adopting the action plan for setting up a national emissions trading system.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Chapter 11 - Agriculture and rural development

Ukraine remains at an **early stage of preparation** in the field of agriculture and rural development. **Some progress** was made in further aligning legislation with the EU *acquis*, including legislation on quality policy and organic farming.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ adopt and start implementing the Strategy for Agriculture and Rural Development up to 2030, and strengthen the administrative capacity for its implementation, and continue the alignment to the EU *acquis*;

→ implement legislation on the SAR, and use the SAR for all agriculture and rural development support programmes;

→ develop a farm sustainability data network (FSDN).

Chapter 12 - Food safety, veterinary and phytosanitary policy

Ukraine remains **moderately prepared** in this chapter. **Some progress** was made, notably by implementing the strategy for alignment with the *acquis*, extending the use of the EU's trade control and expert system (TRACES) and reforming food safety institutions.

The Commission's last year's recommendations were partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ conclude the legislative alignment needed to meet the requirements of the AA on plant health, genetically modified organisms and official controls, further align with the EU animal welfare legislation and strengthen administrative capacities for implementing the requirements;

→ continue extending the use of TRACES with new certificates, for phytosanitary and other purposes;

→ continue the reform of food safety bodies and enforce animal registration, identification and movement monitoring, in line with EU requirements.

Chapter 13 - Fisheries and aquaculture

Ukraine has **some level of preparation** in the field of fisheries and aquaculture. **Good progress** was made. An electronic management system was set up and legislation was adopted in line with the EU *acquis*.

The Commission's recommendations from last year were well implemented. In the coming year, Ukraine should in particular:

→ continue to align national legislation with the EU *acquis*, including legislation on the collection, management and use of data, the traceability of aquatic resources and inspection system;

→ take preparatory steps towards the setting-up of a dedicated fisheries control body to combat illegal, unreported and unregulated (IUU) fishing;

→ continue to upgrade Ukraine's state electronic fisheries management system (e-Fish) and harmonise it with equivalent EU registers.

Chapter 22 – Regional policy and coordination of structural instruments

Ukraine has **some level of preparation** in the field of regional policy and coordination of structural instruments. **Limited progress** was made, with more notable progress in implementing territorial cooperation programmes (Interreg) with the Member States.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ operationalise the State Strategy of Regional Development by drafting and implementing an action plan;

→ ensure that adequate financial support is allocated to the recovery, reconstruction and modernisation needs of sub-national authorities;

→ strengthen the coordination framework within regional policy to ensure systematic and inclusive engagement of regional and local stakeholders, coordinated by the government.

Chapter 33 - Financial and budgetary provisions

Preparations under this chapter are at an **early stage**. There was **limited progress** in the areas covered by the chapter.

The Commission's recommendation from last year were only partially implemented and remains valid. In the coming year, Ukraine should:

→ set up a coordination structure for administrative processes needed for an own resources system and further strengthen awareness among key stakeholders.

CLUSTER 6: EXTERNAL RELATIONS

Chapter 30 - External relations

Ukraine has a **good level of preparation** in the field of external relations, with significant convergence with the EU. **Limited progress** was made, mainly through ensuring that Ukraine's trade policy has largely remained in compliance with World Trade Organization (WTO) and AA rules.

The Commission's recommendations from last year were only partially implemented and remain valid. In the coming year, Ukraine should in particular:

→ continue to ensure that its trade policy remains in compliance with WTO and AA rules, including by ensuring respect to the obligations on National Treatment of GATT Article III:4 and Article 34 of the Association Agreement;

→ before any new bilateral trade agreement, assess its impact, in light of candidate status and forthcoming accession, ensuring that any such agreement contains a clause allowing early termination in the event of EU accession.

Chapter 31 - Foreign, security and defence policy

Ukraine has **a good level of preparation** in the field of foreign, security and defence policy. **Good progress** is demonstrated by continued intense political dialogue with the EU at all levels and significantly enhanced security and military cooperation with the EU and its Member States. EU-Ukraine joint security commitments were signed in June 2024. Ukraine maintains a high level of alignment with the EU's common foreign and security policy (CFSP).

The recommendations from 2023 were well implemented but remain valid. In the coming year, Ukraine should in particular:

→ align Ukraine's legislative framework with the provisions of the Rome Statute of the International Criminal Court (ICC) and its related instruments;

→ further align with statements by the High Representative on behalf of the EU and with EU sanctions (Official EU Council positions and CFSP actions).

1.3. STATE OF PLAY OF THE ACCESSION NEGOTIATIONS

Following the first Intergovernmental Conference on accession negotiations with Ukraine, the Commission launched the bilateral screening process on 8 July, building on the explanatory meetings held earlier. The process is progressing smoothly.

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2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

Ukraine's constitution and legislation enshrine the principles of democratic pluralism and a multi-party political system, the rule of law and respect for fundamental rights. On 24 February 2022, as a consequence of Russia's war of aggression, Ukraine temporarily invoked martial law by a Presidential decree approved by Parliament. Martial law has remained in place since then, with the current thirteenth extension valid up to 9 November 2024.

Martial law allows for the introduction of certain restrictions on individual rights and freedoms, and on the rights and legal interests of legal entities. Its application has been proportionate, overall. Cases of disproportionate travel restrictions for representatives of the parliamentary opposition and alleged pressure on civil society organisations (CSOs) need to be properly addressed.

2.1.1 Democracy

Elections

No elections were conducted during the reporting period, as they are prohibited under martial law. In November 2023 and April 2024, representatives of all parliamentary groups made a commitment to holding the first post-war election, with sufficient notice, once martial law has ended.

Work on a comprehensive revision of the electoral code progressed. On 27 May 2024, a draft law was registered, implementing OSCE/ODIHR recommendations on balanced representation of women and men in Parliament and on local councils. The Central Election Commission, in cooperation with international partners and civil society organisations, developed a draft package of amendments to the legal and organisational frameworks for elections, including amendments on updating the electoral register and out-of-country voting. Ukraine implemented key recommendations from the OSCE/ODIHR election observation reports. However, some recommendations still need to be addressed, including those on removing restrictions on electoral rights based on intellectual or psychosocial disability and on implementing practical measures in polling stations to strengthen the secrecy of the ballot. Ukraine should also take into account the Commission Recommendation[3] on inclusive and resilient electoral processes.

Parliament

Parliament continued to exercise its powers despite the ongoing war and martial law and has been taking an active part in the overall reform process and carrying out legislative tasks. Between 15 June 2023 and 1 September 2024, 277 laws were adopted, out of which 239 fully entered into force.

Ukraine took steps to strengthen the **legislative process**, by adopting the law on law-making, which is to be enacted one year after the end of martial law. Its effects have yet to be assessed. In the meantime, Parliament should take practical steps to improve the overall procedural and methodological framework for impact assessment of draft legislation and *ex post* legislative evaluation. Parliament also amended the legislation on procedures for appointing judges to the Constitutional Court, and laws on parliamentary committees, on the status of National Deputies and on temporary investigative commissions. In June 2024, the law on public consultations was adopted, which will be an important step in increasing transparency and quality of the legislation once the martial law is lifted.

Parliament continued to work in a way that was not wholly **transparent**. In the reporting period journalists were readmitted to the chamber, albeit with some limitations relating to security concerns. However, recordings of Parliament's deliberations, including plenary sessions, have been regularly published online – by Parliament itself and by individual Members of Parliament .

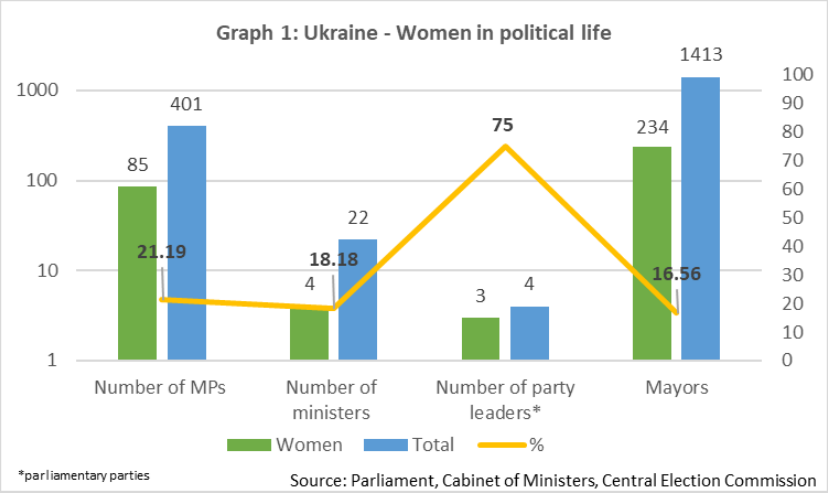
In August 2023, the law on **political parties** was amended to improve the legal framework for state

[3] Commission Recommendation (EU) 2023/2829 of 12 December 2023

funding of political parties and state oversight of parties' activities. The amendments restored the requirement for parties to submit reports to the National Agency on Corruption Prevention (NACP). Legislation on political parties is still in need of a comprehensive update, including procedures for holding political parties to account for breaches of financing rules.

There were no significant changes concerning **parliamentary oversight and control**. The monitoring and implementation of legislation requires further strengthening. Due to the war, parliamentary oversight is mostly limited to closed meetings between leaders of majority or parliamentary groups and individual ministers, which is suboptimal. Reinstating public consultations and scrutiny is crucial, when martial law is lifted.

Concerning **gender balance**, the share of female MPs slightly increased in the reporting period and remains at a record high level. Overall, women are represented in political life, but structural barriers to active participation, such as traditional gender norms, remain in place.



In the reporting period, a number of opposition MPs were subject to certain restrictions, especially as regards travelling abroad. It is vital for democratic resilience that there continues to be space for political dialogue with the opposition, civil society and independent media, as well as a diplomatic role for Parliament in promoting Ukraine's needs and reforms abroad.

EU integration

The institutions in charge of the EU integration process are in place. Following the December 2023 European Council decision on opening accession negotiations with Ukraine, the first Intergovernmental Conference took place on 25 June 2024. The bilateral phase of the screening started in July, based on the explanatory meetings held between January and May 2024.

The Ukrainian Delegation for the accession negotiations was appointed, with the Deputy Prime Minister for European and Euro-Atlantic integration of Ukraine as Chief negotiator.

Playing a central role within the Ukrainian institutional set-up for EU integration is the Government Office for Coordination on European and Euro-Atlantic Integration, within the Secretariat of the Cabinet of Ministers of Ukraine. Deputy ministers responsible for European integration were appointed in the ministries. To further consolidate EU integration structures, expert groups were set up to deal with the technical aspects of the EU integration process.

There is an overall consensus among Ukrainian society and authorities, including the parliamentary opposition, that EU integration is a priority for the country. A large majority of the Ukrainian population supports EU membership for the country.

Governance

Despite Russia's ongoing war of aggression, Ukraine's government has continued to function effectively. In the reporting period, there were changes in the composition of the government (in place since March 2020) and six ministers were replaced. The government focused on strengthening security and defence, pursuing reforms related to EU integration, ensuring macroeconomic stability, and supporting economic

and general recovery.

Multi-level governance remained crucial to the country's resilience and recovery. Tangible measures aimed at exploiting the potential of municipalities should be put back on track, as set out in the Ukraine Plan, in line with the European Charter of Local Self-Government. Recently adopted laws on transparency in local self-government and on democracy at the local level, which is yet to be signed by the President, aim to improve local decision-making.

A transparent mechanism should be set up to finance the recovery, reconstruction and modernisation needs of sub-national authorities, in line with the Ukraine Facility Regulation. A formal coordination framework has yet to be put in place to ensure that local authorities and associations are consistently involved in policy design and implementation.

With the growing number of local military administrations, Ukraine should clarify, in law, the criteria for setting them up. Discontinuation of local self-government should be a last resort; alternative security measures should be given preference where the situation allows, especially in the territories away from the frontline.

Fiscal decentralisation was maintained, with 64% of personal income tax (PIT) allocated to municipalities, yet PIT from military staff was re-directed to strategic industries. To stabilise the local fiscal base, Ukraine should make progress on ensuring a fair distribution of PIT to municipalities where taxpayers actually reside, upgrade real estate registries, thus extending the local-tax base, and introduce reasonable administrative fees for local services.

Civil society

CSOs in Ukraine continue to contribute to the resilience of society at large. Civil society remains a key element in Ukrainian democracy, maintaining social bonds and fabrics. A policy and legal framework to facilitate volunteering in CSOs is in place. Despite restrictions imposed by martial law, CSOs continued their activities relatively unhindered. Registering non-governmental organisations is easy, inexpensive and transparent in principle, but it is reported that, during registration, excessive bureaucratic requirements and checks by various authorities (tax authorities, Ministry of Justice) can create delays and difficulties for CSOs in practice. Constructive collaboration between authorities and CSOs does take place in a wide range of policy areas.

Since 2023, there have been an increasing number of reports of pressure being put on CSOs and investigative journalists. These include threats and intimidation against journalists, media professionals, civil activists and lawyers, which is an issue of serious concern. In response, the National Police and Security Service launched enquiries, while representatives of the government issued public condemnations and spoke of swift and impartial investigations. Sustained follow-up will be needed to bring the perpetrators to justice (for these more recent attacks and similar, older ones), along with measures to strengthen existing mechanisms to protect civil society activists from such pressures.

Current rules on money laundering and the financing of terrorism can make it hard for CSOs to access banking services. Efforts to address these issues – in collaboration with responsible authorities and CSOs – should continue.

The government expanded its public funding programmes for CSOs. Ukraine has several strategic documents that foster civil society engagement. These continued to be implemented in a consultative and transparent process. In June 2024, the Law on public consultation was adopted, requiring extensive and mandatory consultations by state authorities and local self-government in decision-making before adopting legislation. However, the Law will not enter into force until 12 months after the end of martial law.

2.1.2. Public administration reform

Strategic framework for public administration reform (PAR)

The strategic framework for public administration is in place. The PAR strategy still needs to be implemented more effectively.

The 2022-2025 PAR strategy and 2022-2025 public financial management (PFM) strategy are in place, together with the accompanying action plans. Progress has been consistent on service delivery, digitalisation and, more recently, was demonstrated in salary reform steps, but it has been much less pronounced in the fields of public service and human resource management, and in the digitalisation of internal business processes within public administration.

The internal **institutional framework** within PAR remains unchanged. The Secretariat of the Cabinet of Ministers (SCMU) played the formal leadership role. Collaboration and synergy between the responsible institutions in the field of civil service digitalisation needs strengthening. **Management and coordination mechanisms** for PAR and PFM strategies are in place and operational. The role of the PAR Coordination Council in implementing the PAR strategy should be strengthened, with a more results-oriented approach. The financial sustainability of PAR remains a challenge.

Policy development and coordination

The **policymaking system** is coordinated by the SCMU. The capacity for **evidence-based policy making** remains insufficient. The quality of explanatory notes and impact analysis accompanying legislative proposals is poor and should be improved. Information on the costing of policy documents and legislative acts is largely absent.

The role of the government as an initiator of draft legislation continued to be limited, with most adopted draft legislation submitted by Members of Parliament (MPs). Parliamentary drafts often lack explanatory notes and proper impact assessments, which affects the quality of laws. The Law on **public consultation** was adopted, which makes public consultations mandatory on laws and by-laws submitted by the government and local self-government bodies. The law does not provide for mandatory public consultation on draft legislation submitted by MPs, which significantly reduces its scope.

The **monitoring** of the implementation of policies and legislation has been adversely affected by the war and is conducted on an ad hoc basis. As for implementation of the Ukraine Plan, the monitoring, control and audit systems have been set up and are based on proper internal control principles.

Public finance management

Public finance management is broadly in place and efforts to improve it are ongoing. The reform process, partially suspended in 2022, has resumed gradually. The 2022-2025 Public Finance Management Reform Strategy aims to restore medium-term budget planning in 2024. The 2024-2030 National Revenue Strategy adopted in December 2023 focuses on mobilising tax collection, aligning national tax legislation with the EU requirements, upgrading IT systems and improving human resource management in the medium to long term.

A roadmap for **public investment management** (PIM) reform was developed in 2023, with an action plan for its implementation adopted in June 2024. The action plan sets out several steps for introducing the regulatory framework, increasing institutional capacity, introducing strategic planning and creating a methodology and IT architecture for PIM.

The Strategic Investment Council, which is at the core of the institutional setup of the PIM system, was established in May 2024. The first Single Project Pipeline was formed for approval by the Strategic Investment Council in September 2024. The institutional framework of the PIM system needs to be further strengthened in order to enhance transparency, accountability, and effectiveness at all stages of the public investment management cycle. This includes reinforcing the institutional capacity of the Strategic Investment Council and its role in facilitating inter-ministerial co-ordination in the PIM system.

There is a need to improve planning capacity to ensure the development of a strategic vision for Ukraine's economic recovery and reconstruction. This will help to inform the development of strategic plans and documents defined in the PIM action plan and guide the prioritisation of projects in sectoral pipelines and the Single Project Pipeline.

The procedures for public investment at the local level need to be aligned with the general principles of the decentralisation reform. Moreover, Ukraine has committed to developing and implementing a digital management tool for reconstruction under the Ukraine Plan.

Ukraine has made progress in piloting the Digital Restoration EcoSystem for Accountable Management (DREAM) as an integral part of the IT architecture to support the PIM process.

Budget transparency and openness needs to be restored, except where security concerns preclude it. A new budget planning IT tool is being used to draw up the 2025 budget. An independent fiscal oversight body has yet to be established to monitor compliance with fiscal rules, fiscal risks and government forecasting. Effective oversight of the budget process is needed. Expenditure needs to be made more effective at all levels the government, given the sizeable gap between planned and actual spending. Gender-based budgeting is still at a very early stage, and not reflected in the Budget Code.

Public service and human resources management

Public service and human resources management still needs to be improved. Martial law continues to have a significant influence on the civil service regulatory framework. During the COVID-19 pandemic and since the introduction of martial law, there has been no competitive **recruitment and selection** to the civil service based on **merit and equal opportunities.** The widespread use of non-transparent direct appointments continues to undermine the professionalism, independence and stability of the civil service. Although turnover rates have decreased since 2019, both staff turnover and vacancy rates remain high.

Progress was made in implementing **job classifications**, with the introduction of the 'interim' salary reform via the 2024 Budget Law. Salaries are now based on job classification and pay grades, pay bonuses are limited, and management has less power in defining salaries. However, the system is still based on the concept of 'levels of jurisdiction' of institutions, where all institutions are divided into three groups with five different basic salary levels without transparent criteria for this division. The effects of the interim reform should be analysed with the view to designing a sustainable framework under a comprehensive law.

Internal digitalisation and the roll-out of the **human resource management** information system advanced slowly with coverage of some 40 000 posts. Further progress is needed in this field. In particular, the payroll system should be used more widely, in all government entities. This should result in fully transparent and comparable human resource data across the entire civil service.

Gender balance in the civil service continues to be uneven. At the end of 2023, senior civil service management comprised 70% men and 30% women, middle management 34% men and 66% women, while 22% of non-managerial civil servants were men and 78% women.

Accountability of the administration

The administration needs to be made more accountable. There has been no significant redesign of the organisational architecture of public administration. Internal governance within ministries lacks a clear separation of powers at the highest level of management, namely between deputy ministers and state secretaries. In ministries, large policy areas are managed and coordinated by political appointees (deputy ministers) instead of professionally selected senior public service managers.

Ukraine managed to keep the system of **public accountability** operational, yet certain mechanisms need improvement. The recommendations of the independent oversight bodies (Ombudsman and Accounting Chamber) should be followed by public administration. However, scrutiny by the Accounting Chamber requires further improvement and the relevant legislation should be aligned with international standards.

The right of citizens to access **public information** is well-regulated and consistently applied. Ukraine regularly and systematically publishes open data on the dedicated government portal, but access to some public information is restricted for security reasons.

The Law on administrative procedure, which entered into force in December 2023, unified administrative procedures to further align them with EU practices and to strengthen the right to good administration. The law was accompanied by substantive training for officials at all levels. In October 2024, a law was adopted to align and harmonise around 200 laws with the LAP and bring existing exemptions back into its scope. Further harmonisation is still needed as regards the tax code, land relations sector and digital procedures. The application of the law to the National Bank of Ukraine's public administration functions was postponed until January 2025 to provide sufficient time for its implementation. The adoption of the Law on citizen appeals should help delineate between administrative procedure cases and other forms of public petitions.

As for the **right to administrative justice**, no new court was established since the abolition of the Kyiv district administrative court (KDAC) in December 2022. The Kyiv region administrative court, which has been temporarily assigned to handle KDAC cases, has struggled to address the backlog. This undermines access to administrative justice involving central government bodies.

Service delivery to the public and to businesses

Service delivery to the public and to businesses is working overall. **User-focused service delivery** and digitalisation features under the Government Priority Action Plan for 2024 and continues to enjoy strong political support. Progress remained consistent, in particular due to a progressive uptake of new digital services. Offline provision of services continued via a large network of local administrative service centres (ASCs). The number of ASCs that are accessible to people with disabilities and senior citizens is steadily growing. To further increase administrative service provision capacity, Ukraine should adopt the proposed Law on administrative fees.

2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS

2.2.1 Chapter 23: Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. An effective (independent, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is respect of fundamental rights in law and in practice.

Functioning of the judiciary

Strategic documents

The 2021-2023 strategy for the development of the justice system and constitutional judiciary expired at the end of 2023 and has not yet been replaced by a new strategy. Ukraine should develop a new mid-term strategic document for the justice system. It should cover optimisation of the court network, court management and judicial governance system, consolidation of the Supreme Court and an improved selection procedure for its judges, modernisation of procedural codes, enforcement of court decisions, alternative dispute resolution, digitalisation, and reforms of the Bar, legal education and the judicial training system.

The action plan implementing the overarching strategic plan for reform of the law enforcement sector for 2023-2027, which *inter alia* foresees some prosecutorial and legal education reforms, was adopted by the Cabinet of Ministers in August 2024 *(See Chapter 24).*

Management bodies

The main management bodies are in place. The High Council of Justice (HCJ) was renewed with the

involvement of the Ethics Council, and it currently consists of 17 out of 21 members. Two HCJ vacancies need to be filled under the President's quota for which the competition is ongoing and two under the quota of the Congress of Attorneys. After the resignation of the chairman of the renewed High Qualification Commission of Judges (HQCJ), a new chairman was elected by the HQCJ in August 2024, while the competition for one HQCJ vacancy continued. In December 2023, the HCJ dismissed the Head of the State Judicial Administration on suspicion of corruption and nominated his deputy as acting head while the competition was ongoing.

The new Public Integrity Council (PIC), composed of 20 civil society and media representatives, was formed in August 2023. Its cooperation with the HQCJ in qualification evaluation and on judicial selection procedures is positive overall, despite some differences when assessing the integrity of judicial candidates. The HQCJ should systematically ensure transparency and adequate reasoning in its decision-making and the HQCJ and PIC should further improve their cooperation.

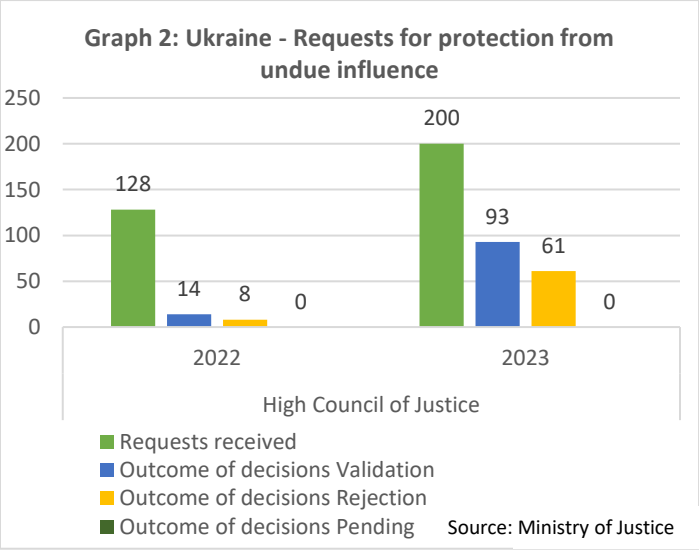
The Council of Prosecutors (CoP) and the Qualification and Disciplinary Commission of Prosecutors (QDCP) continued their operation, but their independence, in particular from the Office of the Prosecutor General (OPG), integrity, powers and autonomous resources need to be strengthened. The CoP is still a part-time body.

Independence and impartiality

Overall, the constitution and legislation guarantee the independence of the judiciary, but certain shortcomings persist, in law and in practice. Business associations still raise concerns about the judiciary and corruption as obstacles to doing business in Ukraine. The renewed judicial-governance bodies need to continue their work, alongside other measures, to effectively improve the independence, impartiality and accountability of the judiciary and restore public trust in it, which remains very low.

The allocation of cases to judges is based on a randomised (automatic) system and objective criteria, but it should be further improved as part of the renewal of the unified judicial information and telecommunication system (UJITS). Legislation should be changed to ensure that judges cannot be involved in decisions on their own recusal and that such decisions are subject to appeal. In July 2023, the Criminal Code article criminalising intentional unjust court decisions was repealed to better protect judicial independence.

Ukraine still needs to introduce a system of random allocation of cases among prosecutors based on strict and objective criteria, including specialisation, with proper safeguards against manipulation and an effective appeal mechanism against decisions disqualifying a prosecutor.



The selection of judges of the Constitutional Court of Ukraine (CCU) continued with the involvement of the Advisory Group of Experts. Several competitions had to be relaunched due to the shortage of candidates who met the selection criteria. The Parliament (in May 2024) and the Congress of Judges (in September 2024) appointed one new CCU judge each, following a transparent procedure. The competition for filling four remaining CCU vacancies continues. Ukraine should adopt legislation improving the constitutional procedure, in line with the 2021 Venice Commission recommendations.

Accountability

The rules on accountability for the judiciary are largely in place, but need to be further upgraded and enforced in practice. In November 2023, the HQCJ resumed the qualification evaluation (vetting) of sitting judges with the involvement of the PIC. Some 2 500 judges have undergone this procedure, while more than 1 700 judges still have to. From November 2023 to August 2024, the HQCJ evaluated 125 judges and recommended 28 for dismissal, including 2 who refused the evaluation. The HCJ dismissed 4 judges. The Supreme Court issued a decision in June 2024 which deviated from its previous practice and which may undermine the qualification evaluation procedures involving the PIC prior to December 2023. The qualification evaluation experienced delays due to limited capacities of the HQCJ, the PIC, the National Agency for Corruption Prevention (NACP) and the National Anti-Corruption Bureau of Ukraine (NABU). While the NABU and the NACP should step up their analytical support to the HQCJ, the latter should also develop autonomous capabilities, e.g. for testing legal knowledge and conducting credible integrity checks. The PIC's capacities and efficiency should be strengthened, e.g. by providing support staff and by enhancing access to information. The HCJ should step up its review of HQCJ submissions on the dismissal of judges who fail the qualification evaluation.

Following the adoption of legislation in August and September 2023, the HCJ resumed handling a severe backlog of some 14 000 disciplinary complaints against judges and, in November 2023, it approved criteria for prioritising disciplinary complaints. In December, the HCJ launched the competitions for the head, deputy head and 24 disciplinary inspectors of the Service of Disciplinary Inspectors (SDI).The SDI urgently needs to be set up to support the HCJ in addressing a large backlog of disciplinary complaints. The HCJ rules on prioritisation of disciplinary cases should be systematically applied and priority cases handled without delays. The HCJ should improve the reasoning and uniformity of practice in disciplinary cases. Disciplinary offences relating to judges' conduct need to be defined more precisely, in line with the Council of Europe's Group of States against Corruption (GRECO) recommendations.



To enhance the accountability of the judiciary and public trust in it, Ukraine should adopt legislation revising the system of judges' declarations of integrity. An upgraded system should include, for judges of the highest courts, a temporary but meaningful verification procedure that involves independent experts. Corruption risks in the Supreme Court still need to be adequately addressed, in particular through the use of improved integrity declarations and verifications by the HQCJ, as well as asset declaration checks and lifestyle monitoring by the NACP, and an improved selection of Supreme Court Judges on the basis of the new legislative framework and unified criteria for evaluating the integrity of judges, approved by the HCJ.

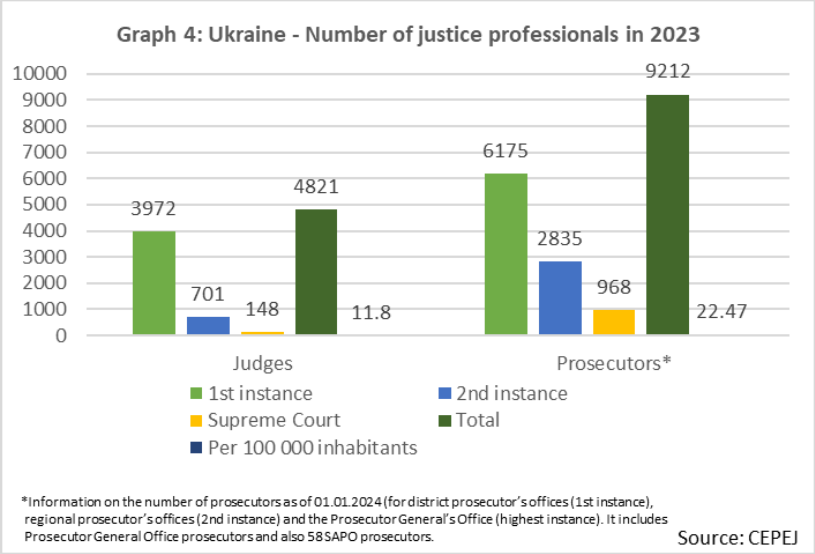
The NACP has prepared the procedures for verification of asset declarations and lifestyle monitoring for ordinary and CCU judges, but these have not been accepted by the HCJ and the CCU, while new procedures were not yet prepared.

