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FINAL REPORT

WTO Accession and Investment Promotion: Ukraine WTO Accession Follow-On Project

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FINAL REPORT

WTO ACCESSION AND INVESTMENT PROMOTION: UKRAINE WTO ACCESSION FOLLOW-ON PROJECT

Contract No: PCE-I-00-98-00017-00, Task Order 28

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Abbreviations

Abbreviations	Term
ACC	Accession (code for accession related documents)
ACC/1	Outline of the Memorandum on the Foreign Trade Regime
ACC/4	Information on Domestic Support and Export Subsidies in Agriculture
ACC/5	Information on Policy Measures Affecting Trade in services
ACC/UKR	Accession Documents of Ukraine
AD	Agreement on Anti-Dumping
AG	Agreement on Agriculture
AMS	Aggregate Measure of Support
ASYCUDA	Automated System for Customs Data
BOP	Balance-of-Payments
CAIRNS	CAIRNS group consists of sixteen countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay
CM	Cabinet of Ministers
CPFI	Center for Promoting Foreign Investment
CSOs	Civil Society Organizations
CVD	Countervailing Duties
DCTU	State Standards of Ukraine
DCWTO	MEEI Department of Cooperation with the WTO
MEEI Trade Division	Division on Trade Restrictions and Control over Foreign Economic Activities
Draft Accession Report	Draft Report of the Working Party on the Accession of Ukraine
EPPO	European Plant Protection Organization
FSU	Former Soviet Union
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GMO	Genetically Modified Organisms
GOU	Government of Ukraine
GPA	Government Procurement Agreement
HS	Harmonized System
ICIT	Interdepartmental Commission for International Trade
IDC	Inter-Departmental Committee on Ukraine's Accession to the WTO
ILA	Import Licensing Agreement
IMF	International Monetary Fund
IP	Intellectual Property
IPPC	International Plant Protection Convention
IPR	Intellectual Property Rights
ITC	International Trade Centre

Abbreviations	Term
JECFA	Joint FAO/WHO Expert Committee on Food Additives and Contaminants
LDCs	Least Developed Countries
MEEI	Ministry of Economy and European Integration
MFN	Most-Favored-Nation
MFTR	Memorandum on the Foreign Trade Regime
MPs	Members of Parliament
MRL	Maximum Residue Level
NBU	National Bank of Ukraine
NCC	National Codex Commission
NERC	National Electricity Regulatory Commission
NGO	Non-Governmental Organization
NTB	Non-Tariff Barrier
ODC	Other Duties and Charges
OECD	Organization for Economic Cooperation and Development
OIE	International Office of Epizootics
PSI	Agreement on Pre-shipment Inspection
RBS	Risk Based System
SAD	Single Administrative Document
SCM	Agreement on Subsidies and Countervailing Measures
SPS	Agreement on the Application of Sanitary and Phytosanitary Measures
STE	State Trading Enterprise
TBT	Technical Barriers to Trade
TCAA	Trade in Civil Aircraft Agreement
TRIMS	Agreement on Trade-Related Investment Measures
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UNCITRAL	United Nations Conference on International Trade Laws
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VAT	Value-Added Tax
VER	Voluntary Export Restrictions
VR	Verkhovna Rada (the Parliament of Ukraine)
VR-CEI	VR-CEI
WB	World Bank
WCO	World Customs Organization
WHO	World Health Organization
WP	Working Party

Abbreviations	Term
WTO	World Trade Organization

EXECUTIVE SUMMARY

This report summarizes the accomplishments of Task Order No. 28 “WTO Accession and Investment Promotion: Ukraine WTO Accession Follow-On Project” performed during period August 1, 2005- December 31, 2006 under Contract Number PCE-I-00-98-00017-00 “Support for Economic Growth and Institutional Reform General Business, Trade and Investment Project (SEGIR GBTI).”

The purpose of the project was to assist the Government of Ukraine in its effort to (i) accede to the WTO and (ii) develop the Foreign Investment Promotion Strategy. Despite political instability and uncertainties (e.g. parliamentary elections and subsequent political crises lasting for several months, three Cabinets, changes in WTO negotiations leadership) during the period of performance, significant progress and results were accomplished. All targets of the Project were met, and most of them were exceeded. With the assistance of the Project, the process of Ukraine’s accession to the WTO is currently nearing completion. The Foreign Investment Agency (InvestUkraine) has been established; it is currently active and operational. The main ten accomplishments of the Project are summarized below:

1. Legal and regulatory framework for complying with the WTO and improving the investment environment developed. Around 40 laws and other legal acts¹ (see Exhibit 1 below) were adopted during this period of performance of which around 30 acts were adopted with the assistance of the Project including:

- Amendments to the law on foreign economic activity.
- Standardization and conformity assessment related laws (3 laws amended).
- Customs valuation related laws (2 laws amended).
- SPS related laws (3 new laws and 4 laws amended).

This effort brought Ukraine’s foreign trade regime largely into conformity with the WTO agreements. In addition to enabling WTO accession, a WTO-consistent legal environment will strengthen the rule of law, reduce discretionary authority, improve transparency, increase accountability, and reduce government interference; thus reducing corruption opportunities and the cost of doing business as well as protecting investors’ rights and improving the overall investment climate.

Further, per request of the Verkhovna Rada Committee on European Integration (VR CEI), 62 draft laws were analyzed for WTO conformity and report-Information Note was prepared. This effort prevented many WTO -inconsistent draft laws from passing through the Parliament.

2. Quality of accession documentation improved due to Project advice on providing sound replies to questions raised by WP members and in commenting on Draft Working Party Report. This has led to major improvement in the Draft Working Party Report and closure on factual information.

¹ This brings the total number of laws and legal acts adopted under both phases of USAID assistance to over 80.

3. Memoranda summarizing working party proceedings prepared by the Project served as guidelines for negotiators to advance the accession process to the next stage and for policy and decision makers to advance reform.

4. Groundwork for Rapid Harmonization Accomplished. Comparison of Ukrainian technical requirements related to food safety for equivalence with existing Codex standards, guidelines, and recommendations completed and differences identified. The National Codex Commission (NCC) was established in July 2006. The comparative tables will serve as guideline for the recently established National Codex Commission in harmonizing with Codex.

Membership in International Plant Protection Convention secured. Harmonization with international standards will improve investment climate through reducing technical barriers to trade, reducing the cost of production, and increasing access for Ukrainian food products to WTO markets.

5. Foreign Investment Agency Established. The Foreign Investment Promotion Agency (InvestUkraine and formerly Center for Promoting Foreign Investment-CPFI) was established in August 2005. The Project designed a launch plan for InvestUkraine and assisted in developing recruiting procedures, organizational chart, job descriptions, standard operating procedures, investor tracking system, and a website. On-the-job and formal training was provided to the staff of the agency in performing their day-to-day duties. An effective Investment Promotion Agency providing investors with adequate information and services and advocating regulatory reform will improve the investment climate.

6. Foreign Investment Promotion Strategy developed. The Project assisted InvestUkraine in developing a strategy to attract foreign investment. The project assisted CPFI in implementing many aspects of the Strategy including development of promotional tools such as presentations, brochure, and website. Providing investors access to meaningful and useful information about Ukraine will improve the investment climate.

7. Greater Awareness of the WTO and support for accession. The Project implemented an awareness campaign aimed at building support for accession. In this regard, the project participated in 21 public awareness events to build awareness about WTO, its impact, and Ukraine's commitments, benefiting over 1,000 persons directly. The Project assisted in preparing materials for briefing business leaders and Parliament Members on Ukraine's commitments and likely impact of accession. In addition, the Project produced and disseminated awareness materials including a brochure titled "Why Ukraine Should Accede to the WTO" and special materials to the first issue of USAID Insight Newsletter published in January 2006. Efforts under this Project have significantly improved understanding by major stakeholders of the requirements and impact of WTO Membership. The Public awareness campaign has built greater support for WTO membership and WTO-related reform leading to the enactment of many WTO related laws and legal acts during the period of performance of this project, thus bringing Ukraine closer to accession. Draft WTO related laws were adopted with overwhelming support of both the private and public sectors. The recently adopted (Nov. 2006) 19 WTO-related drafts were adopted with 360-400 MPs² voting in favor.

8. Capacity of main counterparts was built primarily through on the job training and formal training to the staff of InvestUkraine but also through institutional strengthening activities with the Ministry of Economy, the VR-CEI, and the Institute of Eco-Hygiene and Toxicology. The WTO Department at the Ministry of Economy is now more capable in (i) conducting effective

² Note that the total number of MPs is 450.

negotiations and responding to questions and enquiries from WTO Members and WTO Secretariat and (ii) educating stakeholders, through seminars and information dissemination, about WTO, Ukraine's commitments, and the impact of accession. InvestUkraine's staff is now more capable of effectively serving foreign investors and promoting investment in Ukraine. The capacity of staffers at the VR CEI committee has tremendously improved in reviewing draft laws for WTO conformity, while the Institute of Eco-hygiene and Toxicology has greater understanding of Codex Alimentarius standards. The Institute is now in a position to play a key role under the National Codex Commission in completing the harmonization program of food safety requirements with Codex Standards.

