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DRAFT REPORT

on the implementation of the EU Association Agreement with Ukraine
(2017/2283(INI))

Committee on Foreign Affairs

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EXPLANATORY STATEMENT - SUMMARY OF FACTS AND FINDINGS

Four years after the signing by the EU of three Association Agreements (AA) including a Deep and Comprehensive Free Trade Area (DCFTA) with Moldova, Georgia and Ukraine and two years after their full entry into force, the European Parliament has decided to evaluate the level of implementation of these agreements, in line with its strong commitment to its closest Eastern partners and to their deepening relations with the EU.

In preparation for this report, on top of its regular and frequent meetings with Ukrainian authorities, opposition leaders and civil society representatives, the Foreign Affairs Committee undertook a fact-finding mission to Ukraine in April 2018 and commissioned three expert studies published over the last 6 months - on electoral reform, on the level of implementation of the AA and on the institutional framework for this implementation.

The findings of the Foreign Affairs Committee provide a positive image of the implementation of the Association Agreement with Ukraine despite a number of shortcomings that Ukrainian authorities still need to address.

There have been positive developments in many areas, notably judiciary, decentralisation, energy, health, pension and education.

In this report, the Foreign Affairs Committee highlights in particular its concerns about:

- 1) A proper functioning legal framework to fight corruptions, including institutions, financial transparency and audit;
- 2) Finalisation of the decentralisation reform;
- 3) Lack of efforts in de-Oligarchisation and privatisation;

Whilst calling on the Ukrainian authorities to address these concerns in line with the AA and other bilateral commitments, the report also highlights the European Parliament's position in relations to ongoing reforms:

- 1) The calls to lift the e-declarations for NGOs activists;
- 2) full independence of the prosecutor general;
- 3) rapid establishment of the High Anti-Corruption Court and to provide it with appropriate means for its functioning;

Finally, the report addresses the institutional framework in place to implement the AA, both from the Ukrainian and the EU side, with a focus on capacity in terms of human resources and expertise, to ensure full implementation of relevant legislation and the monitoring thereof. In particular, an extended focus on administrative capacity building in the Ukrainian Parliament, the Verkhovna Rada, is proposed, as well as more efforts on monitoring and follow up on the AAs implementation on Ukrainian and the EU sides.

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the implementation of the EU Association Agreement with Ukraine (2017/2283(INI))

The European Parliament,

- having regard to Article 8 and to Title V, notably Articles 21, 22, 36 and 37, of the Treaty on European Union (TEU), as well as to Part Five of the Treaty on the Functioning of the European Union (TFEU),
- having regard to the Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part,
- having regard to the European Commission and European External Action Service (EEAS) joint staff working document of 14 November 2017 on the Association Implementation Report on Ukraine (SWD(2017)0376),
- having regard to the outcome of the mission of the Committee on Foreign Affairs to Ukraine, which took place from 4-6 April 2018,
- having regard to the expert studies drawn up for the Committee on Foreign Affairs, including the study entitled ‘The electoral reforms in three association countries of the Eastern Neighbourhood – Ukraine, Georgia and Moldova and their impact on political developments in these countries’, published on 26 October 2017, the study entitled ‘Institutional Architecture for the Implementation Agreements in Georgia, Moldova and Ukraine’, published in June 2018, and the comparative study entitled ‘The Development of an Institutional Framework for the Implementation of the Association Agreements in Georgia, Moldova and Ukraine’, published in July 2018,
- having regard to Rule 52 of its Rules of Procedure, as well as Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,
- having regard to the report of the Committee on Foreign Affairs and the opinion of the Committee on International Trade (A8-0000/2018),

General environment of reform – war and security threats

- A. whereas while Ukraine has been making progress on the path towards European integration, there have been both important achievements and difficult tasks alike at one year before the end of the first electoral period after the Revolution of Dignity, with the great support lent by voters to modernisation and reform marred by frustration at dire personal economic circumstances and corruption within state bodies;
- B. whereas Ukraine deserves particular praise for reforms in the areas of energy, health, pensions, education and decentralisation;
- C. whereas while condemning the continued Russian aggression in Eastern Ukraine and Russia’s illegal occupation of Crimea, it is to be recognised that Ukraine is facing challenges of a transformational nature in an environment of warfare and destabilisation

attempts;