The attestation of prosecutors is being completed. It includes integrity and professionalism vetting. The attestation should be completed without further delays and prosecutors failing it should be dismissed in line with the law, while pending court cases should be resolved. The disciplinary system for prosecutors should be further improved in line with GRECO recommendations. The QDCP's composition should be reviewed to increase the share of prosecutors and a transparent selection procedure for all QDCP members should be introduced, including a credible integrity check. The power to review complaints

against decisions of the QDCP should be transferred to the CoP.

Quality of justice

The legal framework for the **selection of judges** has been improved through: the adoption of a law in December 2023 that streamlined judicial selection rules, shortened the stages of competitions and defined integrity criteria for candidates; the setting of common HQCJ-PIC indicators for determining non-compliance with the criteria of integrity and professional ethics; and the adoption by the HQCJ of new regulations for competitive selection of judges and evaluation of candidates.



The judiciary continues to suffer from severe understaffing. More than 2000 vacancies remain to be filled (August 2024). The number of judicial vacancies grew during the reporting period, largely due to retirement and resignations. A difficult situation also persisted with the non-judge court staff amid low salaries and resignations. The HQCJ opened three competitions for first-instance court judges, appeal court judges and High Anti-Corruption Court (HACC) judges at the first and appellate level. From January to July 2024, the HCJ filed 399 submissions for appointment of judges to the President, while the latter appointed 329 judges. Given the wide scope of work and high workload, the capacities of the HQCJ and the HCJ should be reinforced, and their secretariats further reformed.

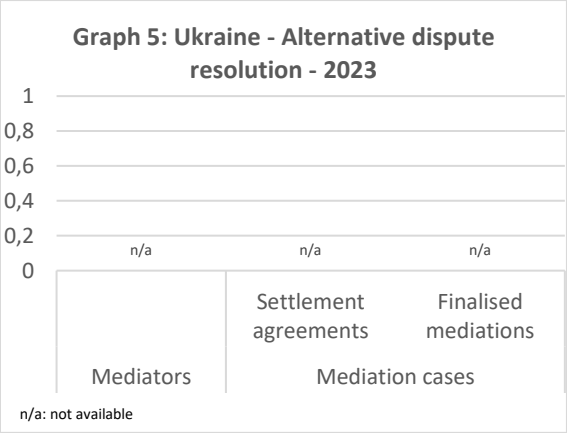
More efforts are needed to ensure the uniformity of court practice within the first, appeal and cassation instances. Divergent court practice is *inter alia* caused by heavy caseload, insufficient procedural filters, absence of measures to ensure uniformity of case law at the appellate level, underdeveloped research and analytical capacities and IT tools in courts. Further reforms in this area require a thorough assessment and inclusive consultations.

The system for selecting management-level prosecutors still needs to be improved, in particular to enhance transparency and ensure credible integrity, professionalism and leadership checks. The selection and dismissal procedures for the Prosecutor General should be made more transparent, objective and meritocratic, and less prone to politicisation.

Periodic performance evaluation of judges and prosecutors is needed, based on clear, objective rules and assessment criteria in line with GRECO recommendations. Currently, there are two parallel systems envisaged for evaluating prosecutors, without the involvement of prosecutorial governance bodies. These systems remain questionable. No progress was made on Bar reform during the reporting period. The relevant legislation has yet to be aligned with the Constitution, applicable European standards and good practices. The reform should follow inclusive consultations and aim to reset the National Bar Association of Ukraine bodies based on a transparent procedure and substantially improve qualification, admission, disciplinary, financial management and continuous training systems.

The National School of Judges (NSJ) and the renewed Prosecutorial Training Centre continued their training activities and international cooperation. Institutional reforms of the NSJ should still be implemented to strengthen the NSJ's managerial and operational capacities. The NSJ should also

introduce a comprehensive training needs assessment and evaluation, and modernise its training curricula and teaching methods.



Some progress on legal education reform was achieved. The law on individual educational paths was adopted, enabling an overhaul of legal education standards. Requirements for admission of law students were strengthened. The Government started removing pre-higher education institutions from the legal education system. The first Unified State Qualification Exam was held for law graduates, albeit exempting graduates of law enforcement universities. Ukraine should separate legal education and law enforcement training, and should further strengthen and unify legal education standards, admission, licencing and funding rules, while increasing the focus on EU law, practical legal skills and integrity.

The judiciary continues to suffer from severe underfunding and war-related damage to court infrastructure. Funding for the judiciary in the 2024 budget covered only around 57% of its needs, although it was increased compared to 2023.

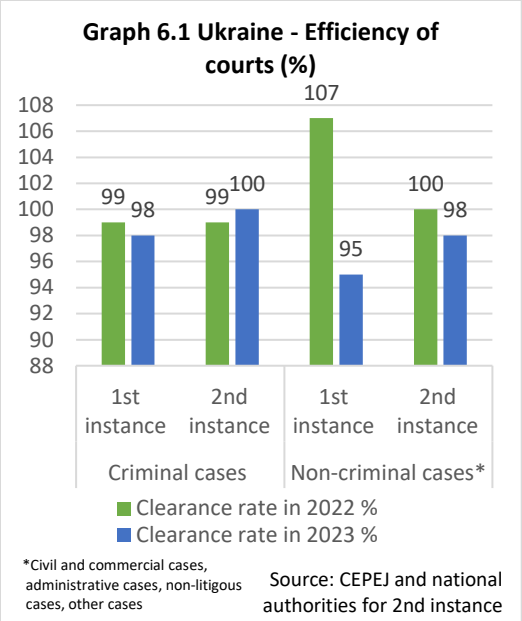
Further efforts are needed to expand alternative dispute resolution (ADR), including implementation of the 2021 mediation law. There is no national data collection system on various forms of ADR, including on the number of mediators and mediation cases. Arbitration is underdeveloped and underused.

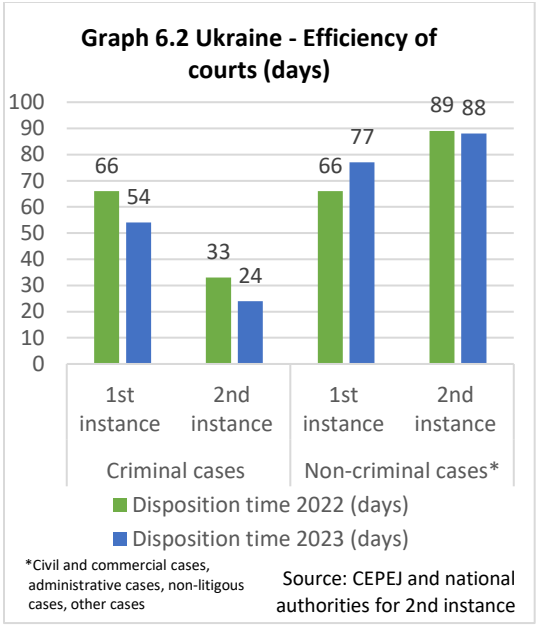
Efficiency

Despite war-related problems and other challenges, most courts in Ukraine maintained a high degree of efficiency. However, more efforts are needed to digitalise the justice system, including the court and case management, and enforcement of court decisions. In December 2023, a technical audit of the UJITS was completed; it concluded that the UJITS is largely obsolete and in need of an overhaul. A functional audit of UJITS, completed in August 2024, pointed to the deficiencies in the judiciary's ICT coordination, management and maintenance processes. Ukraine should also adopt legislation to expand the use of remote online hearings. Some progress was achieved with the regulation of electronic cabinet use for the exchange of documents, interoperability between UJITS and other state registers and digitalisation of the criminal justice chain. In April 2024, Ukraine started developing an e-case management system for pre-trial criminal investigations (SMEREKA).

Following the abolition of the controversial Kyiv district administrative court (KDAC) in 2022, a new court still needs to be set up with the involvement of independent experts and a credible integrity and professionalism check of candidates. The Kyiv region administrative court, which has been temporarily assigned to handle KDAC cases, has struggled to address the backlog. The qualification evaluation procedure for all former KDAC judges must be completed.

In May 2024, the Parliament adopted legislation that allows certain criminal cases to be heard by a single judge of the HACC (rather than by a panel of three judges, depending on the severity of the penalty) to increase efficiency. The Parliament also introduced the right for certain high-level officials (including members of parliament) to opt for their criminal cases in any court to be heard by a panel of three judges regardless of the severity of the penalty. This provision should be reviewed in view of its proportionality and its impact on judicial efficiency.





Legislative changes to the Criminal Procedure Code were introduced in December 2023 to remove time-limits for investigations and the mandatory closure of cases upon expiry of these time-limits before the notice of suspicion. As regards the phase after the notice of suspicion, the mandatory closure of criminal cases due to the expiration of the time-limit and the length of the time limit should be reviewed to ensure effective investigations.

Ukraine has a large number of non-executed judgments from the European Court of Human Rights (ECtHR). Most of these relate to enforcement of domestic court decisions, prison and detention conditions, lengthy judicial proceedings or the independence and accountability of the judiciary. Ukraine should also launch the data collection system on the enforcement of court decisions, adopt legislation on enforcement and digitalisation of enforcement proceedings, and continue implementing the strategy and action plan for resolving the problem of non-enforcement of domestic court decisions. Beside existing moratoria on enforcement, in May 2024, Ukraine adopted a law introducing a temporary moratorium on insolvency and enforcement actions against critical infrastructure companies controlled by the state. It contains provisions, which could negatively impact on the enforcement of court decisions.

International crimes

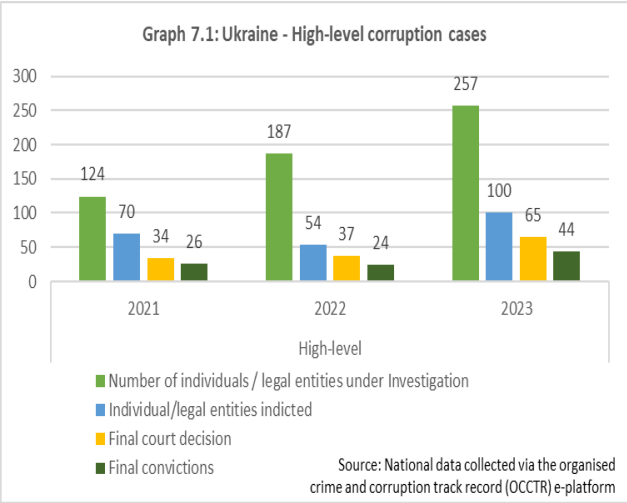
As of August 2024, 142 059 criminal proceedings related to international crimes were registered, and 911 persons were indicted and 305 convicted for war crimes and the crime of aggression. The draft law on the ratification of the Rome Statute of the International Criminal Court was adopted in August 2024. Related implementing legislation aligned with international criminal law standards has yet to be adopted. September 2023 saw the adoption of the Strategic Plan on Implementation of Prosecutorial Competences in the area of International Crimes Prosecution for 2023-2025. The Plan is aimed at building the capacities of the prosecution service and pre-trial investigation bodies, and strengthening inter-agency and international cooperation in this field. The OPG increased support for victims and witnesses and adopted standard operating procedures for more effective investigation and prosecution of international crimes.

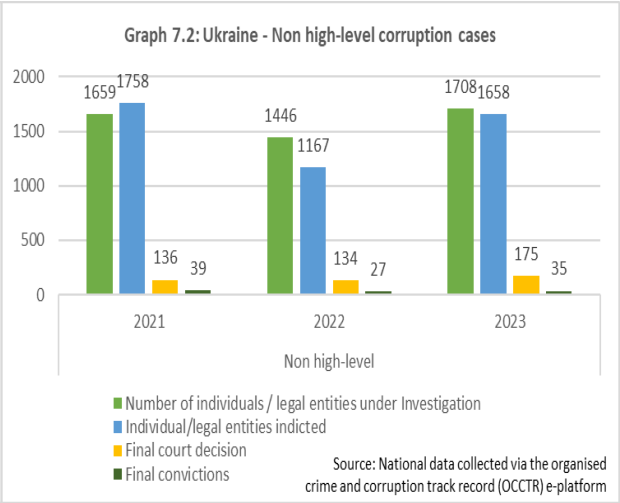
Fight against corruption

Track record

The track record on the fight against corruption has further improved. Anti-corruption institutions continued their efforts in building a credible track-record of investigating and adjudicating high-level corruption cases and the overall number of indictments and judgments during the reporting period has

reached an all-time high since the key anti-corruption institutions.





Increasingly, NABU and SAPO are tackling complex crime schemes and systemic corruption. NABU and SAPO should further improve their case prioritisation policy and work on more high-level and high-impact cases. In addition, the value of assets seized and confiscated in NABU proceedings is still low. This warrants analysis and new strategic approaches.

Institutional framework

The institutional framework for the fight against corruption is largely in place but needs to be further improved in terms of both preventive measures and law enforcement. NABU and SAPO have maintained their operational effectiveness and remain important institutional pillars in the anti-corruption infrastructure. Their institutional capacity was further strengthened and, following the adoption of legislative amendments in December 2023, NABU and SAPO have gradually started to increase their human resources. In March, SAPO became a separate legal entity, which formalised its institutional independence from the Office of the Prosecutor General. NABU still lacks appropriate access to timely and independent forensic services and autonomous wiretapping capabilities in its high-level corruption investigations. The powers of the head of SAPO should be gradually expanded. For example, the head should be able to open investigations and approve investigative actions by NABU/SAPO against members of parliament independently from the Prosecutor General. An increase in NABU's regional presence and capacities should be considered.

Following an internal investigation and disciplinary proceeding, the NABU Director dismissed his First Deputy in September due to misconduct against a whistle-blower who reported an alleged leakage of information. It will be important that NABU addresses the underlying internal structural issues to effectively prevent leaks of information and ensures the effectiveness of its Internal Control Department. Appropriate actions should be taken to implement the results and recommendations of the forthcoming external independent NABU audit. The deployment of the NABU-SAPO e-case management system progressed slowly. Remaining legal and technical obstacles should be addressed, particularly those preventing defence lawyers from connecting to the system, to ensure its immediate full deployment and complete operational use.

The HCJ and the HQCJ launched a competition to recruit 25 new judges to the HACC, which would bring the total number of judges to 63. In this regard, it will be important that the current mandate of the PCIE will be extended to ensure that these judges are selected with the full participation of the PCIE. HACC also intends to recruit additional staff and is in urgent need of suitable permanent premises.

The NACP has delivered good results and shown its independence from political and vested interests. A new NACP head was selected in February 2024. After the restoration of the e-asset declaration system in

October 2023, the Agency re-opened public access to the register of declarations. In December 2023, additional legislation was enacted removing the NACP's restrictions on verification of assets acquired before the declarant took public office, as well as restrictions on renewed verification of declarations. The NACP reformed its approach to verifications of asset declarations with a new focus on risk-based assessments, but further streamlining of internal procedures is necessary. Many successful cases originate from external notifications and the NACP should raise the number of cases of unexplained wealth detected through its own analysis. Although the NACP has access to relevant registers and databases, several are outdated and require significant updates. The Verkhovna Rada should broaden penalties for unexplained wealth and considerably reduce the currently applicable thresholds to make the sanctions regime relevant and effective. In addition, it should be considered to extend the personal scope of the asset declaration obligation also to staff of private offices of high level political officials, including their advisors and assistants.

With respect to whistleblower protection, NACP launched the unified whistleblower reporting portal in September 2023 as a way of centralising all reporting on corruption crimes; however, less than 10% of entities are fully connected to the portal. The number of whistleblower reports submitted to the NACP increased from 1 328 in 2022 to 2 730 in 2023 but only 15 cases went to court. The HACC issued two decisions granting monetary awards to two whistleblower in the total amount of EUR 325 000.

Strategic documents

Strategic policy documents are in place and of high quality. The 2021-2025 State Anti-corruption Strategy is currently being implemented through the 2023-2025 State Anti-Corruption Programme (SAP) and action plan.

The NACP has a dedicated unit and launched an IT system for monitoring implementation of the SAP. However, that implementation is behind schedule. Ukraine should advance implementation of the SAP, and introduce suitable penalties for continued non-compliance. SAP implementation is also hampered by a shortage of staff and budgetary resources; adjustments are required. It is further recommended that Ukraine makes an early start on the implementation effectiveness assessment for the current 2021-2025 State Anti-Corruption Strategy and conducts an inclusive preparatory process for a subsequent strategy and implementation program.

Legal framework

The legal framework on the fight against corruption is in place and was more closely aligned with international standards during the reporting period. Legislation strengthening SAPO, NABU and the NACP was adopted and implemented. However, changes are needed to improve provisions on preventive measures and law enforcement, in particular the Criminal Procedure Code. It is recommended that Ukraine amends the statute of limitations to ensure higher enforcement of liability for corruption offences; legislative amendments to improve the instrument of plea bargaining and to prevent procedural misuse during criminal trials also have still to be adopted. The legal framework on whistleblower protection remains to be aligned with the EU *acquis*.

In March 2024, Ukraine enacted the law on lobbying, establishing a first framework for regulating lobbying. The law addresses a wide range of lobbying methods in line with international standards and best practice, setting clear ethical boundaries and a high level of transparency. Lobbying is defined comprehensively, with non-commercial CSOs excluded from the definition, and the range of penalties is coherent and acceptable overall. The NACP is mandated with oversight and enforcement of the lobbying law.

In March 2024 the NACP completed and dispatched a self-assessment report to the GRECO Secretariat on the implementation of GRECO's recommendations from 2023. Ukraine should continue to align with the norms of the OECD Anti-Bribery Convention and the recommendations of the OECD Council, including the reform of corporate liability.

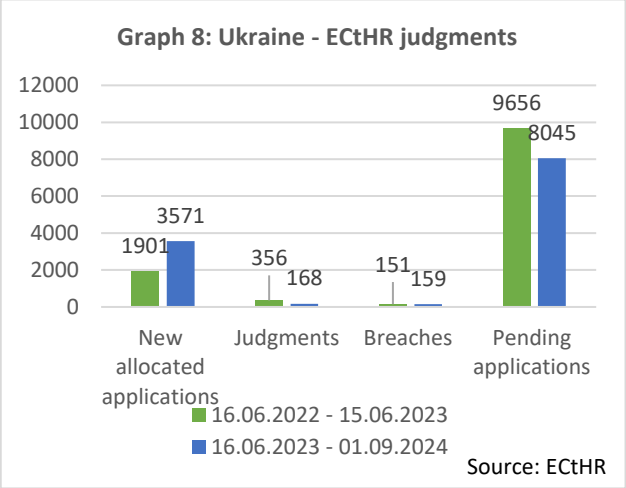
Fundamental rights

General framework

The general framework for fundamental rights is satisfactory. The government has maintained its overall respect for fundamental rights and has shown its commitment to protecting them and further aligning with the EU *acquis*, despite the restraints due to the ongoing war and martial law. Martial law has led to some restrictions of rights and freedoms, but they have remained largely in proportion to the security situation and have generally been applied with caution. Ukrainian institutions should continuously assess the nature and scope of martial law-related restrictions. Where the security situation permits, they should, in consultation with the affected groups, consider lifting restrictions that are not necessary or proportionate to the objectives sought. Ukraine should already now develop a strategy to ensure that at the end of the martial law, the country can swiftly restore all restricted rights and freedoms.

International human rights instruments

The European Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) has been ratified and needs to be more consistently implemented. Ukraine made significant progress towards the ratification of the Rome Statute of the International Criminal Court by adopting the ratification law for the Rome Statute and made steps towards aligning domestic legislature with international obligations. Amendments to the criminal code as regards the definition of crimes against humanity and war crimes are still needed.



European Court of Human Rights

During the reporting period, the European Court of Human Rights (ECtHR) found breaches of the European Convention on Human Rights relating mainly to the protection of property, the right to a fair trial, the right to liberty and security of persons and the prohibition of torture. There are currently 616 cases under enhanced supervision by the Committee of Ministers. These cases predominantly concern issues related to unlawful arrests, length of detention on remand, violations of right to life, ill-treatment by police, poor detention conditions and lack of adequate medical treatment, as well as excessive lengths of criminal and civil proceedings and lack of effective remedy. Ukraine needs to address systemic or structural issues raised by the Court notably in the areas of judiciary, law enforcement and human rights and to ensure systematic and timely enforcement of ECtHR judgements.

Promotion and enforcement of human rights



Overall, the enforcement of human rights remains satisfactory. The Parliamentary Commissioner for Human Rights – the Ombudsperson, the major body for investigating human rights violations – is active and efficient but is under-resourced and so cannot properly implement its mandate in all the areas it is responsible for. The

legal base defining mandate as both national human rights institution and equality body needs to be reformed in order to be fully aligned with EU *acquis.*

Ukraine needs to update its national human rights strategy and finalise and implement the state policy strategy for restoring power and reintegrating the population of the occupied territories to ensure that careful attention is paid to the safeguarding of fundamental rights when reintegrating territories currently outside government control.

Prevention of torture and ill treatment

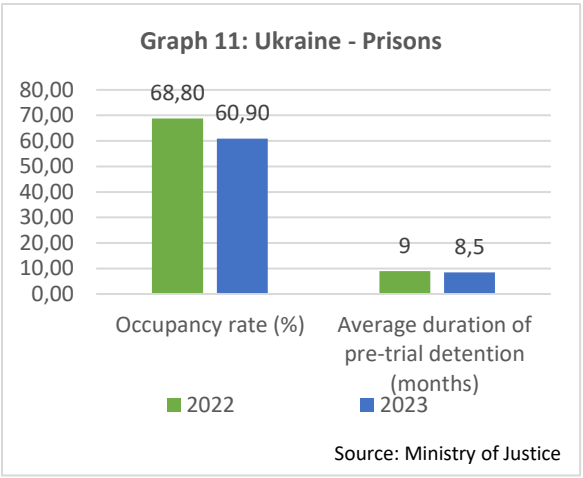
Despite legal improvements and some improvements in individual facilities and in investigations, torture and ill treatment remain an issue of concern in Ukraine's prison and detention system. In August 2024, the action plan to implement the overarching strategic plan for reform of the law enforcement sector for 2023-2027 was adopted by the Cabinet of Ministers. The plan includes the introduction of annual public reporting to Parliament on the work of the Prosecutor General's Office and the State Bureau of Investigation to investigate cases of torture and protect victims. The National Preventive Mechanism has yet to be reviewed in close consultation with specialised CSOs. The conditions in the prison system and detention centres remain an issue of concern. Ukraine should closely adhere to the guidance by the Council of Europe anti-torture Committee (CPT).



While the authorities have launched at least five criminal investigations into allegations of violations committed by their own security forces in 2023, involving 22 victims, the UN High Commissioner for Human Rights has observed a lack of progress in investigating or prosecuting such cases. The Ombudsperson still needs to strengthen cooperation with CSOs specialised in this area.

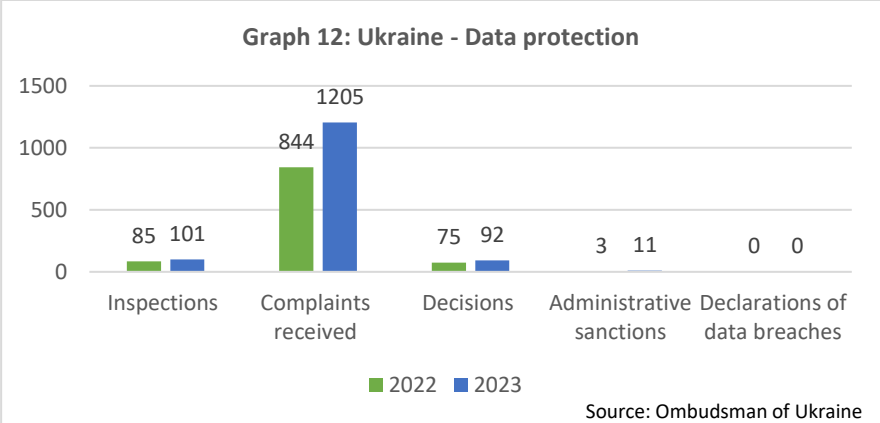
Execution of criminal sanctions

On 17 May 2024, the law on conditional early release of persons serving a prison sentence entered into force, allowing convicts, except those who have committed the most serious crimes, to receive conditional early release in exchange for military service. Close monitoring by responsible authorities will be needed to ensure that the rights of these newly recruited soldiers are fully respected. The recommendations by the European Committee for the Prevention of Torture to transfer responsibility for prison healthcare to the Ministry of Health have yet to be implemented. In March 2024, legislation entered into force, introducing probation supervision as a new type of criminal punishment as an alternative to a custodial sentence and potentially reducing prison overcrowding.



Protection of personal data

Personal data protection is still not fully compliant with the EU *acquis*. Draft laws on personal data protection and on the National Commission on Personal Data Protection and access to public information, registered in 2022, are still to be adopted.



Freedom of religion or belief

In general, Ukrainian authorities protect this freedom, and incidents of hate speech and intimidation based on religion are rare. No infringements of religious rights were reported in government-controlled territories of Ukraine. It is important to ensure that freedom of religion continues to be upheld all over the country in an effective way.

Freedom of expression

Protection of journalists

In the reporting period, violations of freedom of speech continued to be recorded in Ukraine, particularly in the Russian-controlled territories. In government-controlled territory there have been instances of alleged harassment and intimidation of journalists, including unlawful surveillance and threats of enlistment into the armed forces. Criminal investigations in these cases are still ongoing. Two cases of strategic law suits against public participations (SLAPPs) related to journalistic investigations were reported.

Legislative environment

On 26 June 2024, the government adopted the roadmap to support the re-establishment of a pluralistic, transparent and independent media space after the end of martial law, following consultations with civil society. The roadmap provides a thorough concept for the post-war recovery of the media landscape, access to public information and measures to combat disinformation. The amendments made to the Commander-in-Chief's order in February 2024 clarified the rules for interaction between the military and journalists near the frontline, facilitating the work of journalists in these zones. On 13 May 2024, the President signed a law aimed at making local self-governance more transparent, by requiring the regular publication of transcripts or broadcast/streaming of meetings of local councils and their permanent committees.

Implementation of legislation/institutions

Although the powers of the media regulator, the National Council of Ukraine on Television and Radio Broadcasting, have been expanded by the Law on media, the Council has limited resources and capacities to exercise them. In November 2023, the National Council approved the Strategy for 2024-2026, and, in January 2024, an action plan for implementing the strategy was adopted. However, when the Parliament adopted, in November 2023, the law on the state budget, it suspended the provisions of the Law on media regarding funding guarantees for the National Council and its apparatus for 2024. As a result, the Council has been under-funded.

Public service broadcaster and other media outlets

Ukraine's independent public broadcaster Suspilne–UA:PBC operates in a politically neutral way. The supervisory board of the public service broadcaster is an independent body that includes representatives from civil society and media experts. Public funding for the broadcaster in accordance to the legal requirements continues to be a challenge. In May 2024, the United News TV marathon was partially reshaped, providing more autonomy for Suspilne, enabling it to launch its own round-the-clock broadcasting on the First TV channel.

In 2023, the Ukrainian government invested public funds into the TV marathon project. It should be reassessed whether this is the best platform for enabling a free exchange of views among Ukrainians. The main objective of Parliament's media channel should be to share information on parliamentary business, including the work of representatives of the parliamentary opposition.

Economic factors

Ukraine's independent media continue to struggle with the economic impact of the war, in particular with the diminished advertising market and lack of revenue, especially in regions near the frontline.

Internet

During the reporting period, Ukraine continued to face several challenges to internet freedom, in particular stemming from measures taken to counter Russian cyberattacks, hacking and disinformation campaigns. Within Ukraine, since the start of martial law, web resource blocking has been the responsibility of the National Centre for Operations and Technology Management of Telecommunications Networks (NCU). The restrictions imposed by the NCU have been in response to national security concerns. However, access to internet resources should be governed by proper regulation, in compliance with international human rights standards and the EU *acquis* on freedom of expression, data protection and a person's right to privacy.

Professional organisations and working conditions

Low salaries increasingly force qualified media personnel to seek alternative employment, for instance in international organisations offering higher salaries.

Freedom of assembly and association

The Ukrainian government continues to respect the right to freedom of assembly and association. While the government exercises restraint when using martial law to introduce temporary restrictions on the right to peaceful assembly, Ukraine would still benefit from a comprehensive law compliant with international standards to regulate the organisation and conduct of events constituting peaceful assembly.

Labour and trade union rights are covered in *Chapter 19 - Social policy and employment*.

Property rights

Property rights are generally respected in the government-controlled territories of Ukraine, but the modernisation of the state land registry system remains incomplete. The authorities are applying property-rights legislation introduced at the start of the full-scale invasion, in particular concerning the monitoring of property damage and compensation for property damage.