9. An assessment of best model for industrial parks in Ukraine completed highlighting features of industrial parks, based on international best practices, and outlining bottlenecks for establishing industrial parks in Ukraine and proposals to eliminate them.

10. Other accomplishments include:

- Assisting in preparing **initial notification schedule**;
- Assisting in preparing **government procurement checklist**;
- Assisting in identifying **state trading** and preparing notification;
- Upgrading **partial equilibrium model**;
- Preparing a **manual of commitments**; and
- Preparing **comparative analysis of Ukraine's commitments**. Materials prepared were used as inputs for Parliament Hearing on WTO Accession in October 2006

This report consists of ten sections (A through J) describing activities and accomplishments under each of the following areas of assistance:

- Section A: WTO Accession Process
- Section B: Legal and Regulatory Reform
- Section C: Support to VR-CEI
- Section D: WTO Awareness/Education
- Section E: Harmonization with International Standards
- Section F: Notification: Notification Schedule, GPA Checklist, and State Trading
- Section G: Accession Package, Commitments Manual and Comparative Analysis
- Section H: Partial and General Equilibrium Model
- Section I: Foreign Investment Promotion
- Section J: Industrial Parks

A. WTO ACCESSION PROCESS

The Project provided continuous assistance and support to the Ministry of Economy in advancing the accession process. Specifically, the Project:

1. Provided support in preparing for all Working Party meetings:
 - In support of the 15th Working Party meeting, the Project assisted in (i) reviewing and commenting on the Draft Working Party Report dated August 3, 2005 and (ii) replying to around 70 questions raised by Australia, European Union, and the United States.
 - In support of the 16th Working Party meeting, the Project assisted in (i) reviewing and commenting on the Draft Working Party Report dated April 12, 2006 and in (ii) replying to over 250 questions raised by the following countries: Argentina, Australia, European Union, and United States.
 - In support of the 17th Working Party meeting, the Project assisted in replying to questions raised by the United States and Australia.
2. Participated in all of Ukraine's Working Party meetings and informal meetings held during the period of performance in Geneva and provided guidance to Members of the Ukrainian Delegation:
 - Ukraine's 15th Working Party meeting held on November 25, 2005;
 - Ukraine's Informal Working Party meeting (consultations) held on March 16, 2006;
 - Ukraine's 16th Working Party meeting held on June 15, 2006; and
 - Ukraine's informal Working Party meeting (consultations) held on October 27, 2006.
3. Subsequent to each meeting, the Project prepared a memorandum summarizing Working Party Proceedings, outlining the outcome and recommendations for next steps to move the process of accession and reform forward and enable the next Working Party meeting. These reports were well received by negotiators as well as decision and policy makers who used them as guidelines for advancing the process to the next stage.
4. Provided interpretation support to the Ukrainian delegation in Geneva:
 - On October 4-6, 2005 during bilateral negotiations meetings;
 - On November 25, 2005 during 15th Working Party meeting; and
 - On November 22-25, 2005 during bilateral negotiations.
5. Provided translation support for all systemic laws (multiple versions) prepared with the assistance of the Project (SPS, TBT, Customs). In addition, the Project provided additional translation per special request of the Ministry of Economy:
 - CMU Resolution No.1807 of November 20, 2003 "On Adopting the Procedure for Exercising State Control over International Transfers of Military Commodities."
 - Materials requested by the WTO negotiations team of the Ministry of Economy in preparation for the meeting on agriculture, Ukraine's responses to the EU comments.

- Most questions/replies to working party members.
- Minister Yatsenyuk's Letter to Pascal Lamy, WTO Director-General.
- Minister Yatsenyuk's Letter to European Commissioner for Foreign Trade Peter Benjamin Mandelson.
- Proposals to thesis for the meeting between the Minister of Economy of Ukraine and the WTO Director-General Pascal Lamy during the WTO Hong Kong Ministerial Conference.

B. LEGAL AND REGULATORY REFORM FOR WTO CONFORMITY AND IMPROVEMENT OF INVESTMENT ENVIRONMENT

6. The Project continued support initiated under previous phase toward adoption of the systemic laws, prepared with the assistance of the Project, specifically laws connected with SPS, TBT, Customs Valuation as well as the amendments to the Law on Foreign Economic Activity.
7. The project monitored and tracked the adoption of aforementioned Draft laws and all other WTO-related laws at all levels of the legislative process (ministerial, Cabinet of Ministers, Parliament first and second reading, and enactment by the President). The Project continuously reviewed drafts and provided consultation and input to relevant parties including the Ministry of Economy, the Ministry of Health, the Ministry of Agriculture, the Cabinet of Ministers, and the Parliament Committee on European Integration to ensure WTO consistency. Conformity/Tracking charts were produced on a regular basis during VR sessions and disseminated to stakeholders.
8. Sanitary and Phytosanitary Measures: The four SPS laws (one amending four SPS-related laws) were adopted in 2005:
 - The Law on Quality and Safety of Food Products and Food Raw Materials No. 2809-15 was adopted on September 6, 2005; signed by the President on October 16, 2006 and published (going into effect) on October 26, 2005. The new law establishes a food safety framework in conformity with the WTO SPS Agreement and in line with Codex Alimentarius.
 - The Law on Introduction of Changes to Some Laws of Ukraine No. 3078–IV dated November 15, 2005 (regarding sanitary-epidemiological norms for food products) amending: Code of Ukraine “On Administrative Violations” No. 8073 dated December 7, 1984; Law of Ukraine “On Foreign Economic Activities” No. 959 dated April 16, 1991; Law of Ukraine “On Ensuring Sanitary and Epidemiological Well-being of the Population” No. 4004 dated February 24, 1994; and the Law of Ukraine “On Pesticides and Agrochemicals” No. 86 dated March 2, 1995. This law amended four laws to ensure that SPS related provisions are in line with the WTO SPS Agreement.
 - The Draft Law on Plant Quarantine No. 3369-15 was adopted during the first reading on December 1, 2005, adopted as a whole on January 1, 2006 and went into force on February 21, 2006. The Law established a legal framework for plant protection in conformity with the WTO SPS Agreement and in line with IPPC.
 - The Draft Law on Veterinary Medicine was adopted as a whole on December 22, 2005 and returned to the Parliament with the President’s proposals on January 31, 2006. Amendments to the Draft were illegally introduced between the period of adoption and period of signing by the Speaker. These amendments, among other things, provided special status and privileges to the Veterinary Department. The parliamentary election and subsequent political crises hindered reconsideration of this Draft during the period March-July 2006. The New government resubmitted this Draft to the Parliament in early Fall 2006. The Draft was adopted on November 16, 2006 and signed by the President on December 4, 2006.

In addition, the Project identified the areas that should be adopted in the form of sublegal acts to implement the food law. Advice in this regard was provided to the Ministry of Health. The Project reviewed the following three draft Cabinet Resolutions to implement the new food law and found them to be consistent with international best practices:

- Draft CMU Resolution "On Approval of Procedure of Categorizing Food Products as Food Products of Special Dietary Use, Functional Food Products and Dietary Supplements, Procedure for State Registration and Maintaining the State Register and Providing Information Contained Therein" (adopted as No. 1023 on July 26, 2006 and went into force on September 1, 2006)
- Draft CMU Resolution "Procedure for State Registration of Food Products for Special Dietary Use, Functional Food Products and Dietary Supplements, Maintaining the State Register of Food Products for Special Dietary Use, Functional Food Products and Dietary Supplements and Providing Information Contained in the State Register of Food Products for Special Dietary Use, Functional Food Products and Dietary Supplements"
- Draft CMU Resolution "Regulations on the National Commission on Codex Alimentarius of Ukraine" (adopted as No. 903 dated July 3, 2006)

The Project further assisted in developing legal provisions for providing food industry with periods for adjusting to certain aspects in the Law on Safety and Quality of Products (e.g. HACCP implementation).

9. Technical Barriers to Trade: the Draft Law on Standards, Technical Regulations and Conformity Assessment Procedures was submitted by the Government to the Parliament on August 23, 2005, proposing a merger of the two existing laws (the Law on Conformity Assessment No. 2406-III of May 17, 2001 and the Law on Standardization N 2408-III of May 17, 2001) with extensive amendments to comply with the TBT Agreement. An alternative proposal, based on this Draft, was introduced by the Parliament to amend rather than replace the existing 2 laws. The Project reviewed the proposed Draft by the Parliament and determined that it contained the same provisions as the Government version and is largely in conformity with the WTO. The Draft was adopted during the first reading on October 4, 2005.