Institutional framework in place to implement reforms

1. Highlights five key areas which Ukraine needs to focus on in order to strengthen the implementation process of the Association Agreement (AA): coordination, ownership, prioritisation, monitoring and communication; welcomes, in this context, the recently adopted government communication strategy;
2. Points to an urgent need for greater political oversight, synergy and coordination of the European integration process at the highest political level;
3. Highlights that progress in implementation is contingent on the political leadership's commitment to reform, a commitment to and prioritisation of European integration by the political elites, and the capacities of ministries, executive agencies and independent regulators;
4. Emphasises the urgent need for practical technical, expert and financial assistance, focused on capacity-building of the Verkhovna Rada;
5. Points to persistent 'silo mentalities' within certain ministries, which are preventing a coherent position on European integration matters;
6. Is concerned that the interaction between the cabinet and the parliament has not been regulated by a specific mechanism in relation to the implementation of the AA/Deep and Comprehensive Free Trade Area (DCFTA);
7. Emphasises that the effectiveness of reform implementation is directly linked to the preliminary stages of policymaking and legislation; notes, however, that the policymaking cycle is lacking the essential instrument of public consultation and research-informed decision-making;
8. Encourages Ukraine to focus on three main priorities in its reform agenda: i) establishing an efficient legal framework to fight corruption, including institutions, financial transparency and auditing; ii) decentralisation reform; iii) deoligarchisation and privatisation;

Political dialogue

9. Welcomes the very intense dialogue carried out between the EU and Ukraine at many different levels, not least between the European Parliament and the Rada, including on many controversial issues;

The rule of law and good governance

10. Emphasises that the fight against corruption should be made a priority issue, in order to not only implement the AA, but also bring fresh investment and vigour to the Ukrainian economy, as a prerequisite for the generation of jobs and household income;
11. Welcomes the ongoing comprehensive judicial reform, but regrets the extent to which the existing judicial system in Ukraine still remains ineffective, corrupt and politically

dependent;

12. Welcomes the work already delivered by the National Anti-Corruption Bureau (NABU), but points to the problematic interference from the prosecutor general; underlines the importance of the independence of the special anti-corruption prosecutor;
13. Recalls that the government has committed to further amending the constitution in line with the recommendations of the Venice Commission; urges the speedy adoption of the new electoral code and the law on party financing;
14. Reiterates its call to lift e-declaration requirements for NGO activists;
15. Calls for determined efforts to continue decentralisation reform and for the amalgamation of territorial communities to be expedited in view of the upcoming general and local elections;
16. Takes the view that new municipalities should be able to enjoy financial stability and a well-grounded legal status, and that larger cities should also be able to take part in the amalgamation process; regrets the abolition of the previous open and competitive selection process for hiring the heads of the administrations of rayons and oblasts and their deputies as civil servants, and the power invested in the President to appoint and dismiss them, as it risks seriously undermining the achievements already brought about through political decentralisation and the decentralisation reform in general;

Respect for human rights and fundamental freedoms

17. Remains deeply concerned at the growing number of illegally detained Ukrainian citizens from the temporarily occupied territories who have been arrested, sentenced and imprisoned by the Russian authorities;
18. Calls for the final adoption of the draft law on the legal status of missing persons;
19. Calls for the ratification of the Rome Statute on the International Criminal Court and the completion of all the requisite implementation measures;
20. Calls for the ratification of the Istanbul Convention on violence against women;
21. Welcomes Ukraine's intention to amend the law on education in line with the recommendations of the Venice Commission;

Trade and economic cooperation

22. Welcomes Ukraine's economic stabilisation and the progress achieved in implementing the DCFTA; encourages the Commission to support Ukraine in identifying areas that could further foster economic diversification and in prioritising them in the process of implementing the DCFTA;
23. Calls on Ukraine to appoint, as a matter of urgency, its domestic advisory group in order to ensure that implementation of the agreement is properly monitored by civil society organisations;

24. Is concerned about the growing poverty of large parts of the population;

Energy and other areas of cooperation

25. Praises Ukraine for good cooperation in the energy sector, not least the progress it has made in energy efficiency; points out the need for continued reforms, in particular to complete reform of the gas and electricity market, and to end existing monopolies, which will bring long-term economic benefits to industry and consumers;
26. Welcomes the immense efforts undertaken to modernise Ukraine's army, while encouraging, nonetheless, reform of the defence industry;

Institutional provisions

27. Calls for better monitoring and follow-up of the implementation of reforms on both the Ukrainian and the EU side, on the basis of coherent and measurable indicators; calls once more on the Commission and the EEAS to submit to Parliament and the Council more frequent and detailed written reports on the implementation of the agreements;

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28. Instructs its President to forward this resolution to the Council, the Commission and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy, and to the President, Government and Parliament of the Republic of Ukraine.