Non-discrimination

Overall, Ukrainian society is increasingly open and tolerant towards vulnerable persons and in general hate speech and hate crime are being prosecuted. Ukrainian legislation addressing non-discrimination remains to be fully aligned with European and international standards, in terms of scope and definition of areas as well as concerning data collection. The definitions of the European Commission against Racism

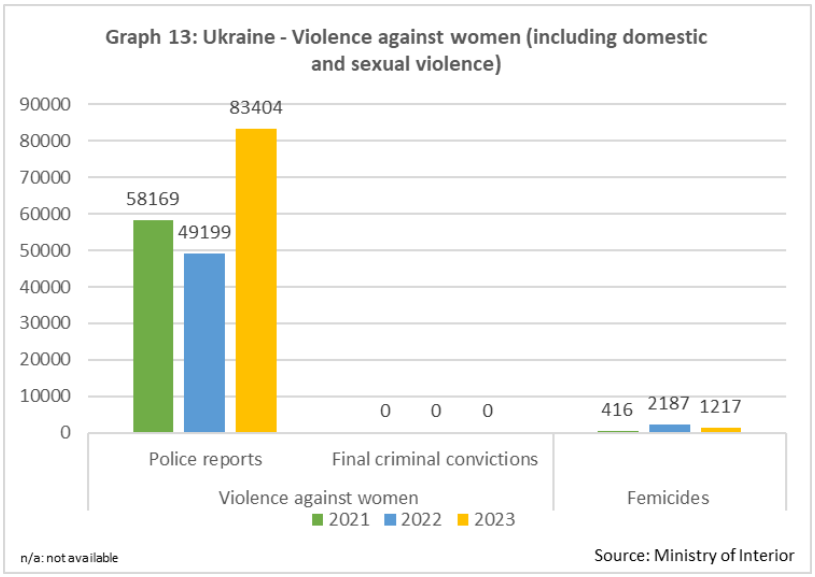
and Intolerance (ECRI) on hate speech are still to be fully applied. Criminal legislation does not cover sexual orientation and gender identity.

The Parliament's Commissioner for Human Rights (the Ombudsperson) is the main institution to receive and follow-up on complaints concerning discrimination and became member of the European network of equality bodies (EQUINET) in 2023, potentially extending its ability to develop its work in line with the EU *acquis* on non-discrimination including the role of equity bodies. Capacities of police officers, prosecutors, judges and staff of the Ombudsperson have increased, but further efforts are needed to tackle discrimination, hate speech and hate crime through suitable training and effective enforcement.

Gender equality

Ukraine has several laws in place to improve gender equality by countering gender discrimination and gender-based violence. However, more efforts are needed to ensure the legislation is adequately implemented. Gender-based violence remains a critical issue and more decisive measures are needed to tackle it, especially in view of the ongoing war in Ukraine. In May 2024, the Cabinet of Ministers adopted a resolution for the procedure and conditions for providing local support services for victims of domestic and gender-based violence, allowing for addressing the issue of local budgets for gender-based violence prevention. Services and infrastructure for victims of gender-based violence and conflict-related sexual violence should be strengthened, including through the resumption of services which were suspended due to the full-scale invasion.

Following the ratification of the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence (Istanbul Convention) two years ago, Ukraine adopted amendments to the Code on Administrative Offences in May 2024 to bring legislation on preventing and combating domestic violence in line with the Convention. As there remain protection gaps in the new legislation, strengthening the national legal framework in line with the Istanbul Convention should continue, as well as to comply with the Directive on combating violence against women and domestic violence. Gender equality has also been identified as a horizontal issue for recovery and reconstruction, including in the Ukraine Plan under the Ukraine Facility.



Rights of the child

The State Service of Ukraine for Children was set up in September 2023 and is responsible for implementing policies in the field of children's rights. In collaboration with CSOs and in consultation with families, Ukraine continued to strengthen social protection for children and increase support for families with children. Procedures and criteria for determining the best interests of the child have yet to be formulated.

Similarly, there is room to strengthen an integrated child protection system to prevent family separation, support alternative family based care and reintegration of children deprived of parental care from

institutions into families. It remains challenging to ensure quality education for all children, in particular those displaced and children near the front-line. Despite the progress of 12 child-friendly, interdisciplinary and multi-agency centres and the Barnahus model already established, alternative services ensuring child-friendly justice and free legal aid are still to be further developed.

The number of children in institutional care has decreased from 67 586 in 2021 to 64 550 in 2023. The Coordination Centre for the Development of Family Upbringing and Child Care took promising first steps towards reforming childcare, leading to a draft National Strategy and Action Plan for Better Care in spring 2024. Deinstitutionalisation should remain a priority, including the strengthening of integrated social services to prevent family separation and support alternative family placements and reintegration of children from institutions into families.

Persons with disabilities

The number of persons with disabilities continues to grow (both among civilians and in the armed forces). The Ukrainian authorities face the ongoing challenge of implementing accessibility policies and upholding the rights of people with disabilities in evacuation, reconstruction and recovery processes, while Ukraine is only partly aligned with EU acquis so far.

With regard to deinstitutionalisation of adults with disabilities, action and investment are needed to provide proper infrastructure for foster families, social services and healthcare, in particular at local and regional level. This should also include the adoption of measures to support inclusive education and access to employment for persons with disabilities. Furthermore, the legal means for persons with disabilities to claim their rights are limited. In line with the Ukraine Plan, Ukraine should improve the rehabilitation system for people with disabilities.

LGBTIQ persons

The general trend of increasing tolerance and acceptance of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons continued. However, progress stalled on key pieces of legislation, including the draft law amending the Code on Administrative Offences and the Criminal Code to combat manifestations of discrimination (registered in 2021), which will include sexual orientation and gender identity under its definition of hate crimes. The draft law on the Institute of Registered Partnerships has not progressed, despite the ECtHR judgment of 1 June 2023 reiterating the requirement for the state to ensure the equal treatment of same-sex couples in Ukraine.

Procedural rights and victims' rights

Procedural rights are outlined and protected in the Law on the judiciary and status of judges and in the Criminal Procedure Code, but their implementation suffers from inefficiencies and weaknesses in the judicial system. Ukraine's legislation has yet to be aligned with the EU *acquis*. The country's legislation on victim rights should be fully aligned with the Victims' Rights Directive and the Directive relating to compensation to crime victims as well as sectorial legislation on victims' rights that responds more directly to the specific needs of victims of particular types of crime such as domestic violence, human trafficking and child abuse. In 2023, the Coordination Centre for the Support of Victims and Witnesses was set up within the Office of the Prosecutor General. This is a significant step in the creation of infrastructure needed to provide victims with practical support and protection.

In 2023, the Parliament's Commissioner for Human Rights received 5 003 reports on violations of procedural rights, 1 660 on administrative and civil proceedings, 3 151 on criminal proceedings and 192 on places of detention. Many of these refer to violations of the right of access to justice and the right to a fair trial, excessively lengthy proceedings and violations of rights by law enforcement officers. These issues reflect structural problems in the practices of the judiciary and law enforcement authorities, which have yet to be addressed.

Protection of minorities

In general, the rights of persons belonging to the diverse ethnic, linguistic, religious and national minorities were upheld in the territory controlled by the government.

Following the recommendations of the Venice Commission, Ukraine on 8 December 2023 amended the legislation on national minorities, introducing substantial changes to the Laws on national minorities (Communities), on media, on state language, on publishing and on education, followed by several bylaws, roadmaps and methodologies. While noting that the Venice Commission has not pronounced itself on the follow-up given to its recommendation, the Commission considers that Ukraine has taken all the necessary measures.

The Implementation of the reform is key to its success and should be conducted in close consultation with the representative of national minorities. On 31 May the Council of National Minorities was established, which is an important step for the representation of national minorities. A public administration with adequate resources and capacities is essential to successfully implement the reform at all levels of government. In addition, bilateral discussions are ongoing with Hungary aimed at further strengthening the protection of national minorities.

Roma[4]

Despite the efforts of state authorities, NGOs and international organisations, the Roma community continues to face significant challenges, exacerbated by the ongoing Russian aggression. In December 2023, the Cabinet of Ministers adopted the national Roma action plan and allocated funds for effective implementation of the national strategy for Roma integration and protection. In the field of education, work on the codification of the Romani language is ongoing and implementation of the primary school curricula has been slow due to a lack of Roma teachers. Access to health services and identity documents, poverty and displacement during the war, discrimination and exclusion continue to be serious obstacles to full integration of Roma communities into Ukrainian society.

Internally displaced persons (IDPs)

Based on International Organisation for Migration data for December 2023, about 3.7 million people are displaced within Ukraine, with a further 6.5 million refugees from Ukraine in the rest of the world. The Ukrainian government continues to implement its strategy on internal displacement which runs until 2025, accompanied by an operational plan for 2023-2025.

Persistent difficulties are reported in ensuring sufficient budget allocations for social services. In March 2024, changes were made to eligibility for the IDP living allowance, which is now based on a set of socio-economic vulnerability profiles (amendment of Cabinet of Ministers' Resolution 332). While the shift from IDP-status to a vulnerability-based approach is welcome, there are concerns that IDPs may not be aware they need to re-register for assistance and that vulnerable individuals could be impacted or even excluded by the change. In the context of the Ukraine Plan, Ukraine has committed to ensuring access to housing for people in need, in particular IDPs.

Citizenship rights

In 2024, the President submitted a draft law on the acquisition and termination of Ukrainian nationality. In particular, it would allow for dual nationality for nationals of certain countries, including EU Member States. Dual nationals would be obliged to declare that in their relations with Ukraine, they are to be treated as Ukrainian nationals, which would require careful consideration in the light of the future application of the rules on EU citizenship.

2.2.2 Chapter 24: Justice, freedom and security

[4] In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

The EU has common rules for border control, visas, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. Member States also cooperate in the fight against organised crime and terrorism, and on judicial, police and customs cooperation.

Fight against organised crime

Institutional set-up and legal alignment

Ukraine improved its legislation in several fields relating to the fight against serious and organised crime; the overall legal framework needs further alignment with the EU acquis.

Ukraine adopted the action plan for the implementation of the overarching strategic plan on law enforcement reform (OAS AP). Successful implementation of the OAS AP by the end of 2027 will be crucial for reforming the civilian security sector of Ukraine in line with EU standards and best practices. Ukraine made progress by criminalising the smuggling of goods, including cigarettes, through an amendment to the Criminal Code and the Code of Criminal Procedure in December 2023. It is now crucial to focus on effective implementation. The law rebooting the Economic Security Bureau of Ukraine (ESBU) was adopted by Parliament on 20 June and signed by the President on 28 June 2024. Its swift implementation will be of central importance, in particular the transparent and merit-based selection of the Head of ESBU and the re-attestation of other staff.

Ukraine made some progress on legislation relating to financial investigations. The Law on the prevention and counteraction of legalisation (laundering) of the proceeds from crime was updated. Procedures for asset tracing and recovery were improved, and the powers of financial investigators strengthened. Ukraine expanded the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organisations to include detailed information on ultimate beneficial owners, improving transparency. However, further progress is needed on legislation relating to financial investigations, particularly concerning the adoption of relevant secondary legislation. It is important to allocate sufficient resources, provide trainings and take other necessary steps to ensure that financial investigations are conducted systematically and in a comprehensive and effective way. Ukraine adopted an action plan for implementing the asset recovery strategy, advancing reforms on a number of important areas, particularly the reforms of the legal confiscation mechanisms, asset return, asset tracing and identification in line with international legislation and good practices. Now it is important to make progress with its implementation. Ukraine should also continue with the comprehensive reform of the ARMA, also known as the National Agency of Ukraine for the identification, tracing and management of assets derived from corruption and other crimes in line with the EU *acquis*.

The State Financial Monitoring Service made progress, working with national and international partners and closely following legislative developments in the EU. The Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) is currently evaluating measures against money laundering and terrorism financing. Its follow up report is expected at the end of 2024. (*See Chapter 4 for details*).

Ukraine still lacks a law on acquisition and possession of civilian firearms. However, it made progress in this area with the adoption of a law ensuring the participation of civilians in the defence of Ukraine, improving the mechanism to declare and control firearms. The Criminal Code does not fully comply with international obligations, in particular on the legal circulation of firearms. Certain types of weapons, including military-grade firearms need to be more strictly controlled, and Ukraine needs to introduce liability for illicit firearms manufacturing and trafficking.

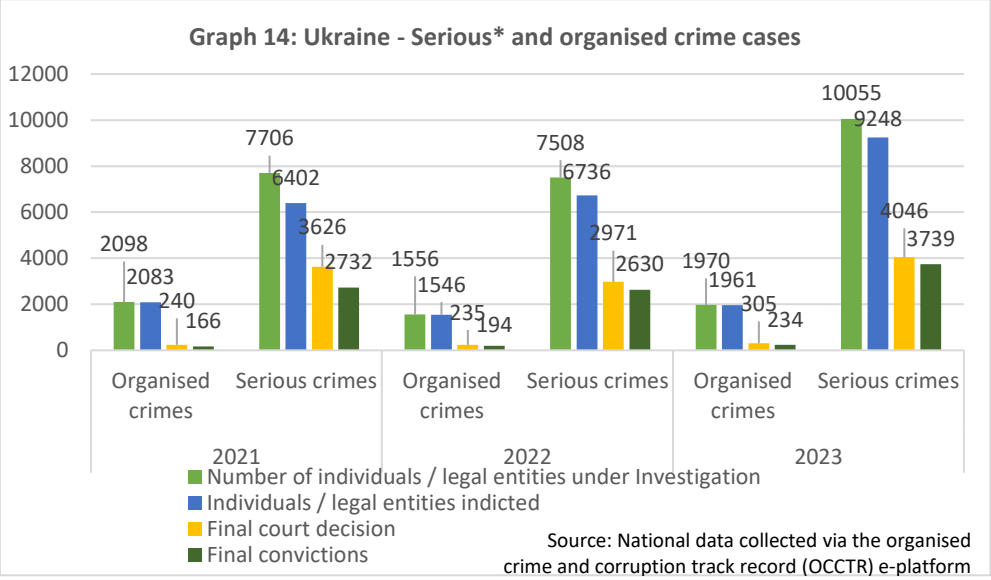
It is crucial to adopt the serious and organised crime threat assessment (SOCTA). There has been no progress on setting up a permanent national coordination body to tackle organised crime and on upgrading inter-agency cooperation and coordination mechanisms, including business processes and IT infrastructure. The Law on organisational and legal principles of combating organised crime is still outdated.

Ukraine has not implemented the provisions of the recently adopted legislation on strengthening parliamentary oversight of security and intelligence services, including the SSU, which should be done without a delay. The mandate of the SSU should focus on its national security tasks. The SSU's pre-trial investigation functions should be transferred to the dedicated law enforcement agencies (LEAs) and its monopoly on communication intercepts (wiretaps) should be lifted and internal oversight mechanisms and procedures should be streamlined in line with best EU practices.

Ukraine should focus on strengthening integrity and anti-corruption in the criminal justice system, to build public trust and the fight against serious and organised crime. Corruption among authorities remains widely spread, with several high-ranking officials removed from office due to corruption cases. Ukraine should introduce transparent and merit-based recruitment and selection procedures for managerial positions in central and regional offices of the NP and the SBI, with meaningful involvement of independent experts, and strong disciplinary and anti-corruption frameworks tailored to the local context, addressing actual corruption risks.

Implementation and enforcement capacity

The war has brought significant new tasks, relating to defending the country, protecting the population and critical infrastructure, investigating international crimes and dealing with losses of personnel and equipment and reduced financing. Despite these new tasks and other war-related challenges, Ukrainian institutions continue to demonstrate strong resilience and determination to deliver on their mandates. The war has had an impact on international criminal networks and traditional trafficking routes, creating new crime risks, in particular risks linked to arms and trafficking in human beings. Institutions have limited capacities to tackle organised crime. Inter-agency cooperation lacks efficiency and is marred by the absence of a permanent coordinator and clear procedures. Regional Organised Crime Task Forces have been set up in all regions, and workshops have been held to strengthen inter-agency cooperation. Existing rules and court practice on the inadmissibility of evidence gathered by LEAs and the unclear division and fragmentation of competences, undermine the fight against complex forms of organised crime and increase the risk of corruption.



*Data on serious crime cases stem from the aggregation of cases of money laundering, cybercrime, production and trafficking of drugs, firearms related offenses, terrorism, trafficking in human beings and smuggling of persons. Corruption cases are showcased in Chapter 23.

Organised crime investigations

In 2023 the number of criminal investigations into organised crime groups and criminal organisations and the number of indictments were higher in 2023 than in 2022, and this trend has continued in the first half of 2024, but further progress is needed.

Ukraine made some progress in developing the e-case management system in the criminal justice chain. *(See Chapter 23 for details).*

A policy concept for reforming forensics in line with international best practices should be drafted and adopted.

International cooperation between Ukraine's police and prosecutorial bodies and other countries' is well developed and continued to produce positive results, including in uncovering cross-border organised crime activities. Productive cooperation with Europol, as well as the European Union Agency for Law Enforcement Training (CEPOL) continued. From 1 April 2023 to 29 February 2024, Ukraine was involved in 82 cases at Eurojust – most of them related to organised crime, money laundering activities, swindling and fraud. During the period from 1 September 2023 to 3 September 2024 Ukraine created 21 new joint investigative teams (JIT) with foreign countries, including 15 JITs with EU Member States. Moreover, 15 JITs created before 1 September 2023 continue their activities, thus currently there are 30 JITs with EU Member States.

Ukraine's LEAs actively use SIENA, the secure information exchange network application platform, for EU law enforcement. The SSU uses SIENA-CT to communicate with Europol on counterterrorism. Within the European Multidisciplinary Platform Against Criminal Threats, Ukraine cooperates on 15 operational action plans. There has been limited progress in **implementing intelligence-led policing.** The National Police finalised setting up its regional offices across all regions. Ukraine does not have a unified information and intelligence gathering system for all LEAs.

In 2023, Ukraine further developed its track record on suspicious financial transactions. The state financial monitoring service (SFMS) registered 155 369 suspicious financial transactions (52 123 in 2022) and sent 608 referrals to the LEAs (934 in 2022). The agencies made use of SFMS referrals in 498 criminal proceedings (349 in 2022). The SFMS also sent 479 replies to 298 international requests (1 242 in 2022).

As regards **trafficking in human beings (THB),** the State Border Guard Service (SBGS) and the National Police (NP) have increased measures at border crossing points to counter THB. In 2023, Ukraine participated in the implementation of 19 EMPACT operational actions on trafficking in human beings. In 2023, 164 criminal offences of human trafficking were registered, in 109 offenses people were notified of suspicion and there were 147 indictments. 91 people were recognised as victims of human trafficking (30 women, 16 minors). Pre-trial investigation was completed regarding 24 criminal offenses committed by organised groups and criminal organisations. In the reporting period, the Department of Migration Police, together with LEAs from 12 EU countries, joined the Operational Task Force aimed at combating sexual exploitation, coordinated by Europol. Ukraine should increase the efforts to detect and identify victims of trafficking in human beings and strenghten the capacity of social services to provide the victims with adequate protection.

Ukraine has actively engaged with the international law enforcement community to address risks related to the **trafficking of small arms and light weapons.** A national firearms focal point became operational in July 2024, as the Cabinet of Ministers approved a regulation creating the Coordination Centre on Countering Illegal Circulation of Firearms, its Components and Ammunition. It will be important to ensure the necessary trained staff and provide access to databases to make it fully operational. A national registry of firearms has been operational since 23 June 2023, enabling to register and collect all information on firearms and their tracing, from the moment of importation/manufacture or seizure. In the reporting period, no cases of large-scale trafficking of firearms and other small arms and light weapons were documented. Compared to the previous period, there has been a significant increase in seizures of firearms and ammunition. Ukraine cooperates well with Europol and shares all data regarding seizures. In 2023, the number of registered criminal cases involving firearms continued to increase compared to the previous periods (10 457 cases in 2023, 2 206 cases in 2022 and 394 cases in 2021).

On **cybercrime,** the SSU now investigates all cyberattacks against critical cyber infrastructure (starting in 2024). Proactive measures against online child sexual exploitation are temporarily limited in scale due to a war-related lack of staff.

On **money laundering**, the track record improved. In 2023, 305 criminal proceedings on money laundering were registered, 242 indictments were sent to court and 50 verdicts were issued. 31 people were convicted of money laundering offences. For comparison, in 2022, the number of indictments was 117 with 19 verdicts and 16 convicted offenders.

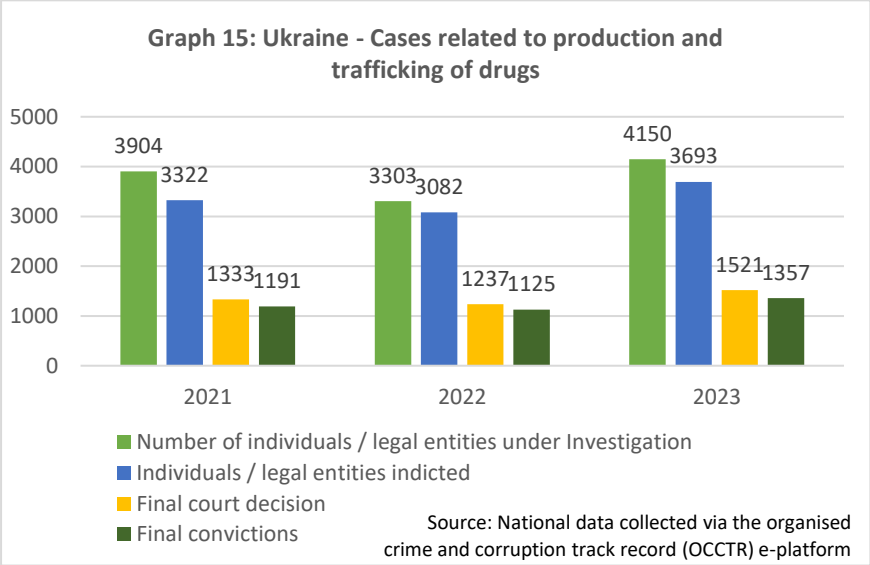
The witness protection system is still underdeveloped and fragmented; there are no significant developments to report.

Cooperation in the field of drugs

Institutional set-up and legal alignment

The legal framework for the fight against drugs needs further alignment with the EU *acquis.*

Ukraine is a party to the relevant international narcotic drug control conventions. There is a certain amount of inter-agency cooperation, coordinated by the Ministry of Health. The state-owned enterprise Public Health Centre run by the Ministry of Health became responsible for gathering information on drug abuse. There is no progress on setting up a national drugs observatory or a national early warning system on the detection of new psychoactive substances. The national drug policy strategy for the period up to 2030 and the accompanying action plan for 2023-2025 have not been adopted. Ukraine successfully cooperates with the European Union Drugs Agency.



Implementation and enforcement capacity

The use of drugs and other illegal substances is a growing problem. Drugs, especially synthetic drugs, are sold and widely available across Ukraine, including at the frontline. The illicit production of synthetic drugs continues. Drug monitoring is heavily affected by the war. Cooperation among judicial entities and LEAs should be increased, as should international cooperation in this area. In 2023, the National Police exchanged information with LEAs in other countries in 48 cases related to drug trafficking. Some of this information was exchanged via Europol's secure information exchange system SIENA or with the US Drug Enforcement Administration.

As for Ukraine's track record, in 2023, 4150 individuals/legal entities were under investigation for crimes linked to production or trafficking of drugs (3303 in 2022), there were 3693 indictments (3082 in 2022), 1521 final court decisions (1237 in 2022) and 1357 final convictions (1125 in 2022).

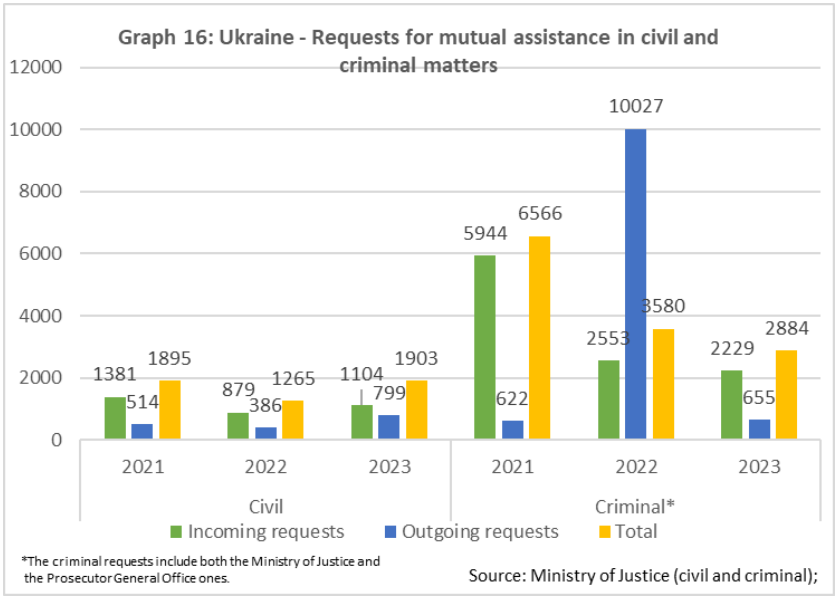
Fight against terrorism

Institutional set-up and legal alignment

The Anti-Terrorism Centre of the Security Service of Ukraine (SSU) is the inter-agency body tasked with coordinating national efforts to fight terrorism. The National Security and Defence Council involves all relevant critical infrastructure-protection state agencies (the State Service of Special Communication and Information Protection, the Ministry of Energy, the Ministry of Infrastructure, the SSU, the National Police and others). Ukraine has comprehensive anti-terrorism legislation and is a party to the relevant UN and Council of Europe counter-terrorism conventions and protocols.

Implementation and enforcement capacity

The law enforcement and justice institutions in charge of counterterrorism work professionally and effectively. The SSU looked at the terrorism threat in connection with Russia's war of aggression against Ukraine, and SSU counterterrorism units are highly involved in countering and investigating war crimes committed by Russian military and intelligence and in the protection of critical infrastructure. Since March 2023, the SSU has been connected to the Europol secure messaging network SIENA, and since June 2024, it has gained access to the specialized SIENA CT (Counter Terrorism) application.



Judicial cooperation in civil and criminal matters

The current legal framework is comprehensive and partly aligned with the EU *acquis* and European standards, and cooperation with international partners has further improved. Ukraine has 87 bilateral treaties and agreements on cooperation in civil and criminal matters with 50 countries, Eurojust and the UN. Ukraine is also a Party of all the core Conventions adopted by the Hague Conference on Private International Law. In the reporting period, Ukraine maintained good cooperation with partners in providing and requesting mutual legal assistance in civil and criminal matters.

Ukraine continued its cooperation with Eurojust. The issue of limited participation of Ukrainian representatives in joint investigation teams due to legal constraints has been addressed. Ukraine took further steps to develop close cooperation with the European Public Prosecutor's Office (EPPO). The EPPO concluded a working arrangement with Prosecutor's General Office of Ukraine on 18 March 2022, followed by a working agreement with the National Anti-Corruption Bureau in July 2023. In June 2024, Ukraine gave a commitment that its competent authorities would cooperate closely on the prevention, detection and correction of irregularities, fraud, corruption and other illegal activities, and on the investigation and prosecution of offences affecting the assistance provided to Ukraine under the Ukraine Facility, including with the EPPO.

The insolvency regime in Ukraine should be further improved and aligned with the EU *acquis.* In September 2024, the Parliament adopted a law to approximate the legislative framework with the EU Directive 2019/1023 on preventive restructuring frameworks with the aim to introduce an insolvency prevention system and early warning tool for legal entities and entrepreneurs. Further legislation for simplified insolvency procedures for micro, small and medium-sized enterprises in line with the EU Directive 2019/1023 should still be developed and adopted.

Legal and irregular migration

Institutional set-up and legal alignment

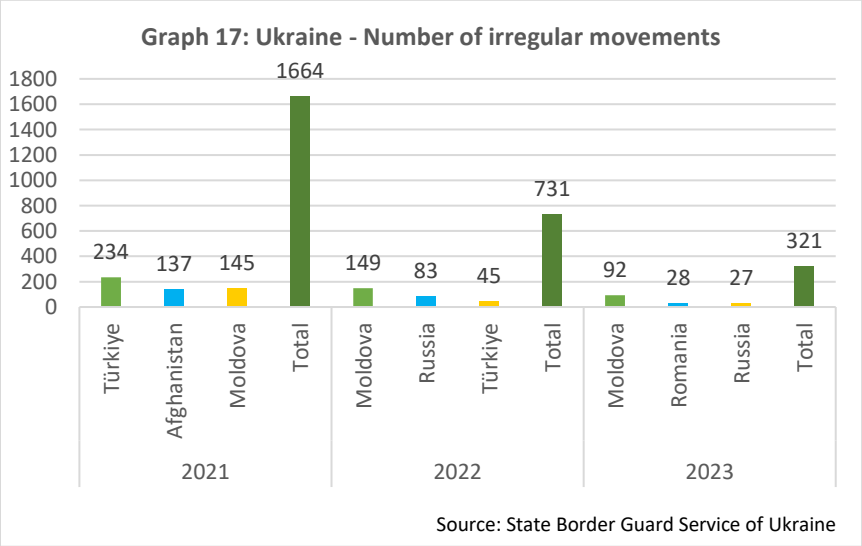
The legal framework on legal and irregular migration is partly aligned with the EU *acquis* and the management of migration needs to be further improved. Inter-agency coordination among the Ministry of Internal Affairs, the State Migration Service (SMS), the SBGS and the Ministry of Foreign Affairs needs to be further strengthened. In January 2024, the state migration policy strategy up to 2025 was amended. The corresponding action plan for 2024-25 was approved by the Cabinet of Ministers on 3 September 2024.