The Project prepared recommendations for further amendments to the Draft prior to the second reading to rectify a number of minor remaining issues. In addition, the Project prepared ACC/8 for existing and draft TBT laws and reviewed explanatory notes. The Project disseminated and discussed these recommendations with the Ministry of Economy, the Cabinet of Ministers, and the Parliament Committee on European Integration. The Project participated, per invitation of the Parliament Committee on European Integration, in a Committee meeting at the Parliament to discuss and prepare further amendments to the Draft. The Draft was fully adopted on December 1, 2005. It went into force on January 11, 2006. The adopted Law on Standards, Technical Regulations and Conformity Assessment Procedures No. 3164-IV dated December 1, 2005 amended the following three laws and brought the legal framework governing standards and technical regulations into conformity with the TBT Agreement:

- The Law on Standardization No. 2408-III dated May 17, 2001
- The Law on Conformity Assessment No. 2406-III dated May 17, 2001
- The Commercial Code of Ukraine No. 436-IV dated January 16, 2003

10. Customs: The Project reviewed and commented on several versions of the Draft prior to its submission on September 29, 2005 to the Parliament. The Draft brings the customs regime into full conformity with customs valuation and rules of origin. The Draft was adopted during the first reading on November 15, 2005 and as a whole on December 22, 2005. It was officially published on February 2, 2006 and went into force on March 20, 2006. The adopted Law on Amending Some Legislative Acts No. 3269-IV dated December 22, 2005 (Customs Valuation and Rules of Origin Agreement) amended the following two laws and brought the Customs Code in conformity with the WTO Customs Valuation Agreement and the WTO Agreement of Rules of Origin:

- Customs Code No. 92 dated July 11, 2002
- Law on Single Customs Tariff No. 2097 dated February 5, 1992

The project continued working with the Ministry of Economy to promote the adoption of the Interpretative Notes on Customs Valuation. The Draft Order of the State Customs Service of Ukraine on Approval of Methodological Recommendations on Application of Certain Provisions of the Customs Code of Ukraine dealing with the Issues of Customs Valuation of Goods Imported into Customs Territory of Ukraine. The Draft Order is based on the original proposal by the Project. The Project reviewed several versions of the Draft and found it to be largely consistent with the WTO Customs Valuation Agreement. The Draft is currently being considered at the Cabinet of Ministers.

Further, the Project prepared two alternatives to handle valuation of software in accordance with paragraph 2 of the WTO Decision on Valuation of Carrier Media Bearing Software for Data Processing Equipment (Decision 4.1). The first is to introduce amendments to the Customs Code and the second to adopt a Draft Customs Decree. The project, in both cases, assisted in the preparation of the legal text.

Lastly, the Project proposed amendments to Articles 267-269 of the Customs Code to address issues with valuation based on country of origin and manufacturer, as well as related parties issues.

11. Amendments to the Law on Foreign Economic Activity: Per request of the Ministry of Economy, the Project reviewed several competing versions and provided comments. The Draft was adopted on November 16, 2005.
12. Intellectual Property (IP): Per request of the Ministry of Economy, the Project examined and provided comments on the following IP related legislation:
- Amendments to the Customs Code to strengthen border enforcement measures
 - Draft Law on Commercial Secrets
 - Amendments to the Law on Geographical Indications
 - Intellectual Property fees
 - Trade secrets (law on Medicine and Law on Agrochemicals and Pesticides)
13. Alcohol and Tobacco: Per request of the Ministry of Economy, the Project conducted an analysis to eliminate the WTO violations to Article III (national treatment) and Article VII (fees for cost of services rendered) in the Law of Ukraine "On State Regulation of Production and Turnover of Ethyl, Cognac and Fruit Spirits, Alcoholic Beverages and

Tobacco Goods," No.481/95-VR, dated December 19, 1995. After conducting an analysis on fiscal revenue impact, two alternative solutions were proposed in the form of amendments to Law No. 481.

14. Tariff Quota Allocation-Sugar Sector: Per request of the Ministry of Economy, the Project assisted in preparing regulation to establish sound and transparent procedures for allocating tariff rate quota in the sugar sector.
15. Unfair Trade Practices: The Project assisted in developing amendments to bring into full conformity with the WTO Agreement on Anti-Dumping, the WTO Agreement on Subsidies and Countervailing Measures, and the WTO Agreement on Safeguards respectively, the following three laws:
 - The Law on Protection of Domestic Producers from Dumped Imports No. 330-XIV dated December 22, 1998.
 - The Law on Protection of Domestic Producers from Subsidized Imports No. 331-XIV dated December 22, 1998; and
 - The Law on the Application of Safeguard Measures Against Imports to Ukraine No.332-XIV dated December 22, 1998
16. Government Procurement: The Project assessed the Amendments adopted in February 2005 to the Law of Ukraine on Procurement of Goods, Works and Services for National Needs No. 1490 - III dated February 22, 2000. A memo was produced outlining institutional problems caused by this Amendment.
17. Other Legal Assistance: The Project assisted the Ministry of Economy in preparing the following Drafts:
 - Draft Law on Amending the Law on Value Added Tax;
 - Draft Law on Amending the Law on Milk and Dairy Products;
 - Draft Law on Cancellation of Export Bans on Alloyed Ferrous Metal Scrap, Non-Ferrous Metal Scrap and Semi-Products;
 - Draft Law on Amending Article 1 of the Law of Ukraine on Export Duty on Wastes and Scrap of Ferrous Metals;
 - Draft Law on Export Duty Rates for Live Cattle and Leather Raw Material;
 - Draft Presidential Decree to invalidate Presidential Decree About Measures on Improvement of the Price and State of the Market Policy in the Field of Foreign Economic Activity;
 - Draft Law on Amending the Law of Ukraine On the Procedure of Settlement in Foreign Currency;

Per request of the Ministry of Economy, the Project reviewed the Draft Resolution on Introducing Marginal Export Prices and found it to be non-compliant with the WTO. The Draft was not adopted per recommendations of the Project.
18. Quick Reviews: In many instances, the opinion of the Project was solicited on drafts that were introduced during the same day for voting or on drafts that required instant decisions to include or exclude from Parliament agenda. The Project had to provide opinions within 1 or 2 hours. The Project conducted instant reviews of draft laws and

warned, via email, relevant parties to take immediate actions to prevent WTO-inconsistent laws from advancing through the legislative process. Instant reviews were conducted for at least 10 Drafts including the following:

- Draft law on Introduction of changes to the law of Ukraine "On plant Quarantine", No. 8348.
- Draft law "On Meat and Meat Products", No. 8060.
- Draft law "On Food Security of Ukraine", No. 8098.
- Draft law "On Amendment of the Law "On Consumer Protection", No. 8207.
- Draft law on Amendments to Article 1 to the Law of Ukraine "On Export Duty on Ferrous Metal Waste and Scrap", No. 8316 and 7563.
- Draft Law On Utilization of Some Types Of Agricultural Products For State Interventions, No. 7311.
- Draft Law On Amendments to the Law of Ukraine "On Special Regime of Investment and Innovation Activity of Technological Parks." No. 7248.
- Draft Law "On Meat and Meat Products", No. 8060.
- Draft Law "On Food Security of Ukraine", No. 8098.
- Draft Law on Amending the Law on Scrap Metal, No. 8260.

C. SUPPORT TO VERKHOVNA RADA COMMITTEE ON EUROPEAN INTEGRATION

19. The Project was requested to provide legal analysis and support to the VR-CEI to assist in assessing WTO compliance of all WTO-related draft laws. A form (Information Note) was provided by the VR-CEI to fill-in for each draft law.
20. Reviewed, per request of the VR CEI, and filled in Information Note for the 62 draft laws listed below. The Project assisted the VR-CEI in preventing many WTO-inconsistent laws from being adopted. In addition, the capacity of staffers at the VR CEI committee has tremendously improved in reviewing draft laws for WTO conformity.