Amendments to migration legislation partially aligned Ukrainian law with the EU *acquis* on the status of third-country nationals who are long-term residents and on the right to family reunification. Further alignment is needed concerning a single permit for work and residence for third-country nationals.

While the legislative framework for a mass influx of migrants is in place, Ukraine lacks a mechanism for inter-agency coordination in the event of a migration crisis. The principle of *non-refoulement* is embedded in the legislation on voluntary and forced returns. Over the year, the voluntary returns procedure was rarely applied. Ukraine is relatively advanced in implementing the return directive. No rules were adopted on passenger information and visa verification obligations for carriers transporting foreign nationals to Ukraine.

Implementation and enforcement capacity

In the reporting period the number of irregular migrants detected by the SMS throughout Ukraine was lower than in the previous year.



The largest number of migrants detected originated from the Republic of Moldova, Romania and Russia. Most illegal migrants were detained for illegal crossing at the EU border. There also have been cases of illegal smuggling of persons across the state border of Ukraine, registered as criminal offences and investigated by relevant authorities. The capacity of migrant accommodation centres operated by the SMS remained unchanged.

Reports from 2023 of challenges relating to **border control** remain valid. The SBGS continued to cooperate with the European Border and Coast Guard Agency (EBCGA) on information exchange, joint risk analysis, operations and staff training, with no major changes in the reporting period.

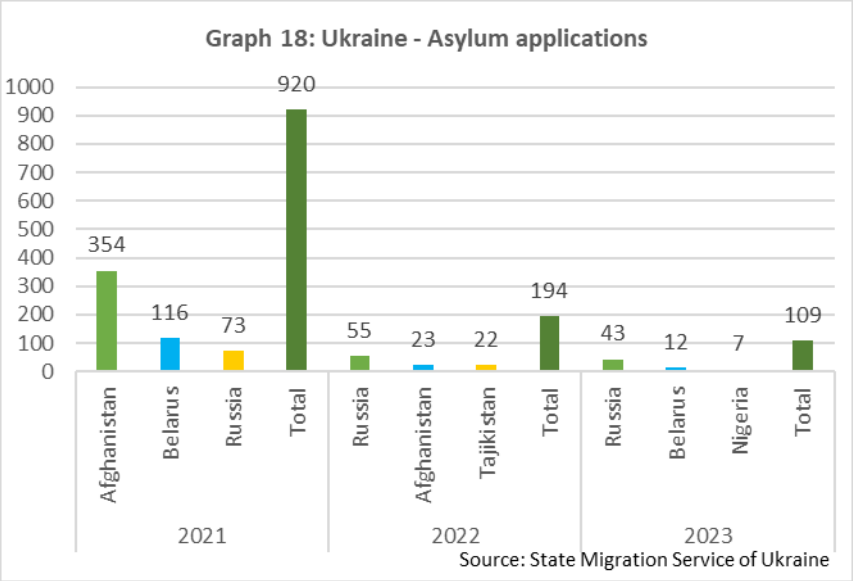
Procedures on **readmission** remained unchanged. The 2007 EU-Ukraine readmission agreement and implementing protocols between Ukraine and eight EU Member States were applied. Ukraine agreed new protocols with Spain, Latvia, Hungary and Romania. A draft implementing protocol with Slovakia was approved and is awaiting signature.

The integrated migration management system is not fully operational. Complementary legislation on processing of biometric data should be adopted for full operationalisation of the system with automated business process workflows for inter-agency cooperation.

Asylum

Institutional set-up and legal alignment

Asylum legislation is broadly aligned with the EU *acquis*, but the management of asylum needs to be further improved. Only limited support is available for asylum seekers owing to the lack of capacity and shortage of staff. Ukraine should be prepared to start discussions with the European Union Asylum Agency (EUAA) regarding a future roadmap for bilateral cooperation.



Implementation and enforcement capacity

In the reporting period, the number of applications for protection declined. No cases of *refoulement* or non-admission at the borders were reported, although the capacity to integrate recognised refugees remained limited. The average duration of the asylum procedure is six months, but it can take longer given the current situation in Ukraine and the fact that some applicants remain out of country. In 2023 there were 109 applications, eight persons were recognised as refugees and 45 as persons in need of additional protection.

Visa policy

The national visa regime is largely aligned with that of the EU, including the EU *acquis* on the processing of applications, the criteria for granting protection and the processes for issuing visas. However, the list of third countries with which Ukraine has visa-free regimes needs further alignment with the EU's list. The security features of visas and travel documents are broadly aligned. Phasing out of non-biometric passports by 2026 is ongoing. Issuance of visas at the border was suspended on 24 February 2022 and has not been resumed.

The **visa-free regime** with the EU is in operation. Ukraine continues to meet visa liberalisation benchmarks.

Schengen and external borders

Institutional set-up and legal alignment

The legislative framework for the management of external borders is partly aligned with the EU *acquis*. In the reporting period, the integrated border management (IBM) strategy up to 2025 was amended and a corresponding action plan for 2023-2025 approved. However, the strategy does not explicitly cover aspects related to Ukraine's EU integration and the plan still requires concrete indicators for measuring its implementation progress. There is no Schengen action plan in place. The legislative framework for border control is only partly aligned with EU policy and best practices. Adopting the law on the processing of passenger data (API/PNR) could improve the national system for combating terrorism and organised

crime. It could also help to bring legislation into line with international standards in this field.

Implementation and enforcement capacity

Overall, further alignment with the EU IBM standards is required, and IBM institutional capacities and inter-agency cooperation mechanisms should be further improved. In the reporting period, the Inter-Agency Working Group for IBM met only twice. In April 2024, the National Coordination Centre for IBM was launched. While this was an important step for effective data sharing and cooperation, ensuring that its operations bring concrete results will be crucial. There is still no structured crisis response mechanism.

Shortages of staff, appropriate infrastructure and equipment are the main challenges for border management agencies' capacities, this year as in the past. In March 2024, a law was adopted to increase the number of SBGS staff to 75 000 within a year of the lifting of martial law. While border checks meet minimum standards, technical infrastructure requires a significant upgrade. Additional capacities are needed to counter smuggling, including weapons and people. While risk-analysis-based border surveillance mechanisms are satisfactory, border surveillance is not fully effective. A considerable amount of infrastructure has been destroyed at border crossing points on the northern, eastern and southern sections, and half of the border crossing points remain closed due to the war.

Ongoing efforts by the SBGS and the State Customs Service have resulted in some improvements on fighting corruption at the border. Further developments of the automated exchange of customs' information at the Ukrainian-Moldovan border allows for enhanced transparency and accountability. State Border Guards continued to digitise border management processes, improving traceability and introducing measures to ensure the accountability of the inspectors. Nevertheless, more effective measures are needed. The SBGS continues to cooperation with the EBCGA on information exchange, joint risk analysis, operations and staff training, with no major changes in the reporting period.

On operational **cooperation with neighbouring countries**, in the reporting period Ukraine negotiated and reached a bilateral agreement on joint controls with Poland.

Counterfeiting of the euro – criminal law aspects

The relevant legislation is not in line with the EU *acquis* on measure to combat counterfeit currency.

2.3. ECONOMIC CRITERIA

Table 8.1: **Ukraine - Key economic figures**	**2015-20** average	**2021**	**2022**	**2023**
GDP per capita (% of EU-27 in PPS)	28,8	34,7	28,0	29,8
Real GDP growth (% change)	-0.3	3,4	-28,8	5,3
Economic activity rate of the population aged 15-70 (%), total[1)]	62,3	62,3	57,7	56,7
Unemployment rate of the population aged 15-70 (%), total[1)]	9,1	9,9	24,3	19,2
Employment of the population aged 15-70 (annual growth %)	-0,6	-0,9	-22,1	4,8
Nominal wages (annual growth %)	22.5	20,9	6,0	17,4
Consumer price index (annual growth %)	16.4	9,4	20,2	12,9
Exchange rate against EUR	29.1	32,3	34,0	39,5
Current account balance (% of GDP)	-0.6	-1,9	4,9	-5,2
Net foreign direct investment, FDI (% of GDP)	-2.3	-3,8	-0,1	-2,4
General government balance (% of GDP)	-2.4	-4,0	-15,6	-19,6
General government debt (% of GDP)	67.2	50,5	77,7	82,3
Sources: Eurostat, World Bank, International Monetary Fund, National Bank of Ukraine				

2.3.1. The existence of a functioning market economy

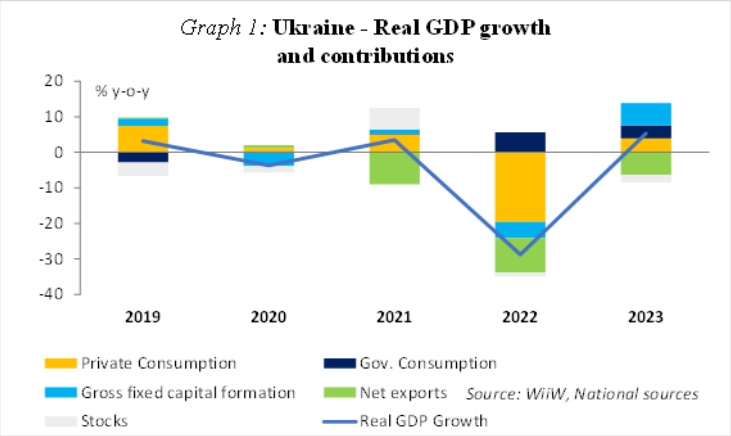
Economic governance

Despite the significant challenges, Ukraine has demonstrated a strong commitment to implementing reforms as part of EU and IMF programmes. The Ukrainian authorities successfully met the policy conditions under the MFA+ in 2023. On 18 March 2024, the Ukrainian government adopted the Ukraine Plan – the overarching reform agenda for 2024-2027, which is projected to boost growth potential in the medium term. According to the Staff-Level Agreement for the fifth review, Ukraine met all quantitative performance criteria and structural benchmarks under the IMF Extended Fund Facility programme in September 2024. Additionally, in an effort to streamline reform management and enhance oversight, Ukraine established a 'Reform Matrix' – a comprehensive framework designed to coordinate and track policy reforms across various sectors.

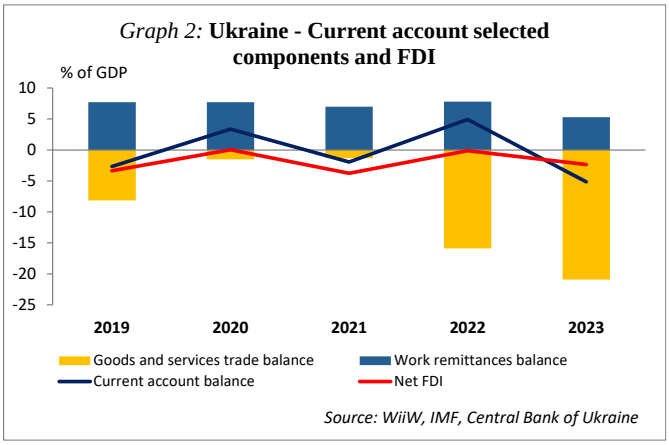
The Ukrainian authorities were able to gradually start reapplying market principles in 2023. Strong economic performance and substantial international aid paved the way for a rollback of some emergency measures and partial return to market reforms and policies throughout 2023-2024. In October 2023, the National Bank of Ukraine (NBU) transitioned to a managed float system for the hryvnia, and in September 2024, it updated the Medium-Term Monetary Policy Guidelines, outlining a return to inflation targeting, with a 5% inflation target as the central NBU objective over a three-year horizon. The NBU further eased foreign exchange (FX) restrictions, permitting the repatriation of new dividends and the repayment of interest for old external loans. Further, the government adopted a 3-year debt management strategy for 2024-2026 and reinstated the medium-term budget framework with the approval of the Budget Declaration for 2025-2027.

Macroeconomic stability

Ukraine's economy is showing significant resilience. Following the economic contraction of almost 29% in 2022, real GDP expanded by a higher-than-expected 5.3% in 2023. The economy's strong performance was underpinned by supportive fiscal policy bolstered by international aid, and robust agricultural output. Investment expanded markedly, although from a very low base, while private consumption grew by 6.1%, supported by easing inflation and some improvement in the labour market conditions. In early 2024, economic activity has remained dynamic, with a notable increase in goods exports, after Ukraine regained control of a shipping corridor in the Black Sea. However, increased attacks on energy infrastructure in the first half of 2024 destroyed about 50% of energy production capacity, disrupting economic activity. However, efforts to rebuild damaged infrastructure and increase electricity import capacity have gathered pace. Beyond the war, Ukraine's economy continues to suffer from an unfavourable business environment, a declining working-age population, and reliance on agriculture and low value-added sectors with limited potential for productivity gains.



The current account returned to a deficit in 2023 after a record surplus in 2022. The current account returned to a 5.2% deficit in 2023 due to a widening trade deficit (imports of goods increased while exports were held back by bottlenecks) and a declining income balance (driven by a decrease in international grants, which have been replaced by loans). Higher reinvested earnings by firms, which have gradually adapted to the war context, also worsened the current account. Strong external financing inflows continued, mostly from international partners strengthened gross international reserves, which stood at USD 37.2 billion in July 2024, or 4.8 months of imports.

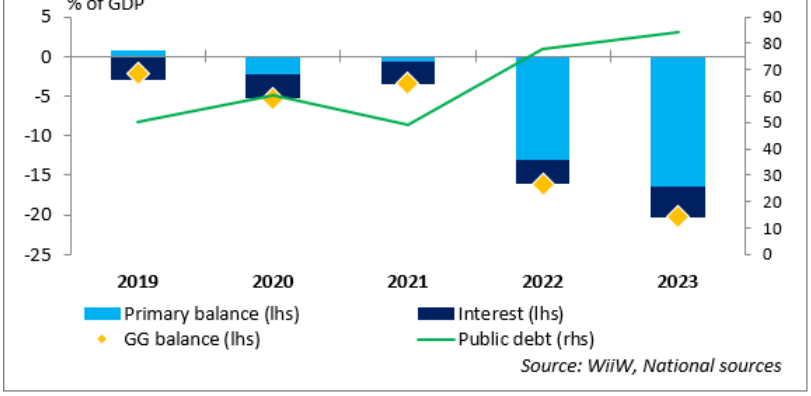


Inflation eased substantially in 2023 and 2024, after peaking in 2022. The decline in inflation was driven by several factors, including: lower food prices due to strong harvests in 2023, reduced external price pressures, a tight monetary policy, increased confidence in the national currency, and the complete cessation of monetary financing. As a result, inflation returned to its pre-war target in early 2024. This enabled the NBU to cut the key policy rate by a cumulative 1200 basis points since July 2023 and introduce a managed float system in October 2023.

Public finances deteriorated further in 2023. After a sizeable increase to 16.1% of GDP in 2022 (25.4% of GDP excluding grants), the fiscal deficit widened further to 20.3% of GDP in 2023 (27.1% of GDP excluding grants), largely driven by a hike in defence expenditure and weak tax revenues. Ukraine continues to lack access to international debt markets and relies on domestic financial markets (at the cost of high interest rates) and foreign assistance to address its financing needs. As a result, public debt increased to 84.4% of GDP in 2023. The agreement to restructure private debt with bondholders, reached in August 2024 following a two-year payment freeze, is estimated to relief Ukraine of USD 22.75 billion

in debt-service payments by 2033 (over 75% reduction). This marks a significant step towards ensuring the sustainability of public finances. The transparency of public finances has improved, although the publication of some budget documentation is limited and access restricted, such as for General Government fiscal data.

Graph 3: **Ukraine - Fiscal Developments**



Source: WiiW, National sources

The macroeconomic policy mix is focused on maintaining stability amidst the ongoing Russia's war of aggression. Fiscal policy has been adjusted to support war efforts by increasing expenditure in defence and constraining expenditure in non-defence categories. Given the sizeable fiscal deficit, the government has put forward measures to increase domestic revenues, including a permanent increase in the corporate income tax rate for banks to 25%. The adoption of the National Revenue Strategy is also a welcome development, as it aims to revise tax privileges and incentives that limit revenues, and improve the functioning of the State Tax Service by encouraging modern compliance risk management practices and increasing digitalisation. However, large expenditure needs and dependence on external financing underscore the need to step up efforts to increase revenue in the medium term. Monetary policy has been crucial in maintaining financial stability and bolstering confidence in the domestic currency, while the recent easing cycle has been an appropriate response to inflation dynamics. Foreign exchange market conditions have remained broadly stable, with the exchange rate depreciating by a cumulative 6.6% in the first five months of 2024 and the spread between the cash and official exchange rates compressed to below 1%.

Functioning of product markets

Business environment

War-related and long-standing challenges continue to weigh on business activity and investment, but the government has made progress with reforms. While the war remains the primary factor constraining business activity and production, other indirect factors such as high input prices and labour shortages are increasingly limiting business activity. The government provides significant support through state credit initiatives, employment programmes, and by expanding the war-insurance architecture. The business environment would nevertheless benefit from better coordination of support measures, while additional actions to curb corruption, market dominance and red tape could enhance investment levels. Adopted in September 2023, the law improving the legal framework for the Anti-Monopoly Committee (AMCU) is a significant step in this direction. However, weaknesses remain, particularly the absence of a competitive process for appointing the head of the AMCU, as well as insufficient procedures for imposing fines and holding AMCU representatives accountable. Deregulation efforts led to the abolition of 111 legal acts and the optimisation of 584 in 2023-2024. Key administrative procedures have been simplified, particularly in customs and bankruptcy, while the implementation of the Ukraine Plan is expected to bring further improvements, notably in terms of the insolvency framework. Ukraine continues to have a large informal economy[5]. However, the government is taking steps to reduce its size by strengthening the capacity and functioning of key institutions like the State Tax Service with a view to increasing compliance.

[5] According to World Economics (2024), which uses an average of the latest estimates from economists around the world, Ukraine's informal economy represents about 44.2% of GDP. Any estimations need to be taken with caution given the variety of methodological approaches.

State influence on product markets

The state footprint in the economy remains high. In 2023, the public sector accounted for 22% of gross value added, up from 6% in 2021, and total government consumption increased to almost 42% of GDP, from just below 40% in 2022. SOEs continued to play a significant role in the economy; Ukraine's state portfolio included more than 3000 of them. As part of the Ukraine Plan, the government has committed to a series of reforms aiming to reduce the state influence in the economy and modernise those SOEs that will remain in state ownership, based on a new state ownership policy and improved governance and management of SOEs. As part of government's commitment to ensure separation of accounts between Public Service Obligations (PSOs) and non-PSOs activities in SOEs, Ukraine should adopt a roadmap defining relevant steps, assess the legislation identified therein and amend the legislation to ensure a mandatory structural separation of accounts in all top SOEs. The government continues to monitor and control the prices of certain essential goods. Household electricity tariffs were increased in June 2024 to reflect higher production and import costs, though they remain below the cost of production.

Privatisation and restructuring

Notable progress has been observed in the corporate governance of SOEs, while privatisation efforts have been modest. In 2023, annual revenues from privatisation amounted to EUR 108 million (0.05% of GDP), an all-time high. Despite this, privatisation has been limited to small property and production assets; there have been no large-scale privatisation deals in 2023 and 2024. However, the government plans to relaunch them when conditions allow. The Rada adopted a law on corporate governance of SOEs in February 2024 to align it with OECD Guidelines, setting out the managerial powers of SOE supervisory boards (granting exclusive powers to appoint managers, as well as to approve strategies and financial plans) and introducing mandatory elements in the internal control system (compliance, risk management, and internal audit). This is expected to increase efficiency and reduce political influence on SOE's operational activities. Moreover, an OECD-compliant corporate governance in state-owned enterprises in the energy sector is crucial to ensure their efficient and effective functioning, and given the repair and new infrastructure needs.

Functioning of the financial market

Despite the persistence of war-related risks, the banking sector continues to be stable, profitable, and with ample liquidity. High interest rates, strong operational efficiency, and moderate provisioning pushed profits in the banking sector to a record EUR 2.6 billion (1.3% of GDP) in 2023, even after accounting for the temporary increase in the corporate tax rate to 50%. The resilience assessment of the largest banks, published by the NBU in early 2024, showed that the sector as a whole has sufficient capital and a substantial margin of safety. As part of the Ukraine Plan, the NBU will resume its regular resilience assessment of the banking sector to include stress testing under the adverse scenario. Although the non-performing loans (NPLs) ratio is still very high, it decreased slightly from 38.2% in February 2023 to 36.8% in February 2024. The government has published a strategy to further reduce NPLs, setting out specific actions to improve the resolution framework and create incentives for the development of NPL market, inter alia. The market share of the state-owned banks increased to 53.6% in 2023 following the nationalisation of Sense Bank in July 2024. The selection of a new Board is currently ongoing, with at least six members needed for the Board to be operational. The law on state-owned bank (SOB) privatisation was adopted, which should accelerate the reduction of state ownership in the sector. The Ministry of Finance is expected to appoint an internationally recognised financial advisor to prepare two systemic SOBs, i.e., Sense Bank and Ukrgasbank with 4% and 6% of total assets, respectively, for sale. Thanks to government-backed subsidized lending initiatives (e.g., '5-7-9' programme for SMEs and the 'eOselya' for mortgages), banks' claims to the private sector have stopped declining and are starting to grow. However, overall lending to the private sector remains subdued, even if surveys suggest that access to finance is not a significant barrier to conducting business at this stage. Capital markets and non-bank financial intermediation continue to be in a very early stage of development, with no progress observed

over the past year.

Functioning of the labour market

The war is exacerbating persistent labour and skill shortages in the labour market. Around 38% of businesses mentioned that finding qualified workers was a significant challenge, and some estimates suggest that the overall labour shortage will reach 16% of labour demand in 2024. At the same time, while official data is scarce, there is some indication that labour shortages, particularly in male-dominated sector such as construction and mining, have led to increased labour market participation among women, which has been structurally low in Ukraine. To address key labour market issues, the government, together with private job search agencies, have created a common job portal which includes an estimated 230,000 vacancies at any one time. Some reforms of the State Employment Service have also been launched. In line with the Ukraine Plan, the government has prepared a demographic strategy outlining, inter alia, steps to facilitate the return of refugees (e.g., reducing administrative processes for the return of individuals) and internally displaced persons (e.g., providing support to them to start a business or organising tailored training courses). Distortions caused by the large marginal tax rates for low-income workers contribute to informality and reduce labour supply. A reform of the personal income tax system is foreseen in the National Revenue Strategy to address this issue.

2.3.2. The capacity to cope with competitive pressure and market forces within the Union

Education and innovation

While outcomes lag behind those in the EU in particular due to the effects of Russia's war of aggression, the authorities are taking steps to improve the quality of education. While public spending on education as a share of GDP declined in 2023 reflecting the large number of displaced children and the prevalence of online learning, it remains similar to that in the EU. Results from the most recent PISA (Programme for International Student Assessment) study in 2022 showed a decline in performance compared to the previous round in 2018, likely due to the combined effects of the pandemic and the war.[6] The Ministry of Education and Science adopted a new strategic plan covering the period from 2024 to 2027, which prioritises improvements to early childhood education, vocational education, updated curricula and digitalisation, among other areas. In addition, the Ukraine Plan contains a number of measures and investments to improve human capital in particular through the education system. The authorities have also taken steps to prepare the education and training system to meet the needs of Ukrainians returning from abroad. These include accelerated curricula as well as short retraining courses for returnees in critical areas such as construction. Spending on research and development remains low standing at 0.32% of GDP in 2022. The country currently still ranks third among lower middle-income countries in the World Intellectual Property Organisation's 2023 Global Innovation Index.

Physical capital and quality of infrastructure

Ukraine has continued to address urgent reconstruction needs amidst tight budgetary resources. According to the most recent Rapid Damage and Needs Assessment released in February 2024, direct damage to Ukraine's buildings and infrastructure had reached almost EUR 142 billion by the end of 2023. Ukraine has continued addressing urgent reconstruction needs, in particular for energy generation, but also for housing and roads. Among the steps taken are measures to facilitate and de-risk private sector investment such as insurance and streamlined processes for construction and infrastructure projects. As Russia continues to attack Ukrainian energy infrastructure, having taken out over half of the power generation capacity, urgent reconstruction needs will remain high. The Ukraine Plan commits the country

[6] The PISA study was conducted in October 2022 in only 18 of Ukraine's 27 regions. The results are thus not entirely comparable with those from 2018. Nevertheless, the authorities themselves do make the comparison (in their contribution to the enlargement report) and conclude that 'the educational loss of Ukrainian 15-year-olds in reading can be estimated to be about two years of schooling.'

to important public investment management reforms which will be key to recovery and reconstruction. In addition, the authorities have laid out several steps within the Plan addressing the destruction of critical housing, social, administrative, transport and energy infrastructure.

Good digital connectivity has been key to the country's resilience during the war despite slower progress last year. The proportion of Ukrainian households with internet access (79%) has not changed substantially since 2021, though this remains below the EU average of 92%. Internet providers have managed to maintain service provision for example by repairing damaged mobile towers. Notably, 85% of internally displaced people made use of 'Diia', the government's app and web portal for public services; 19.8 million users accessed the app from their smartphones. Ukraine scored above the Eastern Partnership average for e-government services for SMEs and support for the digitalisation of SMEs in the 2024 OECD SME Policy Index. Frequent attacks on digital infrastructure underscore the need for cybersecurity safeguards, rebuilding efforts and increasing infrastructure resilience.

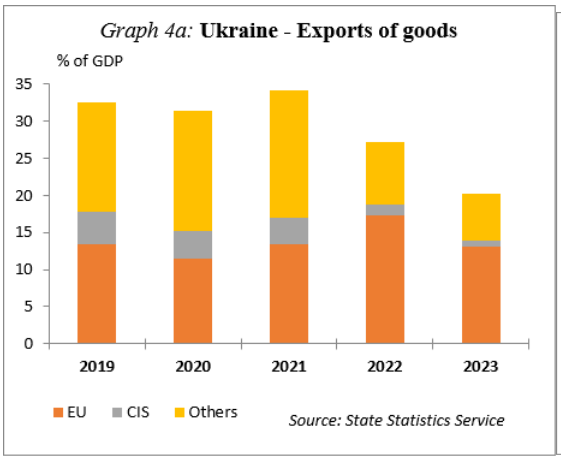
Sectoral and enterprise structure

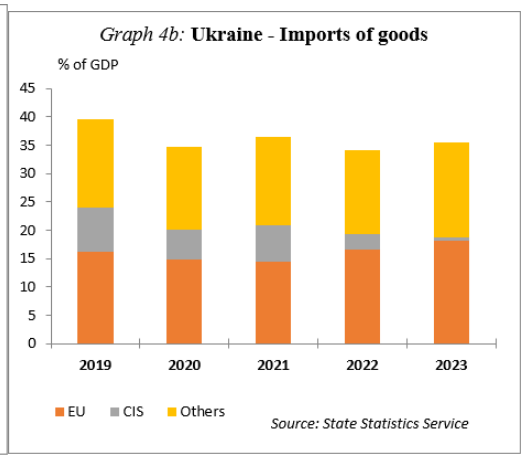
There was a marked shift from agriculture and industry to services in 2022 which stabilised in 2023. Agriculture's share of GDP fell from over 12% in 2021 to around 7.5% in 2023, following a 30% decrease in total agricultural production in 2022. However, Ukraine's exports continue to rely heavily on agricultural products, which account for 65% of all exports, despite major challenges including the inability to access inputs, loss of farmland, risks from mines, destruction of machinery and soil damage. Industry has seen a similar decline (to 20%), and the share of construction halved while the relative size of the service sector grew to around 69% of GDP. Industrial production is dominated by energy, basic metals, mining and other lower value-added industries. The information and communication technology sector, where Ukraine had been developing a comparative advantage, maintained its relative share of output at 5.2% of GDP, and digital services make up 12% of total exports.

Nearly all registered businesses in Ukraine are SMEs. SMEs employ 74% of the Ukrainian workforce and generate 64% of added value in the economy. These businesses have shown remarkable resilience despite the war: 91% of SMEs that stopped operating have resumed trading. According to a survey from January 2024, about a quarter of SMEs have benefited from state or international assistance, though access to finance remains a commonly cited obstacle. Ukraine's Small Business Act scores, which assesses the SME policy framework against EU and international best practice, improved in all dimensions between 2020 and 2024, in particular in the areas of internationalisation, business development services, skills and women's entrepreneurship. In other areas such as access to finance, public procurement and operational environment, progress has been slow, which reflects the impact of the war. The Ukraine Plan contains a number of measures and investments to improve the business environment and provide access to finance for SMEs.

Economic integration with the EU and price competitiveness

The overall openness of the economy as measured by the trade-to-GDP ratio declined from about 87% in 2022 to 78% in 2023 as a result of disruptions related to the war. The disruption of the Black Sea and overland export routes of Ukrainian agricultural products have hampered exports, though the EU-Ukraine Solidarity Lanes provided alternative transport routes and the opening of the new Black Sea route since August 2023 has significantly improved export volumes. Despite the overall decline, the EU remains Ukraine's largest trading partner, taking about 65% of Ukraine's exports and accounting for more than half of Ukraine's imports of goods. Since 2022, the EU has fully liberalised trade of all products by adopting temporary autonomous trade measures. The EU is also the largest source of foreign direct investment (FDI) in Ukraine, accounting for three-quarters of FDI stock in 2022. The real effective exchange rate appreciated slightly in 2023 driven by higher inflation and a slower exchange rate depreciation in the hryvnia.





2.4. PUBLIC PROCUREMENT, STATISTICS AND FINANCIAL CONTROL

Chapter 5 - Public procurement

EU rules ensure that the public procurement of goods, services and works in any Member State is transparent and open to all EU economic operators on the basis of non-discrimination and equal treatment.

Institutional set-up and legal alignment

The **legal framework** on public procurement remained mostly unchanged and thus partially aligned with the EU Directives on public procurement. It is necessary to ensure further alignment of the Public Procurement Law (PPL) as well as laws on public-private partnerships (PPPs), concessions and definition of defence procurement with the EU Directives. The government adopted the Strategy for Reforming the Public Procurement System for 2024-2026 and an Action Plan for its implementation in February 2024. While the Strategy lays the groundwork for planned strategic development, it should be supported by a clear and structured approach for its implementation.

Since 2022 PPL retains temporary domestic content requirements for a period of 10 years for selected machines and equipment. Contracting authorities have continued facing difficulties in the application of these requirements because of burdensome formalities and the ambiguity of the rules. Contracts falling within the scope of Ukraine's international commitments, including the Association Agreement (AA) with the EU, are exempted from this requirement. Yet, the exact coverage of this exemption should be made clear for contracting authorities in compliance with the principles of equal treatment and non-discrimination, as set out in the AA.

Due to the war, Ukraine introduced temporary exceptions from the public procurement legislation by way of government decrees. While the scope of exceptions has been reduced, further measures are required to reduce and maintain exceptions to the minimum. The amendment to the PPL introducing exemption for innovative medicines purchased via managed entry agreements, adopted by Parliament in March 2024, necessitates the ending of the exemption as soon as circumstances allow.

Implementation and enforcement capacity

The constraints in availability of adequate human and financial resources affect the institutional capacity of management of public procurement across the institutions. Despite the war, the authorities have largely ensured implementation and enforcement capacity in public procurement, including the use of the e-procurement system ProZorro.

The overreliance on price as the sole award criterion indicates a significant imbalance in prioritisation of price over quality.

Two new central procurement bodies respectively for defence non-military and military procurement were established by the Ministry of Defence and started their operations in the end of 2023. Large-scale procurement training programme in defence sector was launched in the beginning of 2024.

The State Audit Service continues to carry out **monitoring** of legal compliance of **contract award and implementation.** The coverage of monitoring and *ex post* internal audit of public procurement remains modest.

The contracting authorities need to continue building **capacity to manage public procurement processes.** Professional standards, professionalisation strategy and training policy based on training needs assessment remain to be put in place.

Overall legal and institutional framework regarding **integrity and management of conflicts** of interest is in place. However, risk assessments within the contracting authorities, internal and external controls remain weak. A sector anti-corruption strategy based on a risk assessment is missing.

Efficient remedy system

The legislation on the **right to legal remedy** is partly aligned with the EU *acquis*. A steady increase in the number of complaints to 15 255 cases in 2023 compared to 7 939 complaints in 2022 highlights the need of pursing the recruitment of public procurement commissioners, 4 out of maximum 10 were recruited in 2023. The enhancement of the Antimonopoly Committee of Ukraine's internal administrative capacities to support the work of commissioners should be continued.

Chapter 18 - Statistics

European statistics are developed, produced and disseminated by EU Member States, guided by the principles and criteria elaborated in the Regulation on European statistics, such as professional independence, impartiality, reliability, transparency and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information, which are further specified in sectoral legislation that constitute the EU acquis on statistics.

On **statistical infrastructure**, in September 2023, Ukraine established a National Council of Statistics as a consultative body to the Cabinet of Ministers with a coordination role, but it was not fully functional yet. Ukraine adopted legislation to align with the European standards and to integrate the principles of the European Statistics Code of Practice and approved the Programme for the development of official statistics until 2028. The institutional framework for statistics and the administrative capacity of the institutions involved need further strengthening, and the coordination role of the SSSU should be enhanced. Overall, the legal framework remains partially in line with the EU *acquis*.

The SSSU adopted a Communication Strategy and developed a standard quality report of State statistical observation 'input-output' tables and published it on its website. Moreover, the SSSU introduced the Single Integrated Metadata Structure for reporting on the quality of State statistical observations in line with the EU *acquis*. Making some data publicly available for international comparisons remains unresolved due to the martial law.

On **classifications and registers**, Ukraine approved an updated version of the Nomenclature of Industrial Products based on PRODCOM 2023. Ukraine also aligned its classification of the statistical regions with the EU *acquis* on the establishment of a common classification of territorial units for statistics.

The collection of **macroeconomic and government finance statistics** remains disrupted due to martial law. Ukraine started compiling quarterly financial accounts. Since March 2024, data on the monthly and quarterly balance of payments and international investment position has been published in EUR and UAH.

Ukraine improved the methodology for calculating indicators of demographic statistics of enterprises, approved the waste classification procedure and the national list of wastes in line with the EU *acquis* and

adopted the methodology for calculating greenhouse gas emissions in line with the EU *acquis*, based on which air emission accounts for 2021 were published. Still, substantial progress is expected in the **areas of business, trade, social, agriculture, transport, energy and environment statistics**.

Chapter 32 - Financial control

The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.

Public internal financial control (PIFC)

The **strategic framework** for PIFC is in place as part of the public finance management reform strategy for 2022-2025. The Centralised Harmonisation Unit has been developing a web PIFC portal to improve its efficiency. The cooperation between the PIFC institutions, the auditing institution and the law enforcement agencies needs to be improved. Delegated managerial accountability and risk management practices still need to be fully incorporated into legislation and administrative practices.

Continued efforts to strengthen the quality of internal audit and its alignment with international standards should be ensured. Internal audit offices were established in 92% of all key spending units, 30 additional internal auditors were hired, however around 30% of internal audit positions still need to be filled. A certification commission for the internal audit function has been established within the Ministry of Finance.

External audit

The current legal framework for **external audit** needs to be brought in line with international standards for supreme audit institutions. Ukraine should improve the political, administrative and financial independence of the Accounting Chamber of Ukraine (ACU) and extend its mandate to cover all public spending (including through financial audits). The delineation of mandates between the ACU and the State Audit Service requires improvement.

In June 2023, the ACU adopted the International Framework of Professional Pronouncements for their operations and endorsed methodologies for both compliance and performance audits, meaning that all three types of audit methodologies are now in place in line with international standards and will need to be implemented. ACU is currently in the initial stages of conducting audits in compliance with international standards.

The **impact of the ACU's work** remains limited and requires improvement. Some progress has been achieved concerning monitoring the implementation of audit recommendations and the set-up of a specialised IT tools. To promote reforms, the audits should be chosen based on risk and impact assessment, which needs to be reflected in the ACU's operational plan for 2025. The process of conducting initial financial audits on the annual consolidated financial statements of institutions has started.

Protection of the EU's financial interests

The national legislation ensures some degree of **alignment with the EU *acquis*** in terms of protection of EU's financial interests. Liability for fraud that impacts the EU budget needs to be established and strengthened. A national anti-fraud strategy to protect EU's financial interests still needs to be adopted.

While an **anti-fraud coordination service (AFCOS)** has not yet been established to facilitate effective **cooperation** and exchange of information **with the European Anti-Fraud Office** (OLAF). The State Audit Service was nominated as the national contact point for cooperation with OLAF and the European Court of Auditors. Ukraine should set up a network of all national authorities involved in the protection of the EU's financial interests and ensure that the respective roles of these authorities are clearly defined.

Currently cooperation between the relevant national authorities and OLAF takes place on a case-by-case basis. Ukraine is encouraged to develop this into a solid track record of cooperation.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Russia's unprovoked and unjustified full-scale war of aggression against Ukraine continues to affect Ukraine's relations with enlargement countries and neighbouring Member States, as well as its activities in regional formats. Most neighbouring countries were represented by high-level delegates at the Summit of Peace organised by Switzerland in June 2024, showing their political support for Ukraine.

Ukraine participates in the Eastern Partnership, and is part of a number of regional formats, including the Central European Initiative, Black Sea Economic Cooperation, the Organization for Democracy and Economic Development and the Regional Cooperation Council.

Ukraine maintains longstanding close ties with neighbouring **Moldova**. Bilateral political dialogue has been strengthened at all levels reflecting Moldova's strong support for Ukraine in the context of Russia's war. The dialogue on EU accession issues has been further boosted by the fact that the explanatory phase of screening took place for Ukraine and Moldova simultaneously. The two countries also discuss regional and security issues, the situation in the Transnistrian region and management of water resources of the Nistru River, which remains a challenging topic.

Ukraine and **Georgia** continue to implement a strategic partnership begun in 2017. While Georgia supports Ukraine's territorial integrity and sovereignty, Ukraine has expressed concerns that Georgia has not aligned itself with EU sanctions against Russia and does not cooperate on military-technical matters. The ill health of former Georgian President Saakashvili, a Ukrainian citizen, continues to cause diplomatic tensions.

Türkiye is a strategic partner for Ukraine, with important bilateral economic and people-to-people ties, evidenced by a bilateral visa-free regime and a free trade agreement (not yet ratified). Bilateral relations have been bolstered since the beginning of Russia's full-scale war by Türkiye's technical, humanitarian and military support for Ukraine, and by its co-sponsoring of UN resolutions supporting Ukraine's territorial integrity and sovereignty. In January 2024, Ukraine and Türkiye signed an accord that will allow Turkish companies to take part in the reconstruction of Ukrainian infrastructure. Nevertheless, Türkiye has not aligned with EU sanctions against Russia in light of the latter's full-scale aggression. Ukraine has not joined all common foreign and security policy statements on Türkiye in the past.

In the Western Balkans, Ukraine's relations with **Albania** remain good. Albania has sponsored or co-authored all resolutions in support of Ukraine during its non-permanent membership (2022-2023) of the UN Security Council.

Relations with **Bosnia and Herzegovina** are based on the latter's support for Ukraine's territorial integrity and sovereignty and its condemnation of Russia's war of aggression. Overall good bilateral relations have been affected by certain statements on Russia's role in Europe and significant political difficulties around the implementation of restrictive measures against Russia. The two countries enjoy a visa-free regime.

The ties between **Ukraine and North Macedonia** are strong and deepening through political dialogue, diplomatic support and military assistance in the face of Russia's full-scale war. North Macedonia declared its support for Ukraine as a priority for its Chairmanship of the OSCE in 2023.

Ukraine-**Montenegro** relations continue to be strong, bolstered by the latter's continued support in UN fora and on sanctions, trade and technical and military assistance.

Ukraine-**Serbia** relations have improved. Ukrainian and Serbian presidents held a milestone meeting in February 2024, where the latter confirmed Serbia's support for Ukraine's territorial integrity and

sovereignty and committed to increasing humanitarian assistance for Ukraine. Serbia is Ukraine's biggest trading partner in the Western Balkans, though negotiations on a free trade agreement still need to be concluded.

Ukraine has not recognised the independence of **Kosovo*** but has indicated continued support for EU-facilitated dialogue between Belgrade and Pristina. Ukraine also participated in the NATO Kosovo Force mission until 2022, when it withdrew its contingent of servicemen and military equipment. Kosovo has decided on a voluntary basis to support all Declarations by the High Representative on behalf of the EU and has aligned with EU restrictive measures, including all those related to Russia's aggression against Ukraine.

Ukraine and **Hungary** have continued efforts to strengthen dialogue, particularly in fields in which Hungary provides Ukraine with support and the protection of rights of persons belonging to national minorities. Numerous meetings, including some at heads-of-states level, have taken place, contributing to an overall positive momentum to relations between two countries.

Poland is one of Ukraine's closest strategic partners with regard to the Russian war of aggression. Poland provides vital political, humanitarian, economic, technical and defence assistance and hosts the largest number of Ukrainian refugees. Ukraine signed the security commitment agreement with Poland in the margins of the NATO Summit 2024. There have been challenges in relations between the two countries over imports of Ukrainian grain and the licences for Ukrainian drivers in the transport sector, leading to delays at Poland-Ukraine border crossing points. Both countries have shown strong political commitment to finding a solution.

Ukraine and **Romania** continue to cooperate closely and have recently strengthened their bilateral political dialogue. Since early 2022, Romania has contributed significantly to the export of Ukrainian food products through EU solidarity lanes and hosted logistical hubs for the delivery of EU humanitarian and civil protection support to Ukraine. Also, a new trilateral cooperation format encompassing Ukraine, Moldova and Romania has been set up.

Ukraine's good relations with **Slovakia** have also been enhanced during the Russian war of aggression. Slovakia provided political, military, financial and humanitarian assistance, and international advocacy in support of Ukraine's policy goals. Slovakia hosts a significant number of Ukrainian refugees under temporary protection arrangements.

Relations with **Bulgaria** are bolstered by Bulgarian political, financial, military and humanitarian aid for Ukraine, and by growing economic ties. They were also nurtured by Bulgaria's support for EU solidarity lanes.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

CLUSTER 2: INTERNAL MARKET

This cluster covers: the free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9); and consumer and health protection (Chapter 28).

Chapter 1 - Free movement of goods

The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules, the principle of the free

* This designation is without prejudice to positions on status and is line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

movement of goods prevents these rules from creating unjustified barriers to trade.

General principles

The Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Ukraine requires alignment with EU *acquis* in the harmonised area and provides for the possibility to conclude an Agreement on Conformity Assessment and Acceptance (ACAA). Preparations for an ACAA between the EU and Ukraine are well advanced.

Non-harmonised area

Ukraine needs to screen its legislation, procedures, standards and technical requirements for compliance with **Articles 34-36** of the Treaty on the Functioning of the European Union.

Harmonised area: quality infrastructure

On **standardisation**, Ukraine's legislation is fully aligned with the EU *acquis*. The national technical staff of the standardisation body (UkrNDNC) decreased from 121 to 78, and there was no progress in becoming a full member to the European Committee for Standardisation (CEN) and the European Committee for Electro-technical Standardisation (CENELEC). National standards in Ukraine are adopted in conformity with the European Harmonised standards, but Ukraine still has old conflicting standards that urgently need to be withdrawn.

Ukraine has made progress in aligning its legislation to the EU *acquis* on accreditation and on conformity assessment. The National Accreditation Agency of Ukraine is a signatory of the European Cooperation for Accreditation Multilateral Agreement (EA MLA) in the areas of accreditation of testing and calibration laboratories, medical laboratories, conformity assessment bodies, management system certification bodies, personnel certification bodies and inspection bodies. Ukraine is a full member of the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum.

The **metrology** infrastructure was reorganised. Ukraine strengthened the capacities of its national metrology institutes in Kyiv and Ivano-Frankivsk but in March 2024 the National Metrology Institute in Kharkiv suffered further war damage, impacting calibration and measurement capabilities on weight and time. Ukraine is not yet a member of the European Association of National Metrology Institutes (EURAMET).

Ukraine is partly aligned with the EU *acquis* on **market surveillance**. Market surveillance scheduled and unscheduled checks have been reintroduced since 1 April 2024 for three priority sectors linked to its ACAA application. Market surveillance needs to be brought back fully, including for e-commerce, to ensure the quality and safety of products circulating on the market as envisaged in the Ukraine Plan.

Harmonised area: sectoral legislation

On EU **'new and global approach'** product *acquis*, Ukraine fully aligned to the EU *acquis* on measuring instruments and non-automatic weighing instruments.

In regard to EU **'old approach'** product *acquis*, no progress was made on alignment.

On **procedural measures**, no progress was made.

A corruption risk mitigation strategy needs to be developed for market surveillance bodies, in line with overall anti-corruption policy framework.

Chapter 2 - Freedom of movement for workers

Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

Ukraine's legislation is not aligned with the EU *acquis* on **access to the labour market.** No significant

changes took place during the reporting period. Foreigners and stateless persons can be employed in Ukraine after obtaining an appropriate permit issued by the State Employment Service of Ukraine. There is no specific legislation on employment of EU nationals, who therefore fall under the same conditions as nationals of non-EU countries. Ukraine should take steps to align its legislation with the EU *acquis* on access to the labour market.

No measure has been adopted in relation to the preparations to join the **EURES Network** upon accession.

On the **coordination of social security systems**, Ukraine has eight bilateral social security agreements with EU member states. No agreements for bilateral coordination of social security systems were concluded over the reporting period.

No national health insurance card has yet been implemented in Ukraine. Implementation of the **European Health Insurance Card** might therefore be challenging.

Chapter 3 - Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.

The EU-Ukraine Association Agreement grants the **right of establishment** and cross-border supply of services to EU natural and legal persons in Ukraine, with some exceptions. The process of removing exceptions not in line with the *acquis* has not been initiated. Ukraine should start to take progressive steps to align its legislation with the **Services Directive**.

On the **mutual recognition of professional qualifications**, the legislation and approach followed by Ukraine varies depending on the sector. Further efforts are needed to align, in particular with the minimum training requirements of Directive for the sectoral professions, the directives on the free movement of lawyers and the Directive on a proportionality test before adoption of new regulation of professions. No agreement for mutual recognition of professional qualifications currently exists with the EU.

In the area of **postal services**, the new law on postal communications entered into force in 2023 and is partially aligned with the EU Postal Services Directive. Secondary legislation for the provision of postal services entered into force in October 2023. The state-owned designated universal service provider maintains the exclusive right to provide a universal postal service. There were 195 economic operators included in the national state register on postal service providers active in the postal market. Ukraine needs to continue aligning with the EU postal acquis, including the Regulation on cross-border parcel delivery services, in line with its commitments under the AA.

Chapter 4 - Free movement of capital

In the EU, capital and investments must be able to move without restrictions, with common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.

On **capital movements and payments**, the NBU started to implement its strategy for easing the war-related foreign currency restrictions, transition to greater exchange rate flexibility and return to inflation-targeting. The NBU has nearly completed implementation of the first stage of the roadmap for the gradual easing of FX restrictions. In May 2024, rules on payments for imports of goods and services, leasing and rent, loan repayments were eased. Restrictions remain under national legislation to the acquisition of agricultural land by EU nationals.

On **payment systems**, the NBU has been making progress to apply for membership in the SEPA by

aligning its legal framework with the EU *acquis* but the process is still underway. The main requirements of the SEPA Regulation have been met including on the ISO 20022 XML standard and the IBAN payment account identifier. The alignment of the Ukrainian legal framework with provisions of the Payment Services Directive 2 (PSD2) has also been advancing, including on transparency of conditions and information requirements for payment services. Some further alignment with the PSD2 is still needed, for example to reflect derogations concerning information requirements for the low-value payment instruments and electronic money.

On the **fight against money laundering and terrorism financing (AML/CFT),** Ukraine continued to align its legislation with the EU *acquis*, The NBU updated relevant regulations for banks and non-bank institutions to apply a risk-based approach when dealing with PEPs. Further progress is still to be made in some areas including supervision of virtual assets service providers and financial investigations. In December 2023, the government adopted the action plan on preventing money laundering, terrorism financing and proliferation financing also to address MONEYVAL's recommendations. In the reporting period, the State Financial Monitoring Service of Ukraine started to revise and update the Methodology for the National Risk Assessment of money laundering and terrorist financing risks to cover all recent changes made in the international AML/CTF standards. The updated Methodology is to be completed by end 2024 and forms the basis for the fourth National Risk Assessment.

Ukraine needs to set up a register for holders of bank accounts, payment accounts and safe-deposit including development of the implementing legislation as well as the necessary software and hardware. It must also complement its legislation, in line with the EU acquis, to ensure that beneficial owners of all corporate and other legal entities incorporated within Ukraine, as well as beneficial owners of trusts and other types of legal arrangements operating in Ukraine are properly registered.

Chapter 6 - Company law

The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.

The unified electronic state register supports implementation of **company law**. However, open disclosure of data from the unified state register has been suspended during martial law. Although the legislation provides for transferring financial statements from the state statistics service to the unified state register, at the moment, no technical solution is available for such transfer. The unified state register supports conversions, mergers and divisions, but does not cover cross-border operations.

To align national legal provisions on disclosure of information of foreign branches with the EU *acquis*, legislative progress was made with the adoption of some amendments in July 2023, followed in April 2024 by a resolution of the Cabinet of Ministers and an Order by the Ministry of Justice on related procedures in a unified state register. Ukraine has started working on legislation covering cross-border mergers, and encouraging long-term shareholder engagement, in line with EU *acquis*. Further alignment will be needed with regard to the acquis on disclosure of company and foreign branches information, the Directive on digital tools and processes, the Directive on cross-border conversions, mergers and divisions, the Directive on takeover bids, the Directive on shareholder rights in listed companies, and the Directive on encouragement of long-term shareholder engagement.

Progress was made on the sanctions framework with the adoption of a law amending the legislation on state regulation of capital markets and organised commodities markets in February 2024. As the law does not cover all sanctions for violation of corporate governance and information disclosure rules, it still requires improvement.

In the area of **company reporting**, 15 national accounting regulations (standards) have been aligned with IFRS for SMEs. In January 2024, the Ministry of Finance updated the template and procedure for country-by-country reports by taxpaying entities belonging to a multinational enterprise group.

Ukrainian legislation requires that individual and consolidated financial statements of all public interest entities and limited companies be prepared using IFRS in a single electronic format and submitted to the Financial Reporting System. While under the martial law postponement of using this system was allowed, 247 new entities have registered (out of a total of 7 251 reporting entities) and 2 557 entities uploaded 7 671 sets of financial statements in line with IFRS in 2023.

In the area of **statutory audit**, several new regulations were adopted on the certification of auditors, the conduction of inspections, and continued professional training. The updated Register of Auditors and Audit Entities has been also launched.

Chapter 7 - Intellectual property law

The EU has to a large extent harmonised rules for the legal protection and enforcement of intellectual property rights (IPR), covering notably patents, trade mark and designs, biotechnological inventions and pharmaceuticals, trade secrets, (craft and industrial) geographical indications, supplementary protection certificates, copyright and related rights.

On **copyright and related rights**, implementing legislation to the Law on copyright and related rights specifying the procedures for the protection of these rights was adopted. However, further alignment with the EU *acquis* is needed in particular regarding the term of protection for copyright and related rights, the distribution of a fair remuneration between performers and producers of phonograms, the reproduction right and the rights of the broadcasting organisations. Moreover, some aspects of the current copyright law regime remain problematic, for instance with the collective rights management organisations, as accreditation procedures have been halted for the duration of the martial law and the existing collection mechanisms remain non-functioning. Public broadcasting organisations continue not to pay royalties to performers and phonogram producers.

On **industrial property rights**, no progress was recorded vis-à-vis the alignment of the Law on **patents** and some of its implementing rules, including on the patentability. In addition, no progress was recorded on the alignment of Ukraine's trademarks legislation. Moreover, no legislative changes to align with the **trade secrets** directive took place.

On **intellectual property rights enforcement**, the shortcomings vis-à-vis combating piracy and counterfeit products remain unaddressed. The Ukrainian National Office for Intellectual Property and Innovations (NIPO) started publishing consolidated data on IP enforcement. At the judicial level the IP Court remains non-operational, pending decision to restart competitions for filling the vacant positions of its judges.

On the institutional framework, no changes have taken place. NIPO has developed a closer collaboration with the World Intellectual Property Organisation, as well as, importantly, with the European Union Intellectual Property Office, with which it works on the basis of the work plan signed in October 2023 and within the framework of the EU4IP project since March 2024.

Chapter 8 - Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of dominant position, and also include rules on concentrations between companies which would significantly impede effective competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, with a view to preventing distortion of competition.

Antitrust and mergers

On the **legislative framework**, the amendments to the law on the protection of economic competition entered into force in early 2024. It *inter alia* grants more powers to the Antimonopoly Committee of Ukraine (AMCU) for conducting inspections and for access to information, introduces amendments to the

hearing process before the AMCU, and establishes a leniency and a settlement mechanism, as well as rules on joint and several liability of undertakings for breaches of competition law. Some provisions of the law still need to be further aligned with the EU *acquis.*

On **implementation**, there was a significant increase in the number of cases for anti-competitive concerted actions, abuse of dominant position and mergers in relation to the previous year. The amounts of fines imposed by AMCU as a conclusion of these cases also significantly increased.

State aid

On the **legislative framework,** the State aid law needs to be amended on a number of issues to ensure further alignment with the EU State aid rules. According to the Ukraine Plan, Ukraine has committed to amend and put into force the updated legislation on State aid, including provisions in relation to Services of General Economic Interest (SGEIs), together with the full unsuspension of the application of State aid control by AMCU.

Ukraine approved implementing legislation on criteria for assessing the compatibility of State aid to undertakings. However, it still needs to compile a complete inventory of the State aid schemes, instituted before AMCU was established as the responsible State aid authority in Ukraine.

To align with the EU *acquis* on SGEIs and include SGEIs under the scope of the State aid control, the Cabinet of Ministers adopted in January 2024 a resolution that approves the criteria for assessing the compatibility of State aid to undertakings for the provision of SGEIs. However, further alignment with the State aid *acquis* and, where necessary, amendments to the Ukrainian legislation are needed, combined with a focus on enforcement. This further includes specific elements, such as separation of accounts in undertakings in order to avoid cross-subsidization of Public Service Obligations (PSOs) and/or SGEI-related activities within the undertakings (both public and private) that could distort the level-playing field. Separation of accounts is an important element for the effective and compliant implementation of the State aid *acquis* in connection with the SGEIs.

In terms of **implementation**, State aid control remains suspended under the martial law, with no obligation to notify to AMCU new or modified State aid schemes. This entails that State aid granted during the period of suspension of the State aid law is considered compatible aid.

Chapter 9 - Financial services

EU rules aim at ensuring fair competition among, and the stability of, financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on authorisation, operation and supervision of these institutions.

On **banking and financial conglomerates**, the latest Report on Resilience Assessment of Ukraine's Banks in 2023 showed that most banks in Ukraine have sufficient capital, and the banking system as a whole has a high safety margin against the required NBU targets. According to the Financial Stability Report of 2024, the NBU also plans to activate the capital conservation and systemic importance buffers in the future. Ukraine has to start the preparation of an independent asset quality assessment of the banking sector to be able to do a detailed and independent asset quality assessment of the banks.

In December 2023, the NBU aligned the regulatory capital structure of the banks with EU norms, increased the capital requirements for financial companies, and established requirements for a new remuneration structure for banks, compliant with the principles of ensuring a bank's sustainable development, the achievement of its strategic goals, and the operation of a comprehensive, adequate and effective risk management system, and ensuring accountability. It also introduced prudential liquidity ratios for the banking sector on a consolidated basis in January 2024. In June 2024, through a series of new Resolutions, the NBU further enhanced capital requirements for banks and banking groups.

In June 2024, the Financial Stability Board of Ukraine approved the Lending Development Strategy,

focussing on facilitating lending in priority areas under martial law and development of the legislative framework for giving further impetus to lending market.

On **insurance and occupational pensions**, the main rules of the new Law on insurance, which aims to align with the EU Solvency II Directive, took effect on 1 January 2024. The NBU adopted related implementing legislation in December 2023 and in February 2024 to clarify the new insurance classes, introduce new requirements for solvency capital and minimum capital of the insurer. In June 2024, the NBU adopted a Resolution on the Methodology for valuation of assets and liabilities for calculating insurers' regulatory capital.

Amendments to the Law on financial mechanisms for stimulating exports concerning insurance of investments in Ukraine against war risks were introduced in November 2023. The Law expands the activities of the Export Credit Agency in the area of insurance and reinsurance and introduced insurance and reinsurance of direct investments in Ukraine against political and/or war risks. The Law on motor third party liability was adopted in May 2024. As regards non-bank credit services, the Credit Unions Law came into force on 1 January 2024.

Regarding **financial market infrastructure,** since January 2024, the functions of the supervision and the oversight of the central securities depositories, securities settlement systems, central counterparties, and trade repositories were split between the National Securities and Stock Market Commission (NSSMC - supervision) and the National Bank of Ukraine (NBU - oversight). Ukraine remains partially aligned with the EU *acquis*, notably on settlement finality and OTC derivatives, central counterparties and trade repositories (EMIR).

On the **securities markets and investment services**, the Law on the strengthening powers of the NSSMC was adopted in February and partially came into force in April 2024 expanding the investigative powers, independence and institutional capacity, its cross-border domestic cooperation mandate, and its mandate to undertake risk-based supervision. The Law provides for mechanisms for proper state regulation and supervision of capital markets and organized commodity markets and combating market abuse.

In April 2024 NSSMC approved the Regulation on the State Register of Securities Issues.

Regulation on licensing conditions for conducting professional activities on capital markets was adopted in March 2024. On 19 September 2024, the Law on Rating was adopted, aiming at strengthening regulation of credit rating agencies.

On investment funds, Ukraine is yet to align with AIFMD and UCITS, while taking due account of the recent changes introduced to the above mentioned frameworks.

On **sustainable and digital finance,** the progress has been limited. A new Regulation on bonds was adopted in September 2024, which introduced a framework for green bonds as well.

Virtual assets remain unregulated as the law adopted on 17 February 2022 has not entered into force.

Chapter 28 - Consumer and health protection

EU rules protect consumers' economic interests and also ensure product safety, prevent dangerous imitations and establish liability for defective product. The EU also guarantees a high level of protection of public health and in particular also ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also has rules for upholding patients' rights in cross-border healthcare, and in preparing for and responding to cross-border health threats including communicable diseases.