Table 1:

No.	Draft No.	Draft Title
1	1260	On Child Nutrition
2	3300	On Amendment to Article 37 of the Law "On Foreign Economic Activity"
3	3375	On Amendment of Some Legal Acts of Ukraine Regulating Activities in the Special (Free) Economic Zones and in the Territories of Priority Development (regarding poultry meat)"
4	5435-1	On Stimulation of the Development of Priority Sectors of the National Economy
5	6128	On Amendment to Article 1 of the Law of Ukraine "On Facilitating Development of the Domestic Sector of Machine-Building for Agricultural Complex"
6	7126	On Amendment to the Law of Ukraine "On Foreign Economic Activity" (new revision)
7	7239	On Amendment to the Law of Ukraine "On Procurement of Goods, Works and Services for Public Funds (with regard to procedure for making information on procurement available in the Internet)
8	7248	On Special Regime of Innovation Activity in Technological Parks
9	7311	On Using Some Agricultural Products for State Interventions
10	7424	On State Support of Fertilizer Production
11	7797	On Amendment to Article 13 of the Law "On State Support to Small Businesses" (regarding enhancement of activities of the entrepreneurial support funds)
12	8015	On Amendment of the Law „On Procurement of Goods, Works and Services for Public Funds"
13	8031	Amendment to the Law of Ukraine "On the State Special Purpose Programs"
14	8037	Draft Law On Standards, Technical Regulations And Conformity Assessment Procedures (harmonize the current legislation with TBT requirements)

No.	Draft No.	Draft Title
15	8060	On Meat and Meat Products
16	8062	On Amendment of the Law "On Protection of Plant Variety Rights (authority to execute state control over import, export and circulation of genetically modified plant varieties)
17	8068	Amendment to the Criminal Code (concerning the protection of intellectual property (IP) rights)
18	8072	On Amendments to the Law of Ukraine "On State Regulation of Production and Circulation of Ethyl, Cognac and Fruit Alcohol, Alcoholic Beverages and Tobacco Products"
19	8075	On Amendment of the Law "On Products Supply for the State Needs"
20	8098	On Food Security of Ukraine
21	8203-1	On Amendment of the Law "On Value Added Tax (taxation of agricultural producers)
22	8207	On Amendment of the Law "On Consumer Protection" (new version)
23	8223	On Amendment of Some Legal Acts of Ukraine (customs clearance procedure for goods)
24-25	8223-1 contains 2 laws	On Amendment to Some Legal Acts of Ukraine (customs clearance procedure for goods)
26	8260	On Amendments to the Law on Metal Scrap (additional requirements for specialized enterprises)
27-32	8322 contains 6 drafts	On Introduction of Changes to Some Laws of Ukraine With Regard To Bringing the Legislation of Ukraine in Line with the WTO Norms: 1. On Amendments to the Law "On Foreign Investment Regime" 2. On Amendments to the Law "On State Regulation of Sugar Production and Sale (cancellation of "B" and "C" quotas, changing internal regulation of sugar market) 3. On Amendments to the Law "On Television and Radio Broadcasting" (regarding limited portion of foreign capital in statutory funds of TV and Radio Broadcasting Organizations, status of the state TV and Radio Broadcasting Organizations, improvement of the state management in broadcasting area) 4. On Amendments to the Law "On Bar" 5. On Amendments to the Law On Some Issues of Imports of Vehicles Into the Customs Territory of Ukraine 6. On Amendments to the Law "On Milk and Dairy Products" (quality and safety of dairy products)
33	8477	On Amendments to the Law "On Some Issues of Bringing Vehicles to the Customs Territory of Ukraine" (registration)
34	9125	On Amendment of the Law "On Safety and Quality of Foods Products (harmonizing existing requirements with international standards)

No.	Draft No.	Draft Title
35	9196	On Amendment of the Law "On State Support of Agriculture in Ukraine" (reimbursement of producer's losses)
36	0837	On Introduction of Changes to Some Laws of Ukraine regarding Prevention of Use of Falsified Pesticides and Agrochemicals
37	1080	On Introduction of Changes to the Law of Ukraine "On Procurement of Goods, Works and Services for Public Funds" (regarding streamlining the procedure for enterprises and improvement of the procedure for information publishing)
38	1149	On Amendments to the Law of Ukraine "On Procurements of Goods, Works and Services for Public Funds"
39	1209	On Amendments to Article 2 of the Law of Ukraine „On Procurements of Goods, Works and Services for Public Funds" (regarding facilities for rehabilitation of handicapped)
40	1288	On Introduction of Changes to the Law of Ukraine "On Value Added Tax"
41	1290	On Amendment to Article 2 of the Law of Ukraine "On Procurement of Goods, Works and Services for Public Funds" (regarding limitation of the sphere of this Law application for procurement of literature by libraries)
42	1301-1	On Introduction of Changes to the Law of Ukraine "On State Regulation of Production and Circulation of Ethyl Alcohol, Cognac and Fruit, Alcohol Beverages and Tobacco Products"
43	1307	On Introduction of Changes to the Law of Ukraine "On Procurement of Goods, Works and Services for Public Funds" (regarding normalization of activities of state economic entities and higher education establishments)
44	2000	Law of Ukraine "On the State Budget of Ukraine for 2007"
45	2082	On Introduction of Changes to Some Legal Acts of Ukraine (regarding vehicles registration)
46	2099	On Introduction of Changes to the Laws of Ukraine Regulating Issues Dealing with Production, Circulation and Taxation of Goods Subject to Excise Duty
47	2281	On Introduction of Changes to the Law of Ukraine "On Bar"
48	0836	On Amendments to the Law of Ukraine "On Protection of Plant Variety Rights"
49	2037	On Amendments to Some Laws of Ukraine (on taxation)
50	2049	On Amendments to the Law of Ukraine "On Veterinary Medicine"
51	2251	On Stabilization Fund of Natural Gas Resources
52	2299-1	On Amendments to the Law of Ukraine "On Value Added Tax" (regarding taxation of agricultural enterprises)
53	2299	On Amendments to the Law of Ukraine "On Value Added Tax" (regarding special regime of taxation of agricultural producers)

No.	Draft No.	Draft Title
54	2322	On Wholesale Markets of Agricultural Goods
55	2354	On Amendments to the Law of Ukraine "On Stimulation of Automobile Production in Ukraine"
56	2392-1	On Amendments to the Law of Ukraine "On Milk and Milk Products"
57	2393	On Amendments to Article 7 of the Law of Ukraine "On Pesticides and Agrochemicals"
58	2396	On Amendments to Article 8 of the Law of Ukraine "On Protection of Rights for Goods Origin Indication"
59	2396-1	On Amendments to Article 8 of the Law of Ukraine "On Protection of Rights for Goods Origin Indication"
60	2399	On Amendments to Article 9 of the Law of Ukraine "On Medicinal Means"
61	2400	On Amendments to the Law of Ukraine "On Foreign Economic Activity"
62	2414	On Amendments to the Customs Code of Ukraine (regarding facilitation the intellectual property rights protection in course of transporting goods through the customs border of Ukraine"
63	2614	On support of chemical industry

D. WTO AWARENESS/EDUCATION

21. The Project implemented an awareness campaign aimed at building support for accession through educating about the WTO as an organization, accession process and requirements, negotiations formalities and procedures, Ukraine's commitments, and impact of WTO accession (e.g. benefits, costs, opportunities, challenges). Beneficiaries were public sector (local and central bodies) and private sector representatives, media, academia, and CSOs. The effort covered both Kyiv and the regions. The Project participated in 21 events (surpassing its target of 10) benefiting over 1,000 persons directly. Please see list below the list of events under item 30. The Project collaborated with the NGO Ukraine Center for International Integration in conducting public awareness.
22. In an effort to build support for accession and enactment of remaining laws, the Project, throughout the period of performance, met with officials from several ministries, many policy and decision makers at various levels, and private sector representatives to discuss the implementation of WTO agreements, the WTO accession process and requirements, the importance/need for Ukraine to accede to the WTO, and the likely impact of WTO accession on Ukraine. The Project held many meetings with the Economic Advisory Team at the Cabinet of Ministers to the Deputy Prime Minister, headed by Mr. Alexander Pinsky to discuss remaining reforms and the status of the legal agenda and ways to mitigate obstacles and delays in the accession process and reform. The Project also met regularly with the Ministry of Economy's WTO Department to speed up and promote reform, as well as the main Advisor of the Parliament Committee on European Integration on WTO (Olexander Kulakov) to discuss the legal agenda for enabling WTO accession.
23. The Project updated and disseminated educational materials, specifically the two brochures in English and Ukrainian: "How to Accede to the WTO and Why Should Ukraine Accede to the WTO." Circulated over 1,000 copies of each of the two brochures to more than 1,500 entities/persons within the private sector, public sector, academia, and NGOs. Copies of these brochures were often requested by VR CEI to circulate during seminars delivered by other organizations in the Parliament. In addition, the Ukraine Center for International Integration has used these brochures extensively during their seminars and uploaded them on the Center website acknowledging USAID.
24. Prepared in November 2005, per request of the Ministry of Economy, detailed WTO presentation (36 slides) for use by the Ministry and the Prime Minister Yakhnurov in Parliament Hearings and discussions with key business leaders. The presentation compared economic gains (GDP growth, FDI, import and export) by regional countries (Poland, Latvia, Lithuania, Romania, and Bulgaria) after their accession to the WTO and outlined gains to major sectors of Ukraine economy.
25. Participated on September 7, 2005 in meeting of the Parliament-Government Committee on WTO. Issues connected with the benefits of accession to the WTO were discussed as well as legal agenda for remaining reform.
26. Prepared materials for the Ministry of Economy (for further use by the Prime Minister Yanokovich Office) in support of the Parliament Hearing on WTO held on November 1,

2006. Also developed a list of arguments against WTO and counterarguments to refute them.

27. Collaborated with Think-Tank Bureau of Economic and Social Technologies (BEST) on promoting the adoption of WTO draft laws in the Parliament. BEST is one of the main entities consulted by the Party of Regions bloc (the largest bloc in the Parliament).

28. Contributed to the preparation of the first issue of USAID Insight published January 2006. Prepared the following materials in English and Ukrainian:

- Ukraine: One Step from WTO
- What WTO will Provide Ukraine
- WTO Fact File
- WTO Accession Requirements
- WTO Benefits
- Hong Kong Ministerial

Over 1,500 copies were printed and disseminated to libraries, press clubs, and various websites.

29. Efforts under this Project significantly improved understanding by major stakeholders of the requirements and impact of WTO Membership. The Project managed during these events to dissipate fears, misperceptions, and misunderstandings connected with WTO and its impact. Public awareness has built greater support for WTO membership and WTO-related reform leading to the enactment of many WTO related laws and legal acts during the period of performance of this project and bringing Ukraine closer to WTO Membership. Draft WTO related laws were adopted with overwhelming support of both private sector and public sector. The last 19 WTO-related drafts were adopted with 360-400 votes.³

30. The Project participated in the following 21 events in both Kyiv and the regions of Ukraine (Cherkasy, Lugansk, Poltava, Dnipropetrovsk, Ivano-Frankivsk, Ternopil):

- o October 7, 2005, delivered the lecture "State Aid to Industrial Producers in Accordance with WTO Requirements" at a Regional Round Table "Collaboration of the Power, Business and Public in the Process of Ukraine's WTO Accession". The round table was held in Cherkasy and organized by the Ukrainian Centre for International Integration along with the Center for Ukrainian Reform Education with support of Cherkasy Oblast State Administration. Around 60 persons participated. Seminar objective: to enhance the awareness of the local authorities, private sector and public of major aspects of Ukraine WTO accession process, as well as of expected economic and social impacts for Ukraine and local community.
- o November 10, 2005, delivered the lecture "Ukraine's Accession to the WTO: Issues of Foreign investments" during the Regional WTO Seminar in Lugansk, Ukraine called "Cooperation among authorities, business and public circles on the way to the WTO". The Seminar was organized and sponsored by

³ Note that the total number of MPs is 450.

Ukrainian Center for International Integration. Participants of the seminar were local government officials, business and media representatives. Total number of participants was around 200 people.

- December 22, 2005, participated in the media-briefing “Is Ukraine Welcome at the WTO?” held in the building of the Association of Journalists of Ukraine. This was organized and sponsored by Center for Ukrainian Reform Education, Ukrainian Center for International Integration and Parliamentary-Governmental Commission on Ukraine’s accession to the WTO. Participants were mainly representatives of mass media (around 40).
- February 28, 2006, delivered the lecture “Services Market Access Negotiations and the Current State of Play of Services Issue within the WTO” at “The WTO international trade system” seminar conducted in Kyiv. Seminar organized and sponsored by the Centre for International Trade Development of Kyiv National Economic University. Participants of the seminar were lecturers and teachers of foreign trade-related subjects from the institutes and universities of Kyiv and other cities of Ukraine. The purpose of the seminar was to spread teachers’ knowledge and understanding of practical matters and instruments of the WTO activities. Total number of participants was approximately 50 persons.
- May 16, 2006, delivered the lecture “Ukraine’s Accession to the WTO: Foreign Investments Attraction” and participated in the Regional WTO Seminar “Ukraine's accession to the WTO: Perspectives and Challenges for Small and Medium Business” in Poltava, Ukraine. The seminar was sponsored and organized by Ukrainian Center for International Integration. More than 200 representatives of local enterprises, government bodies and mass media attended the seminar.
- Organized and delivered the seminar “Perspectives of Ukraine in the context of WTO Accession” at the National Academy of Public Administration of the President of Ukraine. The seminar, held on May 17, 2006, was attended by over 70 public sector and private sector representatives.
- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on GATT/Import Licensing/TRIMS at the Ukrainian Academy of Foreign Trade on May 29, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 30 persons attended.
- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on Subsidies Rules under WTO Agreements (Industrial and Agriculture) at the Ukrainian Academy of Foreign Trade on May 30, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 30 persons attended.
- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on Sanitary and Phytosanitary Measures at the Ukrainian Academy of Foreign Trade on May 31, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these

agreements as well as the experience of Ukraine in complying with these agreements. Around 25 persons attended.

- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on General Agreement on Trade in Services at the Ukrainian Academy of Foreign Trade on June 1, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 25 persons attended.
- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on Unfair Trade Measures: Anti-Dumping, Countervailing, and Safeguards at the Ukrainian Academy of Foreign Trade on June 2, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 20 persons attended.
- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on Customs: Valuation and Rules of Origin at the Ukrainian Academy of Foreign Trade on June 5, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 20 persons attended.
- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on Technical Barriers to Trade at the Ukrainian Academy of Foreign Trade on June 6, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 25 persons attended.
- Organized, in cooperation with the Ministry of Economy, a seminar on Trade Related Aspects of Intellectual Property Rights at the Ukrainian Academy of Foreign Trade on June 7, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 20 persons attended.
- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on WTO Dispute Settlement Body and Process at the Ukrainian Academy of Foreign Trade on June 8, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 20 persons attended.
- Organized, in cooperation with the Ministry of Economy, and delivered a seminar on Status of the Doha Round on Multilateral Trade Negotiations at the Ukrainian Academy of Foreign Trade on June 9, 2006. The seminar aimed to educate public sector, private sector, and academia on concepts, rules, and principles of these agreements as well as the experience of Ukraine in complying with these agreements. Around 25 persons attended.
- Delivered a lecture during the Round Table “Ukraine’s Accession to the WTO: New problems or New Opportunities for National Economy”. Held on October

10, 2006, the round table was organized by Dnipropetrovsk State Administration and Ukrainian Center for International Integration and held at the Exhibition Center "Meteor" in Dnipropetrovsk. Participants included mainly representatives of local commercial enterprises - mainly small and medium. However, representatives of big companies (like Khortitsa – alcohol products) also were present. The total number of participants was around 60.

- October 16, 2006, in cooperation with the Main Civil Service Department of Ukraine and Ministry of Economy conducted a seminar "Perspective of Ukraine in the Context of WTO Accession." Over 40 officials from various ministries and state bodies attended.
- November 9, 2006, delivered a speech during the "Competitiveness of National Economy" conference organized by The Institute of Economy and Forecasting of the National Academy of Sciences of Ukraine in Kyiv. Participants included mainly representatives of scientific circles and non-governmental organizations as well as government and parliament officials. The total number of participants was around 50.
- Delivered Regional Seminar "Ukraine WTO Accession: Perspectives and Challenges for Small and Medium Business", 22 November, Ivano-Frankivsk, supported by Commercial Law Development Program (CLDP) and OSCE in Ukraine. The total number of participants was around 100 with representation by local authorities, businesses, business associations, academia, local media, and CSOs. Delivered Regional Seminar "Ukraine WTO Accession: Perspectives and Challenges for Small and Medium Business", 23 November, Ternopil, supported by Commercial Law Development Program (CLDP) and Polish Embassy in Ukraine. The total number of participants was around 80 with representation by local authorities, businesses, business associations, academia, local media, and CSOs.

E. TOWARD HARMONIZATION WITH INTERNATIONAL STANDARDS

Codex:

31. The Project assisted in preparing the groundwork for rapid harmonization of Ukraine food safety requirements with Codex Alimentarius standards on food safety. A roadmap for harmonization of food safety requirements in Ukraine was prepared with the assistance of the Project.
32. The Project assisted in comparing Ukrainian technical requirements related to food safety for equivalence with existing Codex standards, guidelines, and recommendations and identified differences. The project exceeded the target under the task order (50%) and fully completed (100%) this comparison. The Project worked with the Institute of Eco-Hygiene and Toxicology under the Ministry of Health in completing this task. The National Codex Commission (NCC) was established in July 2006 to work on harmonization with Codex Alimentarius using the results of this comparative analysis as the basis for its work. Please see Exhibit 2 below for list of compared food safety standards.
33. Assisted the Institute of Eco-Hygiene and Toxicology in introducing and adopting new analysis techniques and methods, namely addressing the AOAC INTERNATIONAL (Association of Official Analytical Chemists) with a request for providing Ukraine with multi-residue methods for determination of pesticides and other contaminants. Researched and downloaded materials for the Institute.
34. Per request of the Institute of Eco-Hygiene and Toxicology, prepared the general-purpose presentation “General Information About CAC (Codex Alimentarius Commission)”.
35. Secured and translated for the Institute of Eco-Hygiene and Toxicology the following Codex Standards to facilitate harmonization and adoption of Codex standards:
 - Codex Maximum Residue Levels for Pesticides with amendments adopted by the Twenty-eighth Session of the Codex Alimentarius Commission, Italy, 4 – 9 July 2005;
 - Codex Standard on Pesticide Residue (to reflect the latest update of March 2006)
 - Codex Guideline Levels for Methylmercury in Fish (CAC/GI 7-1991);
 - Guideline Levels for Vinyl Chloride Monomer and Acrylonitrile in Food and Packaging Material (CAC/GL 6-1991);
 - Codex Maximum Level for cadmium in cereals, pulses and legumes (CAC/GL 39/2001);
 - Maximum Levels for cadmium (CODEX STAN 248-2005);
 - Maximum Level for patulin in apple juice and apple juice ingredients and other beverages (CODEX STAN 235-2003);
 - Maximum Level for lead (CODEX STAN 230-2001, Rev. 1-2003).