Consumer protection

On **horizontal aspects**, Ukraine is waiting for the end of martial law to re-enforce its Law on the

protection of consumer rights. This Law is partly aligned with the latest EU *acquis* on consumer rights, unfair contract terms, unfair commercial practices, and price indications. It also partly aligns with the EU *acquis* on package travel and linked travel arrangements, the sale of goods, digital content and services, and on representative actions and timeshares. Since 31 March 2024, the NBU and the NSSMC have become responsible for the protection of the rights of consumers in the areas of financial services, capital markets and commodity markets.

On **enforcement and redress**, Ukraine has a limited level of alignment with the EU *acquis* on cooperation between national authorities responsible for the enforcement of consumer protection laws, and on consumer alternative dispute resolution.

On **product safety**, the national legislation is partly aligned with the EU *acquis* on market surveillance regulation and is partly aligned on general product safety. Since April 2024, checks and inspections by market surveillance authorities on product safety were gradually brought back for selected manufacturing products. In the coming year, Ukraine needs to fully restart market surveillance for all product sectors to improve safety of products for consumers.

Health protection

On **public health,** Ukraine is yet to adopt its new National Health Strategy 2030, and its 2024-2026 health action plan. A new law on public health entered into force in September 2023, but the implementing legislation needs to be adopted, inter alia, on governance and coordination mechanisms with regards to readiness and response planning and execution. The health sector does not receive sufficient resources; staff and salaries have not increased sufficiently despite the increase in health needs. On **eHealth**, Ukraine has a national health information system, but its governance needs to be improved, and the electronic health surveillance system needs to be integrated into the main health system. National health information strategy indicators also need to be aligned with the European Core Health Indicators.

On **tobacco control**, Ukraine has banned the use of flavouring and additives in all types of tobacco and nicotine products, but national compliance and enforcement mechanisms on this still need to be established. Ukraine needs to accede to the World Health Organisation's Protocol to Eliminate Illicit Trade in Tobacco Products.

There was no substantial progress on alignment with the EU *acquis* on **cosmetic products**, on **medicinal products for human use** or **medicinal products for veterinary use**, on **blood, tissues, cells and organs.** On **patients' rights in cross-border healthcare**, Ukraine has recently presented a roadmap for implementation of the respective EU *acquis.* There were no significant developments on **drug abuse and prevention**. Nevertheless, Ukraine resumed market surveillance on **medical devices**, on in vitro diagnostic medical devices, and on active implantable medical devices and bioimplants.

On **communicable diseases** and on **serious cross-border health threats**, Ukraine established an emergency response plan for the protection and sanitary and epidemiological welfare of the population and approved the procedure for informing the population about biological safety and protection. However, more effort is needed to improve the emergency response plans (scope, detail, consideration of sub-national levels, risk-based approaches) to comply with the EU regulation on serious cross-border health threats. Overall, vaccination coverage remains below WHO global recommendations. On **non-communicable diseases**, Ukraine adopted measures on **cancer** prevention, early diagnosis, and treatment, which introduce a monitoring system and educational measures to encourage the use of cancer screening programmes. The National Cancer Register is not fully aligned with the eHealth system and needs modernisation. Ukraine is prioritising **mental health** and psychosocial support, strengthened mental health systems across the country, established a Coordination Council for Mental Health as an advisory body to the government and launched the National Mental Health Programme. On **nutrition and healthy** lifestyle, Ukraine adopted a new strategy for the reform of the school nutrition system for 2023-2027.

On **health inequalities**, Ukraine adopted legislation granting free of charge medical examination and emergency medical assistance to refugees and persons in need of protection. Efforts were undertaken to improve the healthcare for the Roma community, especially by mass vaccination of children and accompanying educational work. Women and adolescents benefited from actions on gender-based violence and sexual and reproductive health.

Corruption in the health sector remains a cause for concern.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: digital transformation and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy (Chapter 20); science and research (Chapter 25); education and culture (Chapter 26); and customs union (Chapter 29).

Chapter 10 - Digital transformation and media

The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audiovisual services. The rules protect consumers and support the universal availability of modern services.

On **electronic communications,** after amending Appendix XVII-3 of Annex XVII to the Association Agreement/Deep and Comprehensive Free Trade Area (AA/DCFTA), Ukraine has launched a process to put in place legislation relevant to EU roaming that would align Ukraine's legislation with the EU roaming *acquis*. On 22 May 2024, Parliament adopted the Law on amendments to certain legislative acts of Ukraine regarding the implementation of European legislation on roaming. Ukrainian authorities continue the alignment efforts with the work on the implementing legislation.

In light of current security-related constraints related to the Russian war of aggression, Ukraine has started preparatory work but has not yet been able to fully implement the acts related to the regulatory framework for radio spectrum policy, in particular the release of the 700 MHz band from TV broadcasting for mobile communications.

Regarding **digital services,** Ukraine continues to develop its well-advanced e-government system. Ukraine should continue seeking alignment with both the European Interoperability Framework (latest revision in 2017) and the Interoperable Europe Act (2022). This EU *acquis* should be taken account when Ukraine prepares an Action Plan for digitalisation of public services.

Ukraine is in the process of drafting legislation to align with the Digital Services Act (DSA). Ukraine should start mapping and engaging with relevant stakeholders and build independent regulatory capacity in the field of digital services with a view to develop a roadmap by end 2025 detailing the next steps and capacity building for alignment with the DSA.

Regarding **digital trust and cybersecurity**, Ukraine has made good progress in the approximation to the electronic identification and trust services under the European Digital Identity Regulation, however some gaps remain in order to fully implement the EU *acquis* in the field of electronic identities and trust services and benefit from internal market treatment. The Ukrainian Law needs to be aligned with the revised European Digital Identity Regulation and Ukraine will need to specify the rules in a number of areas (e.g. compliance with the GDPR (or an equivalent level of protection of personal data) and with some provisions of the NIS2 Directive) in order ensure mutual recognition of electronic identification schemes from EU Member States in Ukraine according to European standards.

Ukraine's National Security and Defence Council is implementing a national cybersecurity strategy. Its computer emergency response team, CERT-UA, is taking steps within overall framework of the EU-Ukraine cyber dialogue towards closer institutional cooperation with EU counterparts, including the

European Union Agency for Cybersecurity (ENISA) and CERT-EU. As a result, a Working Arrangement document between ENISA, National Cybersecurity Coordination Center (NCCC) and Administration of the State Service of Special Communications and Information Protection (SSSCIP) was signed on 9 November 2023 and is being implemented since. Ukraine needs to continue the implementation of the 5G Cybersecurity Toolbox measures, including assessing the risk profile of suppliers and putting in place appropriate restrictions and/or exclusions for high-risk suppliers. Moreover, Ukraine should continue pursuing alignment with the NIS2 Directive.

On **media**, Ukrainian legislation is broadly in line with the Audiovisual Media Services Directive (AVMSD). Restrictions are in place for the retransmission of television programmes, in particular to prevent Russian TV channels from retransmitting audiovisual content and advertising from EU Member States to Ukraine, as well as those that systematically violate the requirements of Ukrainian legislation. These restrictions are still considered necessary to protect Ukraine's information space in the current security situation, however, they will need to be addressed after the war.

Provisions of Article 36 of the Law on media relative to countering hate speech came into effect on 1 June 2024, seeking to align Ukraine with the EU Code of Conduct on countering illegal hate speech online. They provide for more severe penalties for hate speech than for discrimination or harassment.

On the protection of minors, the regulation on content harmful to children took effect on 31 March 2024, providing for time-of-day restrictions on the (in)accessibility of information that may harm the physical, mental, or moral development of children.

Chapter 16 - Taxation

EU rules on taxation cover value added tax and excise duties and aspects of corporate taxation. They also cover cooperation between tax administrations, including the exchange of information to prevent tax evasion.

On **indirect taxation**, the provisions of Ukrainian VAT law broadly correspond to the *acquis*. The standard VAT rate is 20%, the reduced rates for some types of operations are 0%, 7% and 14%, while 0% VAT is charged on exported goods. The National Revenue Strategy 2024-2030 adopted in December 2023 envisages a staged approach to full alignment on VAT: (I) revision of tax incentives (benefits), (II) revision of the reduced VAT rates, and (III) revision of VAT administration system.

Excise taxation is partially aligned with the EU legislation. Ukraine has to work further on excise duties structure and on VAT incentives (tax benefits) so as to align them with the *acquis*. The classification of alcohol and alcoholic beverages and the determination of the unit of measurement of the tax base broadly correspond to the *acquis*, with the exception of beer and beer mixes. As regards excise duties on tobacco, the Ukraine Tax Code is broadly aligned with the EU *acquis*. Further alignment is needed regarding manufactured tobacco categories and applicable excise duty rates according to *acquis*. An amendment to the Tax Code to align excise duties on fuel closer to the EU level by 2028 was adopted in July 2024.

Ukraine needs to bring its tax warehousing system for alcohol, tobacco and energy products in line with the EU *acquis*.

On **direct taxation**, concerning personal income tax, no changes occurred. The corporate income tax is not yet fully in line with the EU *acquis*. Ukraine does not have exit taxation rules equivalent to the EU ones. The preparation of the legal framework introducing general anti-abuse rule, exit taxation, also revising foreign-controlled company taxation, interest limitation rules and other elements of the Anti-Tax Avoidance Directive (ATAD) has started.

Regarding **administrative cooperation and mutual assistance**, anti-abuse provisions and loss of benefits clauses were introduced in agreements with most of the EU Member States that have already implemented the necessary provisions in their national legislation; negotiations are ongoing with Germany and Spain and remain to be initiated with Czechia. Ukraine has concluded double taxation

agreements with all EU Member States.

In 2024, Ukraine started the first automatic exchange of information on financial accounts. Ukraine does not have a central communication office for information exchange with EU Member States. The preparation of introduction of the OECD Model Rules for Reporting by Digital Platform Operators (MRDPI) and the Directive on administrative cooperation in the field of taxation (DAC7) has started in 2024.

On operational capacity and computerisation, the State Tax Service (STS) made progress by creating a competency framework for HR processes, in view of aligning the STS's competency framework with that of the EU. Further integration of competency-based people management approach into selection, performance appraisal and professional development with revision of current training programmes is needed.

A dedicated IT reform strategy for digitalisation of the STS remains to be approved. To increase the administrative capacity in automation of business processes, IT solutions in various domains have been successfully deployed.

Chapter 17 - Economic and monetary policy

EU rules require the independence of central banks and prohibit them from directly financing the public sector. Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.

In terms of **monetary policy**, the National Bank of Ukraine (NBU) has been implementing measures to normalise monetary and exchange rate policies based on a conditions-based strategy adopted by the NBU in July 2023 for easing foreign exchange restrictions, transition to greater exchange rate flexibility and return to inflation-targeting.

The NBU transitioned from the fixed exchange rate regime to a managed flexibility of the exchange rate in October 2023. In May 2024, NBU introduced the largest easing package of foreign currency restrictions. This transition did not cause a sharp depreciation or significant losses to international reserves, marking an important step towards returning to inflation targeting and enhancing the ability of the economy to absorb shocks. In September 2024, the NBU updated the Key Principles of Monetary Policy, reintroducing inflation targeting within a three-year time horizon.

Overall, the legislative framework, including the laws governing the functioning of the NBU, ensures the functional, institutional, personal and financial independence of the NBU and prohibits direct and indirect monetary financing of the public sector. Although monetary financing has been possible under the martial law, it has been avoided since start of 2023 and 2024. In addition, the law allows mutual consultations between the NBU and the government about monetary policy, which is not aligned with the EU acquis, as it provides third parties with a mechanism to influence the decisions of the NBU. The legislative framework also allows either the President of Ukraine or the Rada to unilaterally remove a member of the governing body without judicial review, which weakens the protective measures against arbitrary dismissals. There is still scope to further streamline the eligibility criteria and experience requirements for appointments at the Council and Executive Board.

On **economic policy**, the Budget Code sets out the framework for fiscal rules although some important provisions were repealed following the implementation of the martial law, in relation to the medium-term budgetary framework. However, in line with the commitments under the Ukraine Plan, the government reinstated the medium-term budget framework with the approval of the Budget Declaration for 2025-2027. In December 2023 Ukraine adopted a National Revenue Strategy until 2030 to align tax and customs legislation to EU standards, introduce regular spending reviews and reduce financial vulnerabilities by introducing fiscal risks management for local budgets. Ukraine continues to forecast economic and social developments despite persistent challenges that affect the reliability of these

predictions. These challenges include the ongoing war, which impacts data quality, as well as the limited technical capacity, including human resources, for policy costing and budget forecasting. Additionally, there is no independent fiscal institution to evaluate the forecasts, scrutinize the government's budgetary assumptions, or assess the performance of previous forecasts.

The collection of macroeconomic and financial statistics remains disrupted due to martial law and budget reporting is still hampered by security concerns. Data on the execution of public finances is available only for the state budget and local government level, with general government data absent. The **general government sector data** is not in line with ESA 2010 and not transmitted to Eurostat.

Chapter 19 - Social policy and employment

EU rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social inclusion and social protection, and social dialogue at EU level.

Regarding the **labour law**, significant shortcomings in the legislation still need to be addressed to modernise it with genuine involvement of social partners, bringing it in line with the EU *acquis* and consistent with the 'improved functioning of the labour market reform' of the Ukraine Plan.

Labour inspection needs strengthening in line with the EU *acquis*. Enforcement by the State Labour Service (SLS) is constrained by legislative restrictions not consistent with International Labour Organization (ILO) Conventions 81 and 129. The SLS law enforcement functions continue to be limited due to the martial law. Underfunding and high staff turnover still need to be addressed.

There was no progress in combating informal employment.

On **occupational safety and health at work** (OSH) the current national legal framework needs substantial improvement. As a first step, Ukraine should adopt legislation aiming at aligning with the OSH Framework Directive 89/391/EEC.

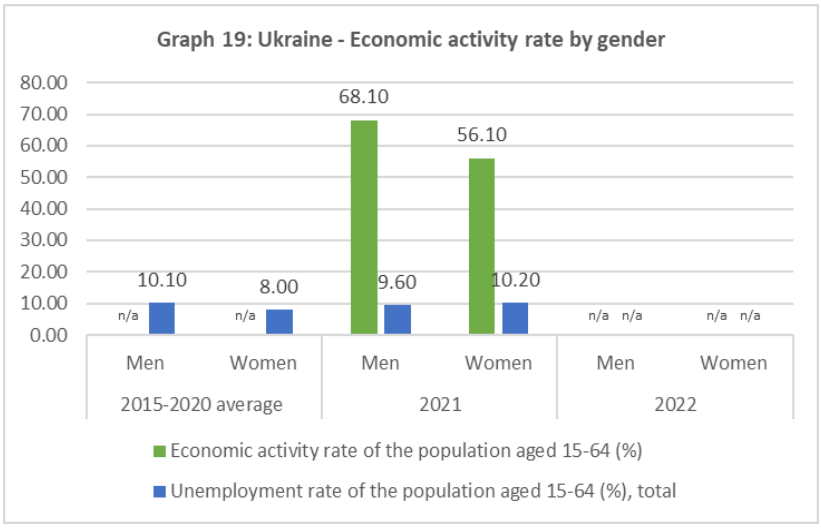
On **social dialogue**, the National Tripartite Social and Economic Council did not hold any physical meetings during the reporting period and there are no systematic consultations between the government and social partners. Strengthening the capacities of social partners need to be stepped up.

On **employment policy**, under conditions of the martial law, the State Employment Service (SES) still provides employment services such as job matching, public works programmes, subsidised schemes for employers, including for young people and re-/upskilling programmes. A Unified Job Portal has been created together with SES and leading Ukrainian job search sites.

Due to the war, official data on labour and employment is scarce. **Labour force participation** is estimated to 56.7% in 2023 and 57.7% in 2022. In 2021 the labour force participation stood at 62.3%. The **unemployment rate** in Ukraine was estimated to 19.2% in 2023, down from 24.3% in 2022. In 2021 unemployment stood at 9.9%.

The **social protection** system and social assistance in Ukraine does not provide adequate levels of protection, in particular for persons in vulnerable situations. Ukraine should as part of the commitments under the Ukraine Plan establish a social services purchaser at the state level that will co-finance services for parts of the population that are in socially vulnerable situations. Currently a pilot project for procuring social services at national level has been established.

Ukraine needs to adopt a strategy and its action plan on the implementation of the de-institutionalisation reform of alternative care for children (Better Care reform) and ensure implementation of the related reform. In August 2023, the Coordination Centre for Family Upbringing and Childcare Development (Better Care Reform Office) was launched. Ukraine should continue strengthening community-based services, including supported living services, for all persons with disabilities.



Legislation in the area of **non-discrimination** remains to be further aligned for instance with Directive 2000/78 on equal treatment in employment and occupation. On **the equality between women and men in employment and social policy**, a National Strategy on Reducing the Gender Pay Gap for the period up to 2030 and an Action Plan for its implementation was approved in September 2023, developed in consultation with the relevant stakeholders. In July 2023, Ukraine introduced changes allowing more options for maternity leaves and simplifying access to early intervention services for families with children aged 0-4. The war has diverted attention from gender equality as a national priority.

Chapter 20 - Enterprise and industrial policy

EU industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).

On **enterprise and industrial policy**, the key reforms defined in the National Recovery Plan and National Economic Strategy 2030 were further elaborated in the Ukraine Plan through dedicated measures to support the business environment and investment climate. The Ukraine Plan will support dedicated measures in the area of improvement of regulatory environment, reboot of Economic Security Bureau ensuring access to finance and markets through implementation of stimulus and financing programmes for SMEs, elaboration of mid-term priorities for SME development (SME Strategy until 2027), approving the procedure for using budget programme funds for the introduction of industrial parks support as a tool for attracting investments in the de-occupied areas. Further business environment reforms include improved and EU-compliant public procurement regulation, harmonisation of legislation and standards with the EU and developing EU-compliant legal framework to combat late payments in commercial transactions for SMEs.

The Ministry of Economy prepared and adopted the procedure for using budget programme funds for the introduction of industrial parks support as a tool for attracting investments in the de-occupied areas. The Government has approved the Strategy for the Recovery, Sustainable Development and Digital Transformation of SMEs until 2027 and the operational action plan for its implementation for 2024-2027. It has also adopted a new version of the deregulation action plan containing almost one hundred measures for simplifying business conditions and creating a favourable business climate in all sectors of the economy.

The 2024 SME Policy Index assessed progress made by Ukraine in implementing the Small Business Act (SBA) for Europe over the period 2020-23. The index pinpointed substantial improvements in various

areas of the Ukrainian public policy towards SMEs, including institutional and regulatory frameworks, access to financing and policies to support innovation activities. Ukraine has demonstrated good progress in the operational environment for SMEs, entrepreneurial education/female entrepreneurship, and entrepreneurial skills. The main priority directions for further improvement are development of EU-compliant insolvency framework providing for 'second chance', green economy and innovation support policy.

On **enterprise and industrial policy instruments,** there has been no progress with alignment of the Ukrainian legislation with the EU Directive on combating late payment in commercial transactions, however alignment with this directive has been included as a business environment priority reform to be implemented in the framework of the Ukraine Plan.

The deregulation of economic activities and an improvement of the regulatory and operational environment for SMEs remains a priority and good progress has been achieved. An inter-ministerial working group (IWG) reviewed 1 323 instruments of state regulation of business operations and recommended to abolish 456 instruments, amend or digitalise 584 tools and leave 283 regulations unchanged. As of September 2024, 122 instruments were already abolished. Following the review of the regulatory instruments (mandatory business permits and licenses), the IWG started to analyse business inspections in all spheres of state control of business activity, aiming to reduce administrative burden on business and implement risk-based inspections only.

A comprehensive regulation on the Unified State Electronic System of Permit Documents (ePermit) has been adopted by the Government in July 2024, providing legal basis for creating the ePermit platform and digitising the first batch of 5 permits and licenses for business using ePermit. A new law allowing economic activity based on a free declaration, without the need to obtain permits and licenses (except for high-risk activities), during the period of martial law was approved by the Parliament in July and became effective as of September 2024. Deregulation efforts and digitalisation of permitting procedures to further enhance the business environment and investment climate in Ukraine will be continued with the support of the Ukraine Plan.

On **sectoral policies,** the overall priority sectors and sub-sectors are defined in the Ukraine Plan, foreseeing sector-specific measures.

The development of Ukraine's **critical raw materials** extraction and processing sector is a key priority in its cooperation with the European Union, as outlined in the Memorandum of Understanding on Strategic Partnership on Raw Materials. Ukraine continues to lack specific regulations and strategic projects for the critical raw materials sector, prompting the need for alignment with EU standards after the adoption of the Critical Raw Materials Act.

Chapter 25 – Science and research

The EU provides significant support for research and innovation. All Member States can participate in the EU's research and innovation programmes and benefit from them, especially where there is scientific excellence and solid investment in research and innovation.

The institutional set-up and national advisory bodies for **research and innovation policy** are in place. The war, with its destruction of infrastructure and human capital, continues to aggravate the long-term trend of underinvestment in research and innovation, with public investment in science and innovation kept at a minimum level.

Ukraine is regarded as an emerging innovator, performing at 32.5% of the EU average according to the European Innovation Scoreboard 2024, marking a marginal increase compared to 2023. Ukraine's performance is increasing less than the EU, widening the gap between Ukraine and the EU further.

The collaboration between science and business as well as the level of commercialisation of research results remain limited. A draft law on activities stimulating technology transfer, aiming to increase the

commercialisation of research, has been under consideration in Parliament since 2021.

Spending on research and development remains low standing at 0.33% of GDP in 2022

As regards **EU framework programmes**, the Horizon Europe Office in Ukraine became operational in December 2023. The government nominated representatives to 14 Horizon Europe Programme Committees, which are supported by the Horizon Europe Office. Principles on the functioning of the national contact points (NCPs) for the Horizon Europe Programme and their selection were adopted in early 2024. NCPs have been officially nominated by the Ministry of Education and Science on 13 June 2024. As of September 2024, 191 grant agreements with Ukrainian participation have been signed under Horizon Europe for a total amount of EUR 53.23 million. In total, 188 unique Ukrainian institutions and organisations participate in Horizon Europe projects.

The Cabinet of Ministers adopted a resolution in August 2023 specifying that the development of regional strategies and action plans should be based on principles of state regional policy and carried out using a territorially oriented approach and **smart specialisation**. The Ministry of Economy has approved methodological recommendations for smart specialisation at the regional level and the design of regional strategies for smart specialisation should restart based on the European Commission Joint Research methodology.

Chapter 26 - Education and culture

The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policy through the 'open method of coordination'. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.

On **education and training**, Ukraine has taken steps to improve data availability and compatibility of education statistics in cooperation with the European Training Foundation and by bringing the list of fields of study and programme subject areas in higher education in compliance with the International Standard Classification of Education (ISCED-F 2013). Ukraine works closely with international partners to modernise the education management information system. However, education and training statistics are not widely available yet, and data is collected and published with a considerable time lag.

Ukraine has taken steps to optimise the network of education institutions, especially in higher education where several mergers have taken place, but it should continue this process at national and local levels to ensure the sustainability and quality of education in the country. Digital learning centres have allowed some students to resume their studies and extra-curricular activities. Further efforts are needed to align digital education with the EU Digital Education Action Plan 2021- 2027.

The Programme for International Student Assessment (PISA) results indicate that 15-years-old students' proficiency in mathematics, science, and reading has decreased, showcasing the impact of the learning losses generated by COVID-19-related school closures and the war. Disadvantaged students have experienced greater learning losses than their peers. In March 2024, a Strategic Plan of the Ministry of Education and Science until 2027 was approved. It prioritises reforms of early childhood and preschool education, New Ukrainian School reform, out of school education, transformation of vocational education and training, quality of higher education, development of science and innovation, the European integration of education and science, digital transformation of education and science, as well as inclusive education.

In June 2024, Ukraine adopted the law on **preschool education** that will put in place measures aligning to EU principles, focused on high-quality early childhood education, guaranteeing access for children of early and preschool age, fair rules for the functioning of preschool entities, and decent working conditions for employees.

In June 2024, Ukraine also approved the National Strategy for the Development of Inclusive Education

for 2024-2029 and its Action Plan for 2024-2026.

Ukraine reintroduced in the 2024 State Budget the subvention for the implementation of the New Ukrainian School reform at the local level. This fiscal transfer is key to continuing investments in schools aimed at improving the quality of education and the effectiveness of teaching and learning, in line with European best practices.

However, further efforts are needed to strengthen the capacity of local municipalities for effective planning, design and implementation of inclusive education strategies, with active community involvement in decision-making processes.

In January 2024, Ukraine joined the Eurydice Network, whose task is to explain how education systems are organised in Europe and how they work.

The issue of national minorities in education will continue to be monitored as part of Chapter 23 on judiciary and fundamental rights.

On **vocational education and training (VET)**, Ukraine is developing new legislation. In line with the Ukraine Plan, the law should set fair rules for the functioning of VET institutions, improve their capacity to provide formal and non-formal vocational education and regulate their relations with national/local stakeholders for the sustainable development of human capital in Ukraine.

Ukraine established a working group for the referencing of the national qualifications framework with the European Qualifications Framework (EQF) for lifelong learning, and an action plan was approved for establishing a relationship between the levels of the Ukrainian national qualifications' framework and the levels of the EQF.

To improve the management efficiency of higher education institutions and the use of public funds, the procedure and formula for distributing state budget funding for higher education institutions was amended in March 2024, based on their educational, scientific and international activities. Nearly 35 higher education institutions have joined the European Universities Alliances as associated partners.

Ukraine is a member of the European Higher Education Area (Bologna process).

Ukraine benefits from the international dimension of the 2021-2027 Erasmus+ programme. The country is participating in all the European Education Area working groups 2021-2025.

On **youth**, the Framework of Entrepreneurial Competences for Youth in Ukraine, published in November 2023, aims to foster entrepreneurial skills with a focus on youth. On **sports**, Ukraine continued to participate in the European Week of Sport.

Ukraine is drawing up a new strategy for **culture**. Ukraine's association to the Creative Europe Programme has been upgraded to a full participation during the second quarter of 2024.

Chapter 29 - Customs union

All EU Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementation and enforcement capacity, and access to and interoperability with the EU electronic customs environment.

As regards **customs legislation**, the Ukraine's Customs Code was amended in November 2023 and in August 2024 to further align it with the Union Customs Code (UCC). Ukraine has also started the development of a new Customs Code, which aims to fully align it to the UCC.

Efforts were made to raise the use of the common transit procedure notably by abolishing the use of national Ukrainian simplifications. Ukraine made progress in smoothening the application of authorised simplifications. 54 economic operators were granted authorised economic operator (AEO) authorisations, however only 2 of them have received AEO Security and Safety (AEOS) status. It limits the progress in

negotiations with the EU on mutual recognition of AEO.

Ukraine started NCTS Phase 4 in October 2022 and the transition to NCTS phase 5 was successfully completed in April 2024. Ukraine should further proceed with the extension to NCTS Phase 6.

On administrative and operational capacity, a customs decision management system was developed. A strategic plan for digitalisation of the State Customs Service for 2024-2026 was approved by the government in February 2024 in line with the requirements of the Ukraine Plan. It foresees measures for implementation of IT systems required for the EU accession. In 2024 Ukraine has make progress in the development of the new national customs declaration clearance and risk management IT systems based on the EU *acquis*, the UCC Work Programme, the Multiannual Strategic Plan for Electronic Customs (MACP-C) and best practices. Ukraine has to allocate adequate human and financial resources to ensure the implementation of the strategic plan.

A law criminalising large-scale smuggling of all goods was adopted in December 2023. The Bureau of Economic Security is entrusted with pre-trial investigation. It is important that the customs authority is granted with adequate enforcement powers and has a capacity to be directly engaged in intelligence gathering activities and contribute to pre-trial investigation in cases of smuggling of goods. It is expected that the State Customs service, like other law enforcement agencies, will take part in the comprehensive digitisation of pre-trial investigations and prosecutions in criminal cases at national level.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport policy (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27).

Chapter 14 - Transport policy

The EU has common rules on technical and safety standards, security, social standards, State aid and market liberalisation in road transport, railways, inland waterways, multimodal transport, aviation and maritime transport.

In the **transport sector**, Ukraine continues its commitment to implementing the EU *acquis* priority transport rules as outlined in the AA. As per its commitment in the Ukraine Plan and to give boost to reforms in the sector, Ukraine needs to adopt and start implementing the revised National Transport Strategy until 2030 as well as to adopt and start implementing the Strategy for developing and expanding the border infrastructure with the EU Member States and the Republic of Moldova until 2030.

In **road transport**, significant regulatory reforms and legislative enactments have yet to materialise, including the adoption of a law aligning road transport services with EU standards. The transposition of the social and market rules for road transport is key, so that Ukrainian hauliers can compete on equal footing with EU ones and ensure the correct functioning and implementation of the road transport agreement between the EU and Ukraine. While implementing the Road Safety Strategy an equal emphasis should be put on the four pillars of the Safe System, namely the safety of infrastructure, the safety of vehicles, safe road use and post-crash care. In June 2024, the road transport agreement to temporarily liberalise bilateral and transit road transport between the EU and Ukraine has been extended until 30 June 2025. The Interbus Protocol on international regular and special regular carriage of passengers by coach is in the ratification process.