36. Secured and provided partial translation for the Institute of Eco-Hygiene and Toxicology of the following Codex Standards and analytical manuals to facilitate harmonization and adoption of Codex standards:

- CAC/MRL 2 “Maximum Residue Limits for Veterinary Drugs in Food”
- CODEX STAN 232 “Maximum level for Aflatoxin M1 in Milk”
- CODEX STAN 209 “Maximum level and sampling plan for total aflatoxins in peanuts intended for further processing” (translated partially)
- Codex Standard 192-1995 (Rev. 6-2005) General Standard for Food Additives.
- Analysis of pesticide residue portion of commodities to which Codex MRLs apply and which is analyzed (CAC/GL 41 Rev. 1993)
- Recommended methods of analysis and sampling CODEX STAN 234-1999
- General methods of analysis for contaminants CODEX STAN 228-2001, Rev. 1 2004
- CODEX STAN 229 “Analysis of Pesticide Residues: Recommended Methods”, this standard provides reference to many methods.
- Pesticide Analytical Manual, Food and Drug Administration, Washington, D.C., USA. (Official site of U.S. Food and Drug Administration)
- Chemistry Laboratory Guidebook, United States Department of Agriculture, Food Safety and Inspection Service, Science Program, Washington, D.C., USA Information on ADIs (Acceptable Daily Intake) relative to pesticides residue (Report of the 1975 Joint FAO/WHO Meeting on Pesticide Residue, FAO Plant Production and Protection Series No.1).
- Manual “Submission and evaluation of pesticide residues data for the estimation of maximum residue levels in food and feed” Food and Agriculture Organization of the United Nations, Rome, 2002 First edition.

International Plant Protection Convention (IPPC):

37. The project assisted Ukraine in applying for IPPC Membership. Ukraine became a Member of IPPC in May 2006. A roadmap, including a Model Instrument for Adherence to the Convention, for joining the IPPC was developed and implemented with the assistance of the Project. The Project assistance included guidance, preparation of application, interaction with the IPPC Secretariat, and following up on the application at all stages of approval in Ukraine and at the IPPC Secretariat. Materials including text of the IPPC Convention, Benefits of the Convention, and Glossary of Phytosanitary terms were obtained and disseminated to relevant ministries to build support for processing the IPPC application.

F. NOTIFICATION: INITIAL NOTIFICATION SCHEDULE, GPA CHECKLIST, STATE TRADING

38. The project assisted in preparing initial notification schedule, government procurement checklist, and in identifying state trading entities and preparing profile using WTO notification form Annex 6 of ACC/1.
39. Initial Notification: The Project assisted Ukraine in preparing the initial notification schedule following the format expected by Member countries. Members expect acceding countries to submit the Initial Notification Schedule in a tabular form.
40. Government Procurement Agreement (GPA) Checklist: Ukraine committed to initiate negotiations toward accession to the GPA upon accession to the WTO. Ukraine is expected to submit initial notification on its government procurement regime using WTO GPA35 format covering the legal framework, scope and coverage of government procurement (including statistics), national treatment and non-discrimination, elements specific to procurement procedures, information/transparency, and bid challenge procedures. The Project assisted the Ministry of Economy in preparing the GPA Checklist according to GPA35 format.
41. State Trading: The Project examined the profile of over 40 enterprises and identified the following as state trading companies according to the definition of Article XVII of the GATT 1994:
 - State Corporation of Alcohol and Liquor Industry “Ukrspyr”
 - National Joint-Stock Company "Naftogas of Ukraine",
 - Closed JSC “UkrGasEnergo”, State Company “Ukrspetsexport”, and
 - State and communal pharmaceutical enterprises, which have an exclusive right to conduct import/export operations with certain narcotics, psychotropic substances and precursors, namely: State Joint Stock Company “Liky Ukrainy”, Kharkiv State Pharmaceutical Enterprise “Zdorov’ya Narodu”, Open Joint Stock Company “InterChem”, State Chemical and Pharmaceutical Enterprise “InterChem-1”, Communal Enterprise “Pharmacia” (Kyiv)

G. ACCESSION PACKAGE, COMMITMENTS MANUAL AND ANALYSIS

42. Parliamentary elections held early 2006 and subsequent political crises have delayed the process of WTO accession and completion of remaining WTO-related legal reform by at least six months; thus, delaying the finalization of the Draft Working Party Report. In addition, the pending bilateral negotiations with the Kyrgyz Republic have delayed the production of Schedules of Commitments. The Schedule of Commitments and Concession on Goods is confidential and maintained by the WTO Secretariat. It will be circulated to Ukraine and WTO Members only after all bilateral negotiations are completed and bilateral protocols signed.
43. The Project prepared a Manual of Commitments on the basis of available information including the aforementioned materials. This Manual should be considered as preliminary and should be revised once the Draft Working Party Report is finalized.
44. The Project prepared an Analytical Comparative Report of Ukraine's commitments based on available information. The Ministry of Economy provided input on key commitments made on goods. An earlier version of this report was used as background for Parliament Hearing on WTO on November 1, 2006. The Parliament voted overwhelmingly on WTO related laws in November and December 2006. This report may need some upgrading after the Schedules are produced by the WTO Secretariat to be used for supporting ratification of WTO membership.

H. PARTIAL AND GENERAL EQUILIBRIUM MODEL

45. The Project upgraded the partial equilibrium model and assisted in the development of an operational General Equilibrium model which was installed at the Ministry of Economy. On-the-job training and a user manual were provided to staff of the Ministry of Economy WTO Department. This utility combines micro and macro analysis of tariff reform and trade liberalization.
46. The Partial Equilibrium Model assesses the impact of Ukraine's accession to the WTO on fiscal revenue, trade flow, trade diversion, consumer welfare, and balance of payments. The utility provides, in addition, computation of effective rate of protection and average weighted rates (w/ and w/o free trade) for agricultural goods, non-agricultural goods, all goods, or specific line items or grouping(s) of goods.
47. General Equilibrium Model considers expected changes in macro-economy and calculates how the changes due to tariff reforms affect prices on intermediate inputs, the productivity in the production sectors, input-output coefficients value added, as well as what impact on employment, services, investment, export, total output, and GDP.

I. FOREIGN INVESTMENT PROMOTION

48. The Project assisted in establishing and making the recently established Foreign Investment Promotion Agency (InvestUkraine) in Ukraine operational primarily through institutional and capacity building and design and implementation of Foreign Investment Promotion Strategy. InvestUkraine is currently operational and its staff is active in providing services to investors and promoting investment in Ukraine. Additional capacity building and on-the-job training is warranted to further improve the effectiveness of InvestUkraine.
49. Institutional: The Project contributed significantly to the institutional development and organizational capacity of the newly established InvestUkraine. Specifically, the Project:
- Developed a Launch Plan for InvestUkraine (2005) which was embraced by InvestUkraine Director and Members of the Steering Committee (Private sector/multilateral organizations: IFC, American Chamber of Commerce, EBRD, European Business Association, World Bank, Western NIS Enterprise Fund; Public Sector: Ministry of Economy, Ministry of Industrial Policy, Ministry of Transport and Communications, Ministry of Education and Science, Ministry of Justice, Ministry of Fuel and Energy).
 - Prepared a job description and hiring process for InvestUkraine Director. Submitted and discussed with the First Deputy Minister of Economy.
 - Reviewed and commented on InvestUkraine annual budget.
 - Developed advertising materials for recruiting InvestUkraine staff and procedure for selecting specialists.
 - Reviewed and commented on the functions of the Structural subdivisions of InvestUkraine and its organizational structure.
 - Reviewed and commented on the wages and organization chart of InvestUkraine.
 - Reviewed and commented on a presentation on InvestUkraine budget and organization for the Cabinet of Ministers.
 - Provided consultative support regarding best practices for the relationship between investment promotion agencies and the state.
 - Developed job description and recruitment procedures/hiring process for InvestUkraine Director.
 - Assisted in preparing agenda for Steering Committee meetings and participated in all Steering Committee meetings.
 - Developed a detailed manual of guidelines and procedures for InvestUkraine.
50. Foreign Investment Promotion Strategy: The Project assisted in developing a Foreign Investment Promotion Strategy which was adopted by InvestUkraine. In developing the Strategy, the Project consulted with, and solicited comments from, Members of the Steering Committee. Comments were incorporated in the final draft. An Action Plan for 2006, including priority measures for the first 60 days, was developed. The Project assisted Ukraine in implementing many elements of the Strategy as described below.