As of 2023, **rail transport** reform progress remains stalled due to pending legislation, despite partial alignment with EU technical standards. Ukraine also lacks an independent regulatory body. Ukraine should adopt a new Law on railway transport to create legislative conditions for the functioning of a competitive market for passenger and freight transportation and set up the institutional framework (independent regulatory body, independent national safety authority and separation of infrastructure

management from rail transport operations) that will enable the implementation of the future rail law.

Maritime transport has been crucially revived thanks to the Black Sea corridor launched by Ukraine in August 2023, following Russia's withdrawal from the Black Sea Grain Initiative. Progress in harmonising legislation with EU maritime principles, including port state control and vessel traffic monitoring, has been minimal. Ukraine's maritime sector struggles with regulatory compliance and safety standards.

The development and implementation of **inland waterway transport** regulations are ongoing, aiming to enhance navigation safety and market functionality. Ukraine's engagement in the EU Strategy for the Danube Region and bilateral agreements with riparian states reflect efforts to facilitate inland navigation. Ukraine should continue to work on fulfilling all the necessary requirements regarding the ongoing process of recognition of certificates in inland waterways.

Civil aviation remains grounded due to airspace closure. While regulatory alignment with EU aviation rules is in progress, the revision of the EU-Ukraine Common Aviation Area Agreement transposition list has not yet been addressed.

No progress was made on **multimodal transport**.

Concerning **passenger rights,** Ukraine has to make considerable progress for aligning its legislation with EU passenger rights rules, notably in the fields of bus and coach, as well as of rights of persons with reduced mobility**.**

Chapter 15 - Energy

EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy, nuclear safety, radiation protection and nuclear safeguards.

As regards Ukraine's strategic framework, Ukraine adopted a National Energy and Climate Plan in June 2024, which sets the target for Ukraine's energy sector to achieve climate neutrality by 2050. Next step in implementation is putting in place a monitoring framework. The continuous destruction of energy facilities will require adapting planning and implementation. In July 2024, Ukraine adopted a Strategy for the Development of Distributed Generation until 2035 and an Action Plan for its implementation in 2024-2026.

In terms of **security of supply**, the synchronisation with continental Europe's grid enabled a gradual increase in the commercial capacity for electricity imports, reaching up to 1.7 GW in July 2024. Together with 250 MW emergency capacity, this aids in balancing Ukraine's energy system. As of 1 January 2024, Ukrenergo is a full member of ENTSO-E, the European Network of Transmission System Operators for Electricity. Ongoing interconnection projects aim to enhance import/export potential with Slovakia, Romania, and Poland. Under the EU mechanism for demand aggregation and joint gas purchasing, European operators have stored 2 billion cubic metres of gas in Ukrainian storages. In November 2023, Ukraine adopted a law on oil stock reserves based on an industry-related model. The new law is largely aligned with the Oil Stocks Directive. Alignment with the gas security of supply Regulation is pending.

Regarding the **internal energy market**, Ukraine further aligned its energy legislation with the EU's third energy package, though alignment with and implementation of the electricity integration package is delayed. Day-ahead, intraday and balancing markets operate under increased price caps. The debts on the balancing market remain high. Network tariffs do not reflect the level of investments and maintenance needed for energy and climate reforms. Since autumn 2023, Ukrainian day-ahead market's wholesale prices have aligned more closely with neighbouring countries. Progress has been made in aligning with the Renewable Energy Directive, facilitating the launch of feed-in premium models and renewable energy auctions. In 2023, Ukraine incorporated the concept of the 'active consumer' in its energy legislation. State interventions in the gas market during the war reduce the efficiency of operations and alignment with EU rules; this needs to be addressed as a priority.

Ukraine adopted most implementing legislation to implement the REMIT law, which entered into force in July 2023; a register for wholesale energy market participants is operational.

The independence of the National Energy and Utilities Regulatory Commission (NEURC) remains limited, with unresolved issues regarding its status as a central executive body. Legislative amendments in August 2024, which exclude NEURC's regulatory acts from state registration, are a step in the right direction. Ukraine should finalise the nomination of one NEURC commissioner in a transparent manner without further delay to strengthen trust in the institution and enable its proper functioning.

In the area of **renewable energy**, in August 2024, the government approved the 2030 National Renewable Action Plan setting the target of 27.1% share of renewable energy in the gross final energy consumption by 2030. Proper implementation of market-based support schemes for RES, introduced by Ukraine in June 2023, is key to deploy urgently needed decentralised renewable capacities. Ukraine adopted implementing legislation on guarantees of origin, procedures for active customers and conditions for distribution systems. Alignment with sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass is still missing. Lack of alignment with EU legislation and regulatory and administrative barriers keep preventing Ukraine to utilise its large biomethane potential including substantial private sector capacity. Ukraine needs to work on separating its renewable energy surcharge from the transmission tariff.

Ukraine's **energy efficiency** legislation is largely aligned with the EU Energy Efficiency Directive. In 2023, Ukraine adopted over 30 implementing acts enhancing the implementation of its energy efficiency legislation. In December 2023, it approved the Strategy for Thermal Modernisation of Buildings until 2050, alongside the State Targeted Economic Programme to support building modernisation until 2030 and an Action Plan to implement its long-term building strategy. Work on the development of a national building database and certification procedures for energy efficiency professionals is ongoing. Ukraine also adopted sectoral concepts for state programmes to promote energy efficiency in district heating and water supply and sanitation. Ukraine needs to adopt rules to make the district heating sector more efficient. There was no progress on the introduction of mandatory energy efficiency criteria in public procurement. Full alignment with the 2018 Energy Performance of Buildings Directive and enforcement of minimum energy performance requirements are particularly critical for Ukraine with its huge reconstruction needs.

The Energy Efficiency Fund (EEF) continues supporting investments in thermal renovations of multi-apartment buildings, and through a new programme, the integration of renewables (photovoltaics and efficient heat pumps) in housing. The EEF requires replenishment of funds from the state budget. In January 2024, the Decarbonisation Fund in the budget was created, to support energy efficiency and renewable energy programmes.

On **nuclear energy, nuclear safety and radiation protection**, Ukraine further aligned its legislation to the Euratom *acquis* and adopted new radiation protection legislation and enhanced nuclear regulatory oversight procedures. Ukraine's nuclear operator Energoatom was transformed into a joint-stock company, and in June 2024, the Cabinet of Ministers approved all five members of Energoatom's supervisory board. A new National Targeted Environmental Programme for Radioactive Waste Management was developed to address storage and disposal challenges, including a long-term project for deep geological disposal. In 2023, the first operational complex of the Centralised Spent Fuel Storage Facility (CSFSF) was commissioned. Despite some progress achieved, both regulatory capacities and harmonisation with the EU legislation ought to be pursued further. Staffing levels (33% of posts are vacant) and inadequate salary levels at the nuclear regulatory authority need to be addressed. In April 2024, Ukraine was invited to join the European Community Urgent Radiological Information Exchange (ECURIE) system.

Chapter 21 - Trans-European networks

The EU promotes Trans-European networks (TENs) in the areas of transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.

In December 2023, Ukraine signed the High-Level Understanding with the European Commission to improve transport connectivity. In line with the revised TEN-T regulation, four **Trans-European transport network TEN-T** corridors have been extended to Ukraine: the North Sea - Baltic Sea corridor through Lviv and Kyiv to Mariupol; the Baltic Sea - Black Sea - Aegean Sea corridor to Odessa via Lviv and Chisinau; and the Baltic Sea - Adriatic Sea and Rhine-Danube corridors as far as Lviv.

Ukrainian efforts focused on emergency repairs, restoring lifeline connections, and developing connections with Danube ports, EU Member States and Moldova under the EU-Ukraine Solidarity Lanes initiative. Administrative capacities and project preparation still need to be significantly strengthened to speed up the EU-backed projects and foster smooth and interoperable cross border connectivity. A pipeline of priority projects for cross-border connectivity with the EU based on the TEN-T needs to be further developed in the framework of the Single Projects Pipeline Alignment with EU TEN-T *acquis*, especially in technical standards, decarbonisation, and digitalisation, still remains a major challenge.

Ukraine should start implementing the strategy for developing and expanding the border infrastructure with the EU Member States and the Republic of Moldova until 2030 which helps prioritising investments in border-crossing infrastructure and traffic throughput via TEN-T related rail and road border-crossing points.

Ukraine is integrating **Trans-European energy network (TEN-E)** guidelines into its legislative framework and preparing alignment with the revised TEN-E Regulation 2022/869 through the law on strategically important energy infrastructure projects. Significant damage to Ukraine's internal electricity transmission infrastructure has prompted constant repairs and the necessity to prioritise a more efficient use of already existing grids and the lines which are operational. It also prompted a review of potential modernisation of the cross-border electricity network with the neighbouring countries to enable higher RES integration, improve security of supply, strengthen resilience of the system as well as increase the interconnection level.

Chapter 27 - Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU rules contain provisions addressing horizontal environmental issues, climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.

Ukraine's current **horizontal environmental legislation** is partially aligned with the EU *acquis*. There was limited progress during the reporting period. In December 2023, the EIA procedures were amended, enabling consultations with authorities and establishing online public hearings, alongside the launch of electronic EIA and SEA registries aimed to improve information accessibility. Yet civil society faced challenges in accessing information due to martial law restrictions. Transboundary EIA procedures regulated under the Espoo Convention were advanced by the entry into force of the Agreements with Romania of 15 July 2023 and Moldova on 15 August 2024. However, further efforts are needed to ensure that EIA and SEA apply to all plans, programmes and projects, also in Ukraine's reconstruction. The existing exemptions regime needs to be further limited to align with the EU acquis. New exemptions to EIA and SEA procedures, including in forestry and agriculture, should be avoided. The exclusion of EIA from the amended administrative procedure laws is also problematic. Moreover, it is imperative that access to EIA and SEA documentation is granted to all interested stakeholders.

Environmental monitoring is partially aligned with EU *acquis*. A concept for the state environmental monitoring programme was approved in July 2023. The martial law regime however prevents the implementation of legislation.

As regards **public access to environmental information,** the Law on national register of pollutant emissions and transfers (PRTR) was adopted in October 2023. Implementing legislation on reporting to the register was also adopted in March 2024. Ukraine should further ensure that public access to environmental information meets EU standards.

Full alignment with the EU *acquis* is yet to be achieved for legislation and institutions related to **environmental liability and crime** as well as **environmental control**. No progress was made during the reporting period.

Air quality legislation is partially in line with EU *acquis*. There was limited progress in addressing air quality directives, with the adoption of implementing legislation on air quality monitoring and fuel quality, the submission of the report under the United Nations Economic Commission for Europe (UNECE) Air Convention and approval of 36 state air monitoring programmes. Full alignment would require for example national emission ceilings, control of volatile organic compound emissions, strengthened compliance monitoring of sulphur in fuels and improved air quality data collection.

Waste management is partially in line with the EU *acquis*. There was good progress. In July 2023, a framework waste management law entered into force and over 20 pieces of implementing legislation focused on household waste, preparation of regional and local waste management plans, and operation of waste treatment facilities were adopted during the reporting period. Ukraine will have to adopt a waste management plan and a circular economy strategy and action plan, as per its commitment in the Ukraine Plan as well as continue efforts on full alignment with the EU waste *acquis*. In addition, 6 000 existing landfills need to be closed or brought into compliance with the EU requirements.

In the reporting period, there was some progress on Ukraine's legislation on **water quality** which is partially aligned with the EU *acquis*. The implementation of the Water Framework Directive advanced as draft river basin management plans (RBMPs) were published for all river basins of Ukraine. Changes were made to the Marine Environmental Strategy in August 2023 to prepare action plans. Secondary legislation was adopted for determining surface water quality. In wastewater treatment, the Law on sewerage and wastewater treatment of August 2023 entered into force. In addition, implementing legislation on maximum permissible discharge of pollutants into centralised sewerage systems and wastewater treatment before discharge to vulnerable areas was adopted. It remains necessary to address issues with cost recovery for water services.

Ukraine's **nature protection** legislation is not in line with the EU *acquis*. There was some backsliding as Ukraine cancelled the earlier approved list of invasive tree species, but also modest progress with the approval of methodology for assessing the risks of invasive species, and establishing the national catalogue of habitats. Alignment with the *acquis* on birds and habitats, Natura 2000 sites, monitoring, biosafety, as well as zoos, leg hold traps, access to genetic resources and seals is yet to be achieved. Ukraine needs to adopt a law on the conformation of the sustainable origin of wood and other goods that may lead to deforestation and forest degradation. Current legislative efforts regarding forest management need to be updated in view of the EU Regulation against deforestation.

Ukraine's legislation on **industrial pollution and risk management** is partially aligned with the EU *acquis* due to missing legislation and inadequate emission control measures. Some progress was achieved with the adoption of the law on integrated prevention and control of industrial pollution in line with the Ukraine Plan commitment, and implementing legislation on reporting requirements on pollutants from stationary sources. However, full alignment with the Directive 2010/75/EU on industrial emissions must still be achieved, notably by adopting secondary legislation and implementing measures foreseen in the adopted law on industrial pollution. EU Eco-Management and Audit Scheme and EU Ecolabel Regulations are to be implemented, and environmental standards to be aligned.

Legislation on **chemicals** is partially in line with EU *acquis*. There was some progress, as the law on chemical safety entered into force in June 2024 and several implementing decisions were adopted.

Legislation prohibiting the use of asbestos also entered into force. Adopting rules for asbestos management and establishing a registry on landfills licenced to handle asbestos are necessary next steps.

The legislation on **noise** has yet to be aligned with the EU *acquis* and no progress was made during the reporting period.

On **civil protection,** Ukraine is a full and active member of the Union Civil Protection Mechanism. While the country made significant progress in the area of civil protection, the recommendations from last year remain valid. Some areas of potential improvement would include the further strengthening of disaster legislation and disaster prevention and preparedness measures, including national early warning systems, the approval of a national methodology for disaster risk assessment, clarification of roles and responsibilities between institutions as well as within the civil protection system and deepened cross-border disaster management collaboration with neighbouring countries. Ukraine is encouraged to improve disaster preparedness and make use, when appropriate, of the scientific partnership for natural hazards, through the Emergency Response Coordination Centre.

Climate change

On **climate change**, Ukraine has made some progress. In October 2024, Ukraine adopted its first framework law on the State's climate policy, harmonising and clarifying objectives and competences. Crucially, the law aligns Ukraine with the EU's long-term objective of reaching climate-neutrality by 2050. Although Ukraine's climate legislation is not yet in line with the EU climate *acquis* this is an important step to build on. Ukraine should update its long-term low-emission development strategy under the Paris Agreement to reflect its long-term mitigation goal and prepare and submit a new Nationally Determined Contribution under the Paris Agreement. In addition, further alignment will be needed due to the major upgrades of the EU climate policy resulting from the Fit for 55 package.

As a Contracting Party to the Energy Community, Ukraine adopted its National Energy and Climate Plan in June 2024, with a commitment to set up a dynamic review process and to revise the NECP by December 2025. On the monitoring, reporting, and verification (MRV) of greenhouse gas emissions, in November 2023, Ukraine adopted resolutions partially implementing Commission Implementing Regulation (EU) 2018/2066; however, the martial law regime still hinders implementation as reporting at installation level is currently not compulsory. In line with its Ukraine Plan commitment, Ukraine is actively working on establishing a national Emission Trading System (ETS), which should ensure a gradual convergence of its carbon pricing policy to the EU ETS. The country will need a comprehensive, standardized, reliable MRV system as a prerequisite.

Implementing legislation was enacted on administrative procedures related to fluorinated greenhouse gases, but ratification of the Kigali Amendment to the Montreal Protocol remains pending, furthermore, alignment with the new EU Regulations on ozone-depleting substances and fluorinated gases requires regulatory action.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

Chapter 11 - Agriculture and rural development

The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of natural resources; maintains rural areas and landscapes; and supports the rural economy by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU

rules for marketing standards, quality policy and organic farming.

On **horizontal issues**, the draft national strategy for agriculture and rural development is published for consultation and planned for approval by the end of 2024, as envisaged in the Ukraine Plan. An independent body for the management and control of public support needs to be established. Ukraine is encouraged to bring support measures in line with the EU *acquis.* In this regard, the State fund for farm development has started implementing decoupled payments on a pilot scale. Legislation on public support to agriculture aligning with the acquis is being developed, in line with the Ukraine Plan. Ukraine should proceed with the establishment of an integrated administration and control system (IACS). A land parcel identification system (LPIS) must be established. Inter-operability of the various elements comprising the IACS should be ensured. Advisory services are registered and are issued a specific certificate to provide agricultural advisory services. A legal framework for the establishment of an agricultural knowledge and innovation system was adopted in March 2024. To release mine-contaminated land for productive use in agriculture and rural development, Ukraine adopted a Strategy for mine action until 2033, in line with the Ukraine Plan.

Regarding the **common market organisation** (CMO), legislative alignment continued, in particular for marketing standards. The Law on the association of agricultural producers, partially aligned, is pending parliamentary adoption. Ukraine started to establish a vineyard register and new viticulture zoning. A Law on grapes and viticulture was adopted in August 2024 aligning to the EU *acquis* in this field.

On **rural development**, a partial credit guarantee fund for small farms is operational since January 2024.

On **quality policy**, alignment continued with legislation implementing the policy, including on certification and labelling. Certification authorities still need to be established and administrative capacity strengthened.

On **organic farming**, Ukraine legislation will need to be further aligned with the EU *acquis*. As of July 2024, over 220 organic agricultural operators were certified. The monitoring and control of organic production and traceability should be further developed.

Chapter 12 - Food safety, veterinary and phytosanitary policy

The EU food acquis including hygiene rules for foodstuff production ensure a high level of food and feed safety and a high level of protection of consumers' interests. Animal health and welfare and the safety of food of animal origin are safeguarded together with quality of seeds, plant protection material, protection against harmful organisms and animal nutrition.

On **general food safety**, the State Service of Ukraine on Food Safety and Consumer Protection (SSUFSCP), responsible for food safety control, achieved a staff reduction in line with its functional reform process. Ukraine has yet to update the multiannual control plan to 2026 and the risk-based methodology for official controls to reflect legislative, institutional and food safety and animal health risk changes. The transparency principle should apply to official controls systems. Adequate financial resources should support the performance of official controls.

On **veterinary policy**, legislative alignment with the EU *acquis* advanced. The government adopted legislation on transmissible animal diseases and animal welfare and transportation. A bee disease surveillance system and related monitoring programmes were developed. The number of cases of rabies in animals and in human population has increased significantly. Vaccination campaigns continued and the SSUFSCP developed a national strategy for the elimination of rabies in Ukraine by 2030. Production of animal products is still not compliant with EU animal welfare rules.

The pilot implementation of the EU TRACES has been successfully completed and TRACES New Technologies is in use for 11 certificates throughout the country since January 2024. Pet animal movement control has been improved through the use of microchips, registered in a newly created database. Official controls to enforce animal registration and identification, including controls of markets,

are yet to be aligned with EU legislation.

A national residue control plan is compiled in line with EU and reference laboratories requirements, but the range of analysed compounds and analytical methods' performance still need improvements.

For the **placing on the market of food, feed and animal by-products**, implementing legislation on products of animal origin was adopted. A risk analysis, assessment and management system is in place. Capacity has been strengthened with further staff and the establishment of expert groups, a database and a scientific network. Capacity strengthening needs to continue.

Ukraine regularly updates its food safety monitoring plan. For milk and dairy products new legislation aligns Ukraine's implementing measures with EU official controls. Ukraine fully participates in the Commission's rapid alert system for food and feed (RASFF) but is not a member of the network. Official controls of imports remain to be fully aligned with the EU *acquis*.

On **food safety rules and specific rules for feed**, new implementing legislation provided for progress in labelling food contact materials and the presentation and advertising of food products, including nutritional and health claims. As regards specific rules for feed, there has been no further legislative developments, but feed additives registered in the EU are not subject to registration in Ukraine anymore.

On **phytosanitary policy**, the Ukrainian parliament has yet to adopt the framework law on plant health to align with the *acquis*. Implementing legislation is needed to complete *acquis* alignment. Integrated pest management principles remain to be aligned with EU legislation and the number of inspectors and their administrative capacity to be increased. An information system for phytosanitary inspection and plant protection (PHIS) was rolled out throughout Ukraine and supports the work of phytosanitary inspectors, including for the issuance of phytosanitary certificates, plant protection and surveys. First certificates were already successfully exchanged with Morocco and France.

The organisation and the structure of the laboratory network is to be adjusted to EU standards. A dedicated coordination unit was established at SSUFSCP and a strategy for the development of the laboratory network approved, but national reference laboratories remain to be designated and take up all their duties.

On **genetically modified organisms (GMOs)**, Ukraine adopted in August 2023 a law regulating genetic engineering activities and establishing GMO authorisation procedures and a system of official controls. It is partly aligned with the EU *acquis*., based on nine EU legal acts. The law will enter into force on 16 September 2026 and requires the adoption of substantial implementing legislation before.

Chapter 13 - Fisheries and aquaculture

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on control and inspection, rules on markets and aquaculture and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.

On **resource and fleet management**, Ukraine amended its legislation for the governance of fisheries, conservation and rational use of aquatic biological resources and aquaculture with certain parts of the fisheries management system now aligned to the EU *acquis*. It also adopted in September 2023 implementing rules for collecting statistical data in aquaculture, which will allow the development of necessary administrative and scientific capacity. Ukraine finalised a unified state electronic fisheries management system (e-Fish) and initiated implementation in July 2024. E-fish constitutes a tool for collecting, processing and analysing data on fisheries activities and gear, and will require additional developments to meet all EU requirements.

The lack of effective **inspection and control** hampers Ukraine's capacity to efficiently address IUU fishing. Some progress has been made. The law that entered into force in July 2023 includes improved

controls of fishing activities and of the origin of aquatic biological resources, the implementation of a unified electronic management system for fishery products and a mechanism for issuing permits in electronic form. Legislation has been adopted in February 2024 to establish a system of remote monitoring of fishing vessels. Outstanding issues include adaptation of law on traceability and aquatic biological resources.

On **market policy**, legislation to enhance transparency on market data was adopted in September 2023.

On **international agreements**, Ukraine has demonstrated commitment to apply for full-fledged membership of the General Fisheries Commission for the Mediterranean (GCFM). The necessary legislation has been prepared and financial resources to cover membership fee have been provisioned. Ukraine participated at regional level with an active stance in the works of the GCFM and the Common Maritime Agenda.

Chapter 22 – Regional policy and coordination of structural instruments

Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through 'shared management' between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU acquis elements such as environmental or public procurement legislation.

In terms of the **legislative framework**, the amended State Strategy for Regional Development provides guidance on the development of multi-level governance, including approximation to EU procedures; the promotion of cooperation across municipalities and regions; and the development of capacities territorial communities and regions. The Strategy now needs to be translated into practical action steps, with adequate resources. The law on principles of state regional policy remains to be fully implemented. The concept for updating the architecture of planning documents aimed at simplification of the current planning system for regional and local development policy should be completed, aligned with spatial and budgetary planning, and integrated with PIM roadmap. Progressive alignment of the legislation with the EU regional policy should be demonstrated. The potential of establishing links to European groupings of territorial cooperation in different policy instruments is not being fully exploited so far. Groupings can be used for integrated territorial (multi-level) governance facilitating the implementation of Interreg cooperation programs.

In terms of the **institutional framework** at central level, after a prolonged period of vacancy, the Minister of Communities and Territories Development of Ukraine was appointed. Ukraine should continue building Ministry's capacity in the Ministry, including adequate staffing for regional development.

The legal and regulatory process to establish the Agency for Restoration (SARDI) as a transparent, and accountable institution with adequate implementation capacity, as well as its internal administrative reform should be completed. As part of the implementation of the PIM action plan, it will be important that Ukraine defines the recovery planning process and ensures that funding is allocated according to a transparent prioritisation methodology with substantial involvement of sub-national authorities. Public oversight over public procurement practices needs to be strengthened.

On administrative capacity, the coordination framework within regional policy is yet to be set up, with a central role of the government, preferably based on a re-activated Inter-ministerial Coordination Commission, and a strengthened and systematic participation of regional and local stakeholders, including local self-government associations in designing, implementing and monitoring processes.

Locally, some authorities have created specific units focused on economic development, strategic planning and project management. A high turnover of staff, due to military mobilisation, internal displacement and migration remains a serious challenge.

On **programming**, the requirement of the Ukraine Facility to allocate an adequate support to the recovery, reconstruction and modernisation needs of Ukraine's sub-national authorities, in particular local self-government, should be implemented in line with the principles of cohesion policy, in particular subsidiarity, efficiency, accountability and decision-making role of sub-national authorities on the use of support. Budget allocation should be linked to local, regional development and sectoral strategies, take account of the need for mid-term budget planning and ensure a robust expenditure tracking and reporting system.

There were no significant developments on **financial management, control or evaluation systems**. On **monitoring**, the digital restoration ecosystem for accountable management (DREAM) should be further rolled out.

The internal and external **audit** functions are in place, but they have yet to deliver audits in accordance with international standards. The State Audit Service which is the national controller for Interreg programmes, should develop detailed arrangements to ensure timely and efficient controls and enable quick disbursements of EU funding to Ukrainian beneficiaries. The Accounting Chamber of Ukraine has still no mandate to audit local budgets, other than resources transferred from the central budget.

Ukraine has expanded participation in the Interreg **cooperation programmes** and is also part of the EU Macro-regional Strategy for the Danube Region. Ukraine should continue to benefit from these frameworks to gain experience in EU cohesion policy implementation and shared management practices, including on matters linked to programming, sound financial management, project selection and contracting.

Ukrainian sub-national authorities have also stepped-up participation in peer-to-peer initiatives with EU counterparts. The adopted amendments to laws on improving local self-government participation in interterritorial and cross-border cooperation aim to clarify the underlying framework.

Chapter 33 - Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource and (iv) a resource based on value added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

Despite limited progress with regard to the recommendation last year, Ukraine progressed in the underlying policy areas indirectly affecting the own resources system (for progress in these areas, see Chapters 16 - Taxation, 18 - Statistics, 29 - Customs union, and 32 - Financial control).

On **traditional own resources**, Ukraine has implemented most of the fundamental principles in the policy areas that affect the own resources system. In the reporting period, the Customs Code underwent several amendments to further align with the UCC.

Ukraine applies a single **VAT** system that is largely, but not fully, aligned with the European system. No changes to the VAT legislation were introduced since the previous reporting.

National accounts and **gross national income** (GNI) data in Ukraine partially comply with European System of Accounts 2010 standards. Ukraine does not submit the data to Eurostat.

On **administrative infrastructure,** the Ministry of Finance initiated an assessment of measures to be taken to start building capacity to contribute to the EU budget. Ukraine has yet to set up an own resource coordination body and raise awareness on requirements.

CLUSTER 6: EXTERNAL RELATIONS

This cluster covers: external relations (Chapter 30); and foreign, security and defence policy (Chapter 31).

Chapter 30 - External relations

The EU has a common commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules on humanitarian aid and development policy.

On the **common commercial policy**, Ukraine continued to coordinate its positions and align its policies closely with those of the EU, including within the World Trade Organisation (WTO) and its Dispute Settlement Body. During the reporting period Ukraine also accepted WTO Protocol of the Agreement on Fisheries Subsidies.

On **dual-use goods**, Ukraine has a solid legal framework in place on export controls of goods and technologies, including on dual use. Ukraine is a member of Australia group and Wassenaar Arrangement, and has adopted and maintained a consolidated list of dual-use goods and technologies based on the EU *acquis*.

On **bilateral trade agreements**, Ukraine has notified to the WTO preferential bilateral trade agreements with 17 partners, eight of which do not have a preferential trade agreement with the EU. Ukraine is negotiating further preferential trade agreements with several partners. In relation to this, Ukraine should continue to coordinate closely with the EU on international trade negotiations, in particular to ensure that, when it joins the EU, its commitments are compatible with those of the EU and ensuring integration of EU accession linked expiration clause in the provisions of bilateral free trade and investment agreements.

Ukraine has 66 **bilateral investment treaties** in force, 21 of which are with EU Member States. Ukraine has also signed seven treaties that have not yet entered into force. Ukraine continued benefiting from a generalised system of preferences granted by several countries, including the United States.

Ukraine has a legal framework in place to provide **humanitarian aid** to other countries. While Ukraine has yet to develop its **development cooperation policy** in line with the relevant EU framework, it has been engaging in provision of development aid by contributing to global food security efforts.

Chapter 31 - Foreign, security and defence policy

Member States must be able to conduct political dialogue under EU foreign, security and defence policy, align with EU statements, take part in EU actions, and apply agreed sanctions and restrictive measures.

Ukraine continued intense **political dialogue** on foreign and security policy with the EU and the EU Member States. This was also confirmed during the EU - Ukraine Foreign Affairs Ministers meeting in Kyiv in October 2023. The EU and Ukraine held two Political Consultations (July 2023, May 2024) and a Security and Defence dialogue (December 2023). The 9th EU-Ukraine Human Rights Dialogue took place in April 2024.

The institutional framework enabling Ukraine's participation in the CFSP and common security and defence policy (CSDP) is in place.

Ukraine's alignment with CFSP (statements by the High Representative on behalf of the EU and Council decisions on sanctions) was 89% in 2023. As of 30 September 2024, its alignment rate increased to 95%. This represents a clear political intention to align with CFSP.

Ukraine continues to align with **EU restrictive measures**. Ukraine has mechanisms in place to ensure effective implementation of EU sanctions. The Criminal Code still needs to be amended by the introduction of a new article criminalising circumvention of restrictive measures, as sanctions evasion is still not a criminal offence in Ukraine. The rights and obligations of participants in the sanctions process should be more clearly defined in Ukraine's legislation.

Ukraine intensified its diplomatic engagement with global partners through enhancing bilateral cooperation in Africa, Middle East, Latin America and Indo-Pacific. A strong feature of Ukraine's global outreach is the Peace Formula process building international support to Ukraine's vision of just peace based on the UN Charter. The Summit on Peace hosted in June 2024 by Switzerland, at Ukraine's request, was an important milestone in building international support for a comprehensive, just and lasting peace in Ukraine based on the principles of the UN Charter and international law, in line with the Ukraine's Peace Formula.

In this context, the Ukrainian authorities have sought to maintain and prioritise effective cooperation with EU Member States, and signed **bilateral security agreements** with a majority of them. These bilateral agreements are complementary to the EU-Ukraine joint security commitments.

Ukraine's cooperation with **international organisations** is strong and constructive, including with the UN, the Council of Europe, the Organization for Security and Co-operation in Europe (OSCE) and the Organisation for Black Sea Economic Cooperation. Ukraine is also aspiring to become a member of NATO. One of the main strands of ongoing strategic cooperation is to achieve full defence interoperability with NATO.

Ukraine continues to enhance cooperation with the ICC Prosecutor's Office to strengthen investigation of military and other international crimes. To this end, in September 2023 a Field Office of the ICC was opened in Kyiv. On 21 August 2024, the Rada passed a law on the ratification of the Rome Statute of the **International Criminal Court (ICC)** and its related instruments. The adopted ratification law will need to be complemented with a law aligning Ukraine's Criminal Code with the Rome Statute provisions, before the actual ratification can be processed.

Ukraine is party to and has ratified the main **non-proliferation** and **disarmament** agreements to which all EU Member States are State Parties, including the Treaty on the Non-Proliferation of Nuclear Weapons, the Biological and Toxin Weapons Convention, the Chemical Weapons Convention and the Anti-Personnel Mine Ban Convention. Ukraine complies with its international obligations under international export control regimes. The fight against illicit firearms and small arms and light weapons is part of the EU-Ukraine dialogue on disarmament, non-proliferation and arms export control (last meeting held in July 2024). Ukraine is encouraged to ratify the Arms Trade Treaty as soon as the circumstances will allow.

As regards **security measures** (classified information), the EU and Ukraine have a security information agreement in force for the exchange of classified information.

On **CSDP,** Ukraine has continued to seek its involvement in EU defence initiatives and civil and military crisis management, including Permanent Structured Cooperation (PESCO) and the European Defence Fund (EDF). Given the context, military and security cooperation between Ukraine and the EU and its Member States was significantly enhanced in particular within the framework of the European Peace Facility (EPF) and through the EU Military Assistance Mission in support of Ukraine (EUMAM Ukraine) and the EU Advisory Mission for Civilian Security Sector Reform in Ukraine (EUAM Ukraine).

The EU and Ukraine continue to cooperate in the area of countering cyber threats. Ukrainian cybersecurity authorities (National Cybersecurity Coordination Centre at the National Security and Defence Council and State Service for Special Communication and Information Protection) have signed a Working Arrangement with the European Union Agency for Cybersecurity (ENISA) in December 2023. The third iteration of a dedicated cybersecurity dialogue took place in Brussels in July 2024.

The EU and Ukraine have expanded cooperation in the area of countering hybrid threats (including disinformation). The bilateral security agreement signed on 27 June 2024 includes measures of countering foreign information manipulation and interference and build information resilience.

ANNEX I – RELATIONS BETWEEN THE EU AND UKRAINE

After the start of Russia's war of aggression against Ukraine, Ukraine applied for EU membership on 28 February 2022, and was granted European perspective and candidate country status in June 2022. In December 2023, the European Council decided to open negotiations with Ukraine. The first inter-governmental conference opening the negotiations took place on 25 June 2024.

The **EU-Ukraine joint security commitments** signed in June 2024 stated that security, resilience and defence support, as well as Ukraine's EU accession process, support to reforms, macro-financial, humanitarian and reconstruction assistance reinforce each other. For its part, Ukraine committed to continue undertaking reforms in line with its EU path, including in the security, defence and intelligence sectors.

As part of the **Association Agreement (AA) between the EU and Ukraine, the Deep and Comprehensive Free Trade Area (DCFTA)** has been applied provisionally since 1 January 2016 and has proved effective in creating the right conditions for closer economic and trade relations. Since 2016, bilateral trade between the EU and Ukraine has increased by more than half, and Ukraine has significantly advanced in its regulatory approximation to the EU *acquis* in trade-related areas.

During the pre-accession period, the AA/DFCTA will remain the legal basis for the EU's relations with Ukraine. It will apply up to the day Ukraine accedes to the EU. The mutual obligations in the AA/DCFTA will continue to guide the trade relationship, Ukraine's seamless integration into the EU single market and the implementation of reforms in areas such as: public procurement, telecommunication and digitalisation, maritime and international transport, the financial sector, accounting, financial reporting and auditing, customs, competition policy and State aid, sanitary and phytosanitary measures, intellectual property rights and geographical indications, standardisation and other areas regulated by the DCFTA. Ukraine has showed a steady progress in implementing DCFTA commitments, including by completing phases 1 and 2 of the DCFTA indicative timeline for institutional reform, legislative approximation and market access in the area of public procurement. However, work on phases 3-5 are behind the indicative timetable.

Under the DCFTA, the EU has fully liberalised trading in the vast majority of products and maintained tariff rate quotas and a minimum price system for only a few selected agricultural products. Since 2022, autonomous trade measures (ATMs) have temporarily suspended these remaining restrictions, making it possible for Ukraine to step up agricultural product exports to EU markets. Article 29 of the DCFTA provides for the possibility of permanent and reciprocal liberalisation of trade in agricultural goods. Discussions have been launched to replace ATMs, when they expire in June 2025, with a permanent solution under DCFTA Article 29, linking further trade liberalisation and reforms to alignment with EU norms and standards.

In 2023, the EU and Ukraine put in place a Priority Action Plan for DCFTA implementation. The purpose of Priority Action Plan for 2023-2024 is to identify a set of concrete actions to be undertaken by both sides by the end of 2024. The revised Priority Action Plan will serve as a roadmap for speeding up and monitoring full implementation of the DCFTA, providing Ukraine with further access to the single market. Each action has been designed in such a way that it can realistically be completed within a short timeframe, with concrete measures that are readily actionable and for which there is a clear procedure.

Regular political and economic dialogue between the EU and Ukraine has continued through the AA/DCFTA structures. Regular subcommittee meetings were held throughout the period. The 8th EU-Ukraine Association Committee in Trade Configuration took place on 30 November 2023; the 9th Association Council was held on 20 March 2024 in Brussels. The Association Committee did not meet during the reporting period.

The EU has continued to support implementation of the **Solidarity Lanes** initiative with new rail, road and inland waterway logistics corridors firmly established between Ukraine and the EU, covering trade in

both directions. Solidarity lanes continue to play a crucial role in ensuring critical imports and exports; they also play a vital role in contingency plans, ready to be used in case of disruptions to Black Sea routes. On 20 June 2024, the EU and Ukraine decided to prolong and update their current Road Transport Agreement, aimed at helping Ukraine to access world markets by facilitating transit through EU countries and further developing its links with the EU market.

Citizens of Ukraine have enjoyed **visa-free travel** to the Schengen area since 11 June 2017. An agreement on readmission between the EU and Ukraine has been in force since 2007.

Regarding **bilateral financial assistance**, since the Russian invasion, the EU, its Member States and the European financial institutions have stepped up their support in a Team Europe approach, mobilising almost EUR 122 billion for Ukraine's overall economic, social and financial resilience in the form of emergency macro-financial assistance, budget support, emergency assistance, crisis response, humanitarian aid and military assistance as well as support for people fleeing the war. This support includes EUR 15.6 billion mobilised so far under the Ukraine Facility, of which EUR 12.4 billion already disbursed. The Ukraine Facility has been operational since 1 March 2024 and is providing up to EUR 50 billion in stable, predictable and flexible support for the period 2024-2027. The EUR 38.27 billion Ukraine Plan financed under the Ukraine Facility is the main instrument for ensuring Ukraine's recovery, reconstruction and modernisation, while implementing reforms designed to underpin the country's accession process. The Plan envisages an ambitious growth-enhancing reform agenda aimed at facilitating structural transformation while supporting Ukraine's path towards EU membership. The Plan is complementary to the EU accession process as it has the potential to accelerate Ukraine's economic convergence upon successful completion, while simultaneously increasing alignment with the EU *acquis* in key areas. The EU and its Member States have also mobilised EUR 43.5 billion in military support for Ukraine, including EUR 6.1 billion under the European Peace Facility. To implement the commitment by G7 Leaders to provide approximately EUR 45 billion worth of loans to Ukraine to be serviced and repaid by future flows of extraordinary revenues stemming from the immobilised Russian sovereign assets, Regulation (EU) 2024/2773 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine in the context of Russia's military aggression entered into force on 29 October 2024. In light of the confirmed contributions of G7 partners, ensuring fair burden sharing through a proportionate support to the size of their respective economies, the EU expects to provide an MFA loan of approximately EUR 18 billion as its contribution to the initiative.

In 2023, the EU budget has enabled EUR 19.5 billion in assistance for Ukraine, including an unprecedented support package of EUR 18 billion in concessional loans. This was on top of EUR 11.6 billion provided in loans and grants in 2022. As of October 2024, the EU budget has already enabled EUR 16.7 billion in financial and humanitarian assistance in 2024, including EUR 15.6 billion under the Ukraine Facility. This brings the total support enabled by the EU budget since the start of Russia's invasion to EUR 47.8 billion.

Ukraine is associated to 14 **EU programmes**: Horizon Europe, EURATOM Research and Training, Digital Europe, Fiscalis, Customs, Creative Europe, EU4Health, Life, Single Market, Union Civil Protection Mechanism, Connecting Europe Facility, Union Anti-Fraud, Justice, and Citizens, Equality, Rights and Values. Organisations and individuals from Ukraine can also benefit from certain actions under the Erasmus+ and European Solidarity Corps programmes. Ukraine participates in several Interreg programmes and is a member of the EU macro-regional strategy for the Danube region. Ukraine's financial obligations for its participation in EU programmes have been suspended owing to the war.

Participation in the programmes has brought a number of tangible benefits: Ukrainian law enforcement staff attended digital forensic and analyst training and course on strengthening cooperation with OLAF; Ukraine secured access to crucial EU IT customs systems to facilitate trade flows, notably the common secure customs network, to which access is needed for applying the New Computerised Transit System; a Horizon Europe Office was set up in Ukraine providing Ukrainian researchers with support in preparing

competitive applications and finding suitable partners.

In 2014, the European Union Advisory Mission for Civilian Security Sector Reform Ukraine (**EUAM Ukraine**) was created. Following the Russian aggression, the EU established the EU Military Assistance Mission (**EUMAM Ukraine**) on EU soil in support of Ukraine in October 2022.

ANNEX II – STATISTICAL DATA

STATISTICAL DATA (as of 5/09/2024)
Ukraine

Basic data	Note	2011	2018	2019	2020	2021	2022
Population (thousand)		45 598 i	42 217 i	41 984 i	41 733 i	:	40 998 i
Total area of the country (km²)	1) 2)	603 548 w	603 549 w	603 549 w	603 549 w	603 549 w	603 549 w

National accounts	Note	2011	2018	2019	2020	2021	2022
Gross domestic product (GDP) (million national currency)	3)	1 349 178 w	3 560 302 w	3 977 198 w	4 222 026 w	5 450 849 w	5 239 114 w
Gross domestic product (GDP) (million euro)	3)	121 638 w	110 765 w	137 373 w	137 133 w	168 710 w	154 173 w
GDP (euro per capita)	3) 4)	2 661 w	2 620 w	3 269 w	3 285 w	4 077 w	:
GDP per capita (in purchasing power standards (PPS))		:	:	:	:	:	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		:	:	:	:	:	:
Real GDP growth rate: change on previous year of GDP volume (%)	3)	5.4 w	3.5 w	3.2 w	- 3.8 w	3.4 w	- 28.8 w
Employment growth (national accounts data), relative to the previous year (%)	5)	0 iw	1 iw	1 iw	- 4 iw	- 2 iw	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)	3) 4)	5 w	2 w	2 w	0 w	6 w	:
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)	3)	9.4 w	12.0 w	10.4 w	10.8 w	12.7 w	9.7 w
Industry (%)	3)	25.2 w	24.8 w	23.2 w	20.9 w	23.8 w	18.9 w
Construction (%)	3)	3.5 w	2.7 w	3.1 w	3.3 w	3.2 w	1.5 w
Services (%)	3)	61.9 w	60.5 w	63.3 w	65.0 w	60.3 w	69.9 w
Final consumption expenditure, as a share of GDP (%)	3)	85.5 w	90.2 w	93.2 w	92.6 w	86.8 w	104.4 w
Gross fixed capital formation, as a share of GDP (%)	3)	18.4 w	17.7 w	17.6 w	13.4 w	13.2 w	11.9 w
Exports of goods and services, relative to GDP (%)	3)	49.4 w	45.2 w	41.2 w	38.8 w	40.7 w	35.4 w
Imports of goods and services, relative to GDP (%)	3)	55.4 w	54.0 w	49.3 w	40.3 w	41.9 w	51.9 w
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)	3) 4)	:	3 w	3 w	3 w	3 w	:

Business	Note	2011	2018	2019	2020	2021	2022
Industrial production volume index (2015 = 100)	3) 4) 6)	135.2 w	108.7 w	108.2 w	103.0 w	105.4 w	66.7 w
Number of active enterprises (number)	3)	:	1 618 543 w	1 706 428 w	1 729 058 w	1 719 536 w	1 532 287 w
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)	3)	:	11.2 w	12.1 w	9.6 w	:	:

Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)	3)	:	6.3 w	10.5 w	10.5 w	:	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	63.0 iw	63.9 iw	64.0 iw	64.3 iw	:
Value added by SMEs (in the non-financial business economy) (EUR million)		:	33 936 iw	47 334 iw	48 221 iw	:	:
Total value added (in the non-financial business economy) (EUR million)	3)	:	68 917 w	90 454 w	86 283 w	:	:

Inflation rate	Note	2011	2018	2019	2020	2021	2022
Consumer price index (CPI), change relative to the previous year (%)	3) 7)	8.0 w	10.9 w	7.9 w	2.7 w	9.4 w	20.2 w

Balance of payments	Note	2011	2018	2019	2020	2021	2022
Balance of payments: current account total (million euro)	3)	- 7 350.7 w	- 5 464.2 w	- 3 696.3 w	4 735.0 w	- 3 369.7 w	7 644.5 w
Balance of payments current account: trade balance (million euro)	3)	- 12 952.2 w	- 10 848.4 w	- 12 770.8 w	- 5 867.8 w	- 5 689.0 w	- 14 130.5 w
Balance of payments current account: net services (million euro)	3)	5 664.8 w	1 143.0 w	1 567.6 w	3 845.7 w	3 368.9 w	- 10 736.5 w
Balance of payments current account: net balance for primary income (million euro)	3)	- 2 726.8 w	1 148.7 w	1 710.2 w	3 174.1 w	- 4 961.0 w	8 147.7 w
Balance of payments current account: net balance for secondary income (million euro)	3)	2 663.6 w	3 092.5 w	5 796.7 w	3 583.0 w	3 911.4 w	24 363.8 w
Net balance for primary and secondary income: of which government transfers (million euro)		- 404.5 w	- 754.0 w	- 1 135.0 w	- 1 183.4 w	- 1 278.8 w	15 843.7 w
**3 year backward moving average of the current account balance relative to GDP (%)	3)	- 3.3 iw	- 3.3 iw	- 3.6 iw	- 1.4 iw	- 0.4 iw	2.2 iw
**Five year change in share of world exports of goods and services (%)		:	:	:	:	:	:
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)	3)	5 039.1 w	4 111.9 w	4 619.8 w	- 50.8 w	6 351.5 w	202.7 w
Foreign direct investment (FDI) abroad (million euro)	3)	137.9 w	- 107.5 w	751.7 w	19.3 w	- 167.3 w	327.4 w
of which FDI of the reporting economy in the EU-27 countries (million euro)	3) 8)	129.6 w	- 133.1 w	485.2 w	- 39.4 w	- 149.5 w	- 89.5 w
Foreign direct investment (FDI) in the reporting economy (million euro)	3)	5 177.0 w	4 004.4 w	5 371.4 w	- 31.5 w	6 184.2 w	530.1 w
of which FDI of the EU-27 countries in the reporting economy (million euro)	3) 8)	3 939.1 w	2 727.4 w	4 149.3 w	- 731.1 w	4 599.3 w	- 66.6 w
**Net international investment position, relative to GDP (%)		- 24.7 w	- 20.2 w	- 17.9 w	- 14.1 w	- 13.0 w	- 1.7 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	3)	1.1 iw	0.7 iw	0.6 iw	0.7 iw	1.0 iw	1.0 iw

Public finance	Note	2011	2018	2019	2020	2021	2022
General government deficit / surplus, relative to GDP (%)	3)	- 2.2 w	- 1.9 w	- 1.9 pw	- 5.4 w	- 3.3 w	- 15.5 w
General government gross debt relative to GDP (%)	3) 9)	35.1 w	60.9 w	50.2 w	60.4 w	49.0 w	77.8 w
Total government revenues, as a percentage of GDP (%)	3)	41.3 w	39.5 w	39.4 w	39.6 w	37.0 w	50.1 w
Total government expenditure, as a percentage of GDP (%)	3)	43.5 w	41.5 w	41.2 w	45.0 w	40.3 w	65.4 w

Financial indicators	Note	2011	2018	2019	2020	2021	2022
Gross external debt of the whole economy, relative to GDP (%)	3) 10)	80.5 iw	90.4 iw	79.4 iw	74.6 iw	67.8 iw	80.5 iw
Gross external debt of the whole economy, relative to total exports (%)	3) 10)	163.0 w	199.6 w	192.2 w	192.4 w	165.6 w	225.8 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)	11)	30 204.4 w	21 166.7 w	29 144.0 w	30 226.3 w	41 433.7 w	40 342.0 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)		:	:	:	:	:	:

**Annual change in financial sector liabilities (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)		4.70 w	16.30 w	15.00 w	7.10 w	6.78 w	11.11 w
Euro exchange rates: average of period (1 euro = … national currency)		11.092 w	32.143 w	28.952 w	30.788 w	32.309 w	33.982 w
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)	12)	133.1 w	85.4 w	94.6 w	93.2 w	91.5 w	88.5 w
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)	12)	- 0.2 iw	- 0.1 iw	0.0 iw	0.1 iw	0.1 iw	- 0.1 iw
Value of reserve assets (including gold) (million euro)	3) 10)	24 668.3 w	18 177.1 w	22 682.2 w	23 711.1 w	27 294.4 w	26 751.2 w

External trade in goods	Note	2011	2018	2019	2020	2021	2022
Value of imports: all goods, all partners (million euro)	3)	58 219 iw	48 423 iw	54 310 iw	47 490 w	61 824 w	52 595 w
Value of exports: all goods, all partners (million euro)	3)	48 559 iw	40 080 iw	44 712 iw	43 053 w	57 718 w	41 752 w
Trade balance: all goods, all partners (million euro)	3)	- 9 660 iw	- 8 343 iw	- 9 599 iw	- 4 438 iw	- 4 106 iw	- 10 843 iw
Terms of trade (export price index / import price index * 100) (number)	13)	104.1 iw	99.6 iw	99.9 iw	105.0 iw	118.9 iw	:
Share of exports to EU-27 countries in value of total exports (%)		:	:	:	:	:	:
Share of imports from EU-27 countries in value of total imports (%)		:	:	:	:	:	:

Demography	Note	2011	2018	2019	2020	2021	2022
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		- 3.6	- 6.0	- 6.5	- 7.8	:	:
Infant mortality rate deaths of children under one year of age (per thousand live births)		9.0	7.1	7.1	6.8	7.2	:
Life expectancy at birth: male (years)		66.0	68.1	68.4	:	:	:
Life expectancy at birth: female (years)		76.0	78.0	78.3	:	:	:

Labour market	Note	2011	2018	2019	2020	2021	2022
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)	3) 4) 14)	72.1 w	71.8 w	72.9 w	72.0 w	71.9 w	:
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)	3) 4)	66.5 w	65.6 w	66.9 w	65.2 w	64.8 w	:
Male employment rate for persons aged 20–64 (%)	3) 4)	72.1 w	70.5 w	72.7 w	70.8 w	70.8 w	:
Female employment rate for persons aged 20–64 (%)	3) 4)	61.5 w	61.0 w	61.6 w	60.0 w	59.3 w	:
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)	3) 4)	39.7 w	39.5 w	41.9 w	42.1 w	41.1 w	:
Employment by main sectors							
Agriculture, forestry and fisheries (%)	3) 4) 5)	20.3 w	14.9 w	13.9 w	14.1 w	14.1 w	:
Industry (%)	3) 4) 5)	19.1 w	17.8 w	17.8 w	17.8 w	18.2 w	:
Construction (%)	3) 4) 5)	6.5 w	6.5 w	7.1 w	7.0 w	7.0 w	:
Services (%)	3) 4) 5)	54.1 w	60.8 w	61.2 w	61.1 w	60.7 w	:
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	:	:	:	:	:
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	:	:	:	:	:

Unemployment rate: proportion of the labour force that is unemployed (%)	3) 4) 5) 15)	7.9 w	8.8 w	8.2 w	9.5 w	9.8 w	:
Male unemployment rate (%)	3) 4) 5) 15)	8.8 w	10.0 w	8.5 w	9.8 w	9.5 w	:
Female unemployment rate (%)	3) 4) 5) 15)	6.8 w	7.4 w	7.9 w	9.1 w	10.1 w	:
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)	3) 4)	18.6 w	17.9 w	15.4 w	19.3 w	19.1 w	:
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	3) 4) 5) 15)	1.5 w	1.9 w	1.0 w	2.0 w	2.4 w	:
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)	3) 4)	7.4 w	14.2 w	13.9 w	16.3 w	15.3 w	:
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)	3) 4)	5.7 w	7.2 w	6.5 w	7.4 w	8.5 w	:

Social cohesion	Note	2011	2018	2019	2020	2021	2022
Average nominal monthly wages and salaries (national currency)	3) 4) 16) 17) 18)	2 633 w	8 865 w	10 497 w	11 591 w	14 014 w	14 847 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)	18)	:	134 w	147 w	158 w	175 w	:
GINI coefficient	3) 4)	24 w	24 w	25 w	25 w	24 w	:
Poverty gap	3) 4)	20.5 w	20.4 w	21.2 w	21.2 w	21.7 w	:
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		:	:	:	:	:	:

Standard of living	Note	2011	2018	2019	2020	2021	2022
Number of passenger cars relative to population size (number per thousand population)		151.3 iw	:	:	:	:	:
Number of mobile phone subscriptions relative to population size (number per thousand population)	3)	1 222.5 w	1 279.5 w	:	:	:	:
Mobile broadband penetration (per 100 inhabitants)	3)	:	47.5 w	:	:	:	:
Fixed broadband penetration (per 100 inhabitants)	3)	7 w	13 w	:	:	:	:

Infrastructure	Note	2011	2018	2019	2020	2021	2022
Density of railway network (lines in operation per thousand km²)	1) 2) 3)	35.9 iw	32.7 iw	32.8 iw	32.8 iw	32.7 iw	:
Length of motorways (kilometres)	3) 4)	15 w	15 w	15 w	15 w	15 w	:

Education, innovation and research	Note	2011	2018	2019	2020	2021	2022
Public expenditure on education relative to GDP (%)	3)	5.9 iw	5.3 iw	5.4 iw	5.4 iw	5.1 iw	:
*Gross domestic expenditure on R&D relative to GDP (%)	3)	0.71 iw	0.47 iw	0.43 iw	0.40 iw	0.38 iw	0.33 iw
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)	3) 19)	0.30 w	0.20 w	0.20 w	0.20 w	0.16 w	0.21 w
Percentage of households who have internet access at home (%)	3) 4) 20)	26.8 w	61.5 w	65.8 w	79.2 w	82.7 w	:

Environment	Note	2011	2018	2019	2020	2021	2022
*Index of greenhouse gas emissions, CO_2 equivalent (1990 = 100)		48.0 ew	40.0 ew	39.2 ew	34.9 ew	37.5 ew	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)	3)	222.0 dw	179.0 dw	166.0 dw	167.0 dw	:	:
Electricity generated from renewable sources relative to gross electricity consumption (%)		5.9 ew	10.3 w	9.4 w	11.5 w	10.6 w	:
Road share of inland freight transport (based on tonne-km) (%)	3) 4)	30.3 w	42.7 w	41.4 w	42.3 w	43.0 w	:

Energy	Note	2011	2018	2019	2020	2021	2022
Primary production of all energy products (thousand TOE)		82 106	60 886	60 355	57 121	:	:
Primary production of crude oil (thousand TOE)		3 407	2 341	2 478	2 476	:	:
Primary production of solid fuels (thousand TOE)		36 596	14 338	14 186	12 690	:	:
Primary production of gas (thousand TOE)		15 530	16 487	16 261	15 856	:	:
Net imports of all energy products (thousand TOE)		47 684 i	32 347 i	32 976 i	29 487 i	:	:
Gross inland energy consumption (thousand TOE)		126 864	93 851	89 641	86 583	:	:
Gross electricity generation (GWh)	(3)	194 948	159 796	154 012	148 264	150 042 w	:

Agriculture	Note	2011	2018	2019	2020	2021	2022
Agricultural production volume index of goods and services (at producer prices) (2015 = 100)	3)	94.1 w	112.5 w	114.1 w	102.6 w	119.4 w	89.6 w
Utilised agricultural area (thousand hectares)	1) 2)	41 265.8 w	41 259.9 w	41 138.4 w	41 144.2 w	41 144.2 w	41 144.2 w
Livestock numbers: live bovine animals (thousand heads, end of period)	3)	4 425.8 w	3 332.9 w	3 092.0 w	2 874.0 w	2 644.0 w	2 307.1 w
Livestock numbers: live swine (thousand heads, end of period)	3)	7 373.2 w	6 025.3 w	5 727.4 w	5 876.2 w	5 608.8 w	4 948.3 w
Livestock numbers: live sheep and live goats (thousand heads, end of period)	3)	1 739.4 iw	1 268.6 iw	1 204.5 iw	1 140.4 iw	1 094.3 iw	941.4 iw
Raw milk available on farms (thousand tonnes)	3)	11 086.0 w	10 064.0 w	9 663.2 w	9 263.6 w	8 713.9 w	7 767.7 w
Harvested crop production: cereals (including rice) (thousand tonnes)	3)	56 255.8 iw	69 101.9 iw	74 425.2 iw	64 333.4 iw	85 329.9 iw	53 529.6 iw
Harvested crop production: sugar beet (thousand tonnes)	3)	18 740.0 w	13 967.7 w	10 204.5 w	9 150.2 w	10 853.9 w	9 941.5 w
Harvested crop production: vegetables (thousand tonnes)	3)	9 944.3 w	9 543.0 w	9 801.9 w	9 747.5 w	10 038.3 w	7 579.4 w

Source: Eurostat and/or the statistical authorities in Ukraine

: = not available

d = definition differs

e = estimated value

p = provisional

i = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

1) Data of the State Service of Ukraine for Geodesy, Cartography and Cadastre.

2) Data are given according to the new Classification of Land Types.

3) Data for 2014-2022 exclude the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and the parts of the Donetsk and Luhansk regions which are temporarily occupied.

4) Data on Ukraine for the years 2021-2022 is limited due to exemption under the martial law from mandatory data submission to the State Statistics Service of Ukraine, effective as of 3 March 2022.

5) Persons aged 15-70 years.

6) Adjustment for the effect of calendar days of the dynamic series of indices to the average monthly value of the base. (2016) year is carried out using the DEMETRA+ program, using the TRAMO/SEATS method activity.

7) Consumer price inflation.

8) FDI Data were recalculated taking into account EU-27 Member States, excluding the United Kingdom.

9) State and state guaranteed debt.

10) Assets and debt converted from US dollars to euro using cross rates at the end of the reporting year.

11) Monetary aggregate M1 includes: certain liabilities of resident deposit-taking corporations vis-a-vis resident sectors of the economy except general government and other deposit-taking corporations; currency in circulation outside the deposit-taking corporations; and transferable deposits in national currency.

12) Nominal effective exchange rate index of the hryvnia (2015=100), 39 countries, from 2022 - 37 countries.

13) Index based on the previous year.

14) From 2019 data for economically active population is based on the Labour Force Survey.

15) Persons aged 15 years and over.

16) Data refer to enterprises and their independent divisions with 10 or more employees. Data from before 2010 should not be compared with data from 2010 onwards.

17) Excluding employees of small enterprises and employees of natural persons as entrepreneurs.

18) The disclosure of information will be resumed after the completion of the deadline for submission of statistical and financial reports established by the Law of Ukraine "On Protection of Interests of Subjects of Reporting and Other Documents during Martial Law or War".

19) The share of R&D expenditure from the government budget in GDP.

20) Share of persons who used the internet at home.