51. Promotional Tools: The Project assisted in developing InvestUkraine's initial versions of promotional tools. The Project provided guidance for the development of brochures (English and Ukrainian), formal presentations, and speeches. Two presentations and a brochure about InvestUkraine were developed. The Project provided consultations to InvestUkraine on the development of its branding, next version of brochures, trade show booth kit, InvestUkraine Logo, and booklet to explain enterprise registration procedures to foreign investors. Prepared a document discussing potential themes for Ukraine's image as an investment destination and possible promotional tools for CFIP to use at the Foreign Investment Advisory Council (FIAC) task force on image building meeting.
52. InvestUkraine Website (www.investukraine.org): The Project assisted in the development of InvestUkraine initial website. The Project assisted in the design of various web pages and programming of the website. The Project researched, developed, and uploaded significant materials including information about InvestUkraine and its mission, general information about Ukraine, investment advantages in Ukraine, sectoral information, and success stories-foreign investors.
53. Capacity Building: the Project built the technical capacity of InvestUkraine through training. An extensive series of seminars on investment promotion and advocacy skills to identify/implement/advocate regulatory reform were delivered in May and June 2006. Extensive on-the-job training was provided to the staff of InvestUkraine. The following sessions were delivered to the staff of InvestUkraine:
- Session 1 1: Introduction and Overview
 - Session 1 2: The FDI Contribution to Successful Countries – The Irish Experience
 - Session 1 3: Comparative Practices in Investment Promotion Agencies
 - Session 1 4: How The Investment Location Decision is Made
 - Session 1 5: Investor Facilitation: How to Reduce Red Tape for Investors using the Investor Roadmap Approach
 - Session 1 6: How to Develop an Investment Promotion Strategy
 - Session 1 7: How to Build Ukraine's Image as an Investment Location
 - Session 1 8: How to Create a Great Web-site
 - Session 1 9: How to Target Investors
 - Session 1 10: Key Personal Skills for Investment Promotion Advisors
 - Session 1 11: How to Brief the Investor
 - Session 1 12: How to Manage Successful Inward and Outward Missions
 - Session 1 13: How to Organize a Successful Site Visit
 - Session 1 14: How to Provide Investor Aftercare
54. Investor Tracking System: An investor tracking system enabling management of lead information about prospective investors was designed in close collaboration with the staff of InvestUkraine. The Project completed design and data dictionary of Investor Tracking System. A structure with user interface was delivered to InvestUkraine. The

skeleton for investor tracking system is indexed by name of investor, industrial sectors, amount of investment, and location.

55. Main Barriers to Foreign Direct Investment: Developed a listing of the most critical but solvable barriers (7) to foreign direct investment culled from the recent works by OECD, IFC, UNDP, EBA, USAID/BIZPRO and other sources. As requested by USAID, the Project passed the list to the USAID/BIZPRO project for resolution. The main reports which we examined are the following:
- Barriers to Investment in Ukraine, February, EBA, 2005.
 - Jumping Through Regulatory Hoops, or What Makes Entrepreneurs' Lives Difficult. Regulatory Barriers and Regional Focus Group Findings, USAID/BIZPRO, 2004.
 - Legal Issues with Regard to Business Operations and Investment in Ukraine, OECD, October 2004.
 - Business Environment in Ukraine, IFC, December 2004.
56. Organizational Conflicts: Assessed current roles and functions of various investment bodies under the Cabinet of Minister and the President Office and provided recommendations for ensuring effectiveness, eliminating duplication, and improving coordination and cooperation. In this regard, the Project:
- Produced a memorandum on the organizational and structural issues related to CFIP, the State Agency for Investments and Innovation, and the Foreign Investment Advisory Council.
 - Analyzed the Presidential Decree of December 30, 2005 “On the Establishment of the State Agency of Ukraine for Investments and Innovations.”
 - Prepared, jointly with the USAID Financial Markets Project, memorandum outlining potential organizational conflicts between CFIP and the State Agency for Innovation and Investment.
57. Association of Foreign Investment: provided InvestUkraine a list of business associations to assist them to develop an auxiliary association similar to the Association for Foreign Investment linked to CzechInvest.
58. Cooperation with International Organizations: the Project played an active role in connecting InvestUkraine with the international investment promotion community facilitating contact with the Multilateral Investment Guarantee Agency (MIGA) and the InfoDev program of the World Bank to secure additional training and support.
59. Collaboration with other USAID Projects: Collaborated with other USAID projects related to foreign direct investment:
- USAID/BIZPRO on one-stop-shops;
 - Local Economic Development Project –USAID LED/ERUM - about local investment promotion agencies and common training among FDI professionals (local and national); and
 - Commercial Law Center (USAID/CLC) about the Bureau for Appeals and Support of Pre-Court Settlement of Disputes.

J. INDUSTRIAL PARKS

60. In August 2005, the Project, per request of the Deputy Minister of Economy, reviewed the Draft Amendments to the Law of Ukraine on Investment Activities No. 1560-XII dated 18 September 1991 and Some Other Legislative Acts of Ukraine establishing legal framework for industrial parks. The Project provided recommendations advising against fiscal incentives in industrial parks. In addition, the Project promoted purely private sector owned and operated industrial parks. The Ministry of Economy agreed with project recommendations.
61. Early 2006, the Ministry of Economy requested an assessment of best model for Ukraine's industrial park. In March 2006, the Project completed an assessment of model for industrial parks for Ukraine based on best international practices. In completing this effort, the Project conducted field investigation in Kharkiv, Odessa, and Lviv regions. Meetings and interviews were also held with the Ministry of Economy, InvestUkraine, Government of Ukraine Industrial Parks Working Group, and representatives from private sector group establishing Kyiv Industrial Park. Coordinated with USAID LED/ERUM particularly about local activities related to Ivano-Frankivsk and other potential industrial zones sites.

EXHIBIT 1: ADOPTED LAWS AND OTHER LEGAL ACTS AUGUST 2005 – DECEMBER 2006

During the period of performance of this phase of the project (August 2005 - December 2006), significant legal reform was accomplished to bring Ukraine's foreign trade regime into conformity with the WTO agreements and address most working party members' concerns. Around 40 laws and legal acts were adopted bringing the total number of amended acts to over 80 since the initiation of USAID assistance in August 2003. Most reform below was proposed and detailed in the WTO Accession Roadmap prepared by the USAID WTO Accession Project in September 2003. Additional assistance by the Project included drafting, commenting, and monitoring draft legislation. The project reviewed almost all WTO related draft laws below and monitored the legislative process. Last but not least, the project assisted in the drafting of all amendments below to all systemic laws connected with SPS, TBT, Customs, Foreign Economic Activity, and unfair trade measures.

LAWS

The following were adopted:

1. Law on Standards, Technical Regulations And Conformity Assessment Procedures No. 3164-IV dated December 1, 2005 amended the following laws:
2. Law on Standardization No. 2408-III dated May 17, 2001
3. Law on Conformity Assessment No. 2406-III dated May 17, 2001
4. The Commercial Code of Ukraine No. 436-IV dated January 16, 2003
5. Law on Quality and Safety of Food Products and Food Raw Materials No. 2809-IV dated September 6, 2005
6. Law on Introduction of Changes to Some Laws of Ukraine No. 3078-IV dated November 15, 2005 (regarding sanitary-epidemiological norms for food products) amended the following laws:
7. Code of Ukraine "On Administrative Violations" No. 8073 dated December 7, 1984
8. Law of Ukraine "On Foreign Economic Activities" No. 959 dated April 16, 1991
9. Law of Ukraine "On Ensuring Sanitary and Epidemiological Well-being of the Population" No. 4004 dated February 24, 1994
10. Law of Ukraine "On Pesticides and Agrochemicals" No. 86 dated March 2, 1995
11. Law on Plant Quarantine No. 8348 dated January 19, 2006
12. Law on Extending the Age Requirements for Import of Vehicles from 5 to 8 years No. 3151-IV dated November 30, 2005
13. Amendments to the Law On Protection of the National Producer against Dumped Imports No. 3027-IV dated November 1, 2005

14. Amendments to the Law on Application of Special Measures against Imports to Ukraine No.3028–IV dated November 1, 2005
15. Law on Amending Some Legislative Acts No. 3269-IV dated December 22, 2005 (Customs Valuation and Rules of Origin Agreement):
16. Customs Code No. 92 dated July 11, 2002
17. Law on Single Customs Tariff No. 2097 dated February 5, 1992
18. Law on Television and Radio Broadcasting No. 3651 dated January 12, 2006
19. Law On Amending Article 8 of The Law Of Ukraine “On Protection of Rights for Indications of Origin of Goods Adopted on November 2, 2006
20. Law on amending the Law of Ukraine “On Publication Activity” Adopted on November 2, 2006
21. Law On Amending Article 7 of The Law Of Ukraine “On Pesticides and Agrochemicals” Adopted on November 14, 2006
22. Law on Amending the Law on Insurance Adopted on November 16, 2006
23. Law On Amending The Law Of Ukraine «On Medicinal Means (Products) Adopted on November 16, 2006
24. Law on Amending the Law on Foreign Economic Activity Adopted on November 16, 2006
25. Law on amending the Law of Ukraine “On Export Duty on Live Animals and Skins” Adopted on November 16, 2006
26. Law on Amending the Law on Banking and Banking Activities Adopted on November 16, 2006
27. Law Amending Customs Code (on facilitating protection of intellectual property in course of goods crossing Customs borders of Ukraine Adopted on November 16, 2006
28. Law On Amending the Law of Ukraine “On Bar” (concerning allowing foreign advocates to provide legal support) Adopted on November 16, 2006
29. Law on Amending the Law on Veterinary Medicine Adopted on November 16, 2006
30. Law On Export Duty on Ferrous Metal Waste and Scrap " Adopted on November 30, 2006
31. Law on Amending the Law of Ukraine "On Milk and Dairy Products" Adopted on November 30, 2006
32. Law on tariff rate quota for raw cane sugar Adopted on November 30, 2006
33. Law on amending some laws of Ukraine (regarding license fees and excise duty on alcohol and tobacco) Adopted on November 30, 2006
34. Law on Amending the Law of Ukraine "On state support of agriculture in Ukraine" Adopted on November 30, 2006
35. Law on Amending the Law of Ukraine on State Regulation of the Production and Turnover of Sugar Adopted on November 30, 2006

36. Law On Amending some laws of Ukraine (concerning registration of Transportation Vehicles) Adopted on December 6, 2006
37. Draft 2398-2 Draft Law On Introduction of export duty rates for ferrous metal scrap, non-ferrous metal scrap and semi-products, manufactured using the latter First reading November 30, 2006

OTHER LEGAL ACTS

The following other legal acts at the Cabinet and Ministerial levels were adopted:

1. Order of Ministry of Economy on Import and Export Licensing in 2006 Regulation No. 42 dated February 6, 2006
2. Amendments to Order of Ministry of Economy on Import and Export Licensing in 2006 Regulation, No. 342 dated November 10, 2006.
3. Resolution of the CMU on Drawing up Job Permits for Foreigners and Persons without Citizenship in Ukraine No. 547 dated April 19, 2006.
4. CMU Resolution "On Approval of Procedure of Categorizing Food Products as Food Products of Special Dietary Use, Functional Food Products and Dietary Supplements, Procedure for State Registration and Maintaining the State Register and Providing Information Contained Therein" (adopted as No. 1023 on July 26, 2006 and came into force on September 1, 2006).
5. CMU Resolution "Regulations on the National Commission on Codex Alimentarius of Ukraine" (adopted as No. 903 dated July 3, 2006).

EXHIBIT 2: LIST OF COMPARED FOOD SAFETY STANDARDS

- A. Guideline Level For Vinyl Chloride Monomer and Acrylonitrile in Food and Packaging material (*CAC/GL 6*) has been compared with Sanitary Norms “Acceptable Level of Migration of Chemical Substances Disengaging from Polymer and Other Materials Coupling (Contacting) with Foodstuff, and Methods of Analyses”. SanPiN 42-123-4240-86 USSR Moscow 1987.
- B. Standards listed below have been compared with Medical – Biological Requirements and Sanitary Norms of Quality of Food Raw Materials and Food Products approved by the Deputy Minister of Health of the USSR as MBR 5061-89 dated August 1, 1989 MBR 5061-89:
1. Maximum Level For Patulin In Apple Juice and Apple Juice Ingredients and Other beverages (*CODEX STAN 235-2003*)
 2. Maximum Level For Aflatoxin M1 in Milk (*CODEX STAN 232-2001*)
 3. Maximum Level For Cadmium (*CODEX STAN 248–2005*)
 4. Codex Maximum Level for cadmium in cereals, pulses and legumes (*CAC/GL 39-2001*)
 5. Maximum Level for lead (*CODEX STAN 230-2001*)
 6. Maximum level and sampling plan for total aflatoxins in peanuts intended for further processing (*CODEX STAN 209*)
 7. Codex Guideline Levels for Methylmercury in Fish (*CAC/GI 7-1991*)
 8. Codex Standard for Food Grade Salt. (*Codex Stan 150-1985*)
 9. Codex Standard for Natural Mineral Waters (*CODEX STAN 108 – 1981*)
 10. Codex standard for olive oil and olive pomace oil *CODEX STAN 33-1981*
 11. Codex standard for named vegetable oils *CODEX STAN 210*
 12. Codex standard for edible fats and oils not covered by individual standards *CODEX STAN 19-1981*
 13. Codex standard for named animal fats *CODEX STAN 211-1999*
 14. Codex standard for margarine *CODEX STAN 32-1981*
 15. Codex standard for minarine *CODEX STAN 135-1981*
 16. Codex standard for canned mushrooms *CODEX STAN 55-1981*
 17. Codex standard for canned fruit cocktail *CODEX STAN 78-1981*
 18. Codex standard for canned grapefruit *CODEX STAN 15-1981*
 19. Codex standard for canned mandarin oranges *CODEX STAN 68-1981*
 20. Codex Standard for canned mangoes *CODEX STAN 159-1987*
 21. Codex Standard for canned pineapples *CODEX STAN 42-1981*

22. Codex Standard for canned raspberries *CODEX STAN 60-1981*
 23. Codex Standard for canned tropical fruit salad *CODEX STAN 99 – 1981*
 24. Codex Standard for jams (fruit preserves) and jellies *CODEX STAN 79 – 1981*
 25. Codex Standard for mango chutney *CODEX STAN 160 – 1987*
 26. Codex Standard for table olives *CODEX STAN 66 – 1981*
 27. Codex Standard for canned asparagus *CODEX STAN 56 – 1981*
 28. Codex Standard for canned carrots *CODEX STAN 116 – 1981*
 29. Codex Standard for canned green and wax beans *CODEX STAN 16 – 1981*
 30. Codex Standard for canned green peas *CODEX STAN 58 – 1981*
 31. Codex Standard for canned mature processed peas *CODEX STAN 81 – 1981*
 32. Codex Standard for canned palmito *CODEX STAN 144 – 1985*
 33. Codex Standard for canned sweet corn *CODEX STAN 18 – 1981*
 34. Codex Standard for canned tomatoes *CODEX STAN 13 – 1981*
 35. Codex Standard for pickled cucumber *CODEX STAN 115 – 1981*
 36. Codex Standard for processed tomato concentrates *CODEX STAN 57 – 1981*
 37. Codex Standard for chestnuts and chestnut purée *CODEX STAN 145 – 1985*
 38. Codex Standard for Canned Strawberries *CODEX STAN 62-1981*
 39. Codex Standard for cooked cured chopped meat *CODEX STAN 98-1981*
 40. Codex Standard for cooked cured ham *CODEX STAN 96-1981*
 41. Codex Standard for cooked cured pork shoulder *CODEX STAN 97-1981*
 42. Codex Standard for luncheon meat *CODEX STAN 89-1981*
 43. Codex Standard for corned beef *CODEX STAN 88-1981*
- C. Codex Maximum Residue Levels for Pesticides CAC/MRL 3 have been compared with State Sanitary Norms and Regulations “Acceptable Portions, Concentrations, amounts and Levels of Content of Pesticides in Agricultural Raw Materials, Food, Air of Working Territory, Atmosphere Air, Water of Water Reservoirs and Soil” (State Sanitary Norms and Regulations 8.8.1.2.3.4-000-2001), approved by the Resolution of the Chief State Sanitary Doctor of Ukraine № 137 dated September 20, 2001 (DSanPiN 8.8.1.2.3.4-000-2001).
- D. General Standard for Food Additives *CODEX STAN 192-1995* has been compared with the Order of the Ministry of Health Protection # 222 SanPiN “On Usage of Food Additives” dated March 27, 1996.

- E. CAC/MRL 02-2005 "Maximum Residue Limits for Veterinary Drugs in Foods" is being compared with the Resolution of the European Council # 2377/90 of 26 June 1990 adopted in Ukraine through the Order of the State Department of Veterinary Medicine of Ukraine # 52 of July 4, 2003.