|  |  | **EU EaP Transport Connectivity Agenda**  **Country Fiche UKRAINE**  **Last Update: 25/05/2016**  **Version: 01** | |
| --- | --- | --- | --- |
| **Background** | **Introduction** | Ukraine is one of the biggest markets in Eastern Europe and one of advanced economies in TRACECA region. It borders:   * by land with Belarus, Hungary, Moldova, Poland, Romania, Russia and Slovakia; * by sea Bulgaria, Georgia, Romania, Russia and Turkey.   Owing to its geographical location, Ukraine benefits from the passage of a number of international transport corridors through its territory:   * 6 OSJD corridors (No 3, 4, 5, 7, 8 and 10) – rail * Transport Corridor Europe - Caucasus - Asia (TRACECA) – multimodal * TEN-T central transport axis – 3 rail and 4 road routes.   Ukrainian transport network covers 169,500 km of roads (95% having a hard surface) and 2,200 km of inland waterways. The Ukrainian railways network is one of the most far reaching and developed in Europe, its length in use makes up approximately 22,000 km (over 46% of tracks are electrified: 5,325 km with 25 kV AC and 4,763 km with 3 kV DC). The gauge system in place is Russian gauge (1,520 mm) with the exception of 350 km of standard gauge (1,435 mm) along the border with EU members (Romania, Hungary, Slovakia and Poland). Also the network includes 18 sea (5 port are on the occupied territory of the AR Crimea) and 16 river ports and terminals.  Rail transport is a leading mode of the country’s transport sector, accounting for 82% of the overall freight (ton.km) and almost 50% of passenger traffic. (Source: [UN, EU, WB](http://www.un.org.ua/images/UkraineRecoveryPeace_A4_Vol2_Eng_rev4.pdf)) | |
|  | **Transport infrastructure bottlenecks** | * **Road transport:** Insufficient budget allocation to maintain and develop roads for the past decade has resulted in significant deterioration of the network, affecting average speeds and increasing transport costs. Besides chronic underfunding of the road network, the road sector faces organizational and governance issues that affect its ability to deliver and manage a high quality road network. (Source: [UN, EU, WB](http://www.un.org.ua/images/UkraineRecoveryPeace_A4_Vol2_Eng_rev4.pdf))   40–50 percent of all state roads do not meet adequate standards. Similarly, less than half the roads and overpasses in the country are in an acceptable condition. (Source: [WB](http://www.worldbank.org/content/dam/Worldbank/document/Ukraine-Snapshot.pdf))   * **Road safety** is yet another of the sector’s issues, as Ukraine has one of Europe’s poorest track records with regard to injuries and deaths resulting from car crashes particularly in urban areas. (Source: [WB](http://www.worldbank.org/content/dam/Worldbank/document/Ukraine-Snapshot.pdf)) Road traffic fatalities have fallen over the last decade from around 7,000 deaths per year in 2004 to just under 4,500 deaths in 2014 which has been achieved in an environment of increasing motorization levels. However, improvements have stagnated over the last few years and fatality rates are four times those found in the better performing European countries. (Source: [WB](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2015/09/24/090224b0830fe3ea/1_0/Rendered/PDF/Project0Inform0nt0Project000P149322.pdf)) * **Rail transport:** An obsolete or life-expired rolling stock; frequent shortages of suitable rail cars in sufficient quantity due to inappropriate use / delayed, untimely return by users; poor condition of infrastructure along international transport corridors, limited capacity of railway stations, limited logistics centers` network; low cruising speed of trains; * **Maritime transport:** Limited capacity of access roads and rail tracks to sea ports; slow renewal of port infrastructure; low container turnover due to excessively long transit formalities; limited specialisation of port terminals; port interfaces for operations, services, procedures etc. between land and sea are among the most critical points (the implementation of Port Community System facilitating the exchange and treatment of information between various State agencies, shipping companies, Terminal and Railway operators is needed); Ukrainian port due tariffs are among the highest in the world (non-competitive tariffs make the transhipment of containers to other ports practically inattractive at Ukrainian ports); the railway station of the Port of Odessa has almost exhausted its capacity (at present, there is no possibility to expand the railway infrastructure due to the lack of free space in or in the vicinity of the port). * **Inland waterway transport:** complicated legal background, low capacity of IWW.   In order to develop inland water transport, investments are needed to:   * + Repair the six locks on Dnipro river identified as a priority   + Reconstruct six drawbridges   + Conduct systematic dredging to maintain and deepen the navigation channels. (Source: [MTU-GOV](http://mtu.gov.ua/files/Zakypivli/Waterways%20Presentation%20the%20Netherlands%20Conference.pdf)) | |
| **Flagship transport projects** |  | * Transport Model and National Master Plan * Development of the international transport corridors * Improvement of transport and logistics in Ukraine * Infrastructure cycle management (from project decision to maintenance) * Beskyd Railway Tunnel (Beskyd-Skotarske section) * Electrification of the railway sections Dolynska - Mykolaiv – Kolosivka and Kovel - Izov - Polish border * Overhaul of the European railtrack (1435 mm) of the Kovel - Yagodyn - State Border section * Reconstruction of the 1435 mm (European gauge) railway from Záhony (Hungary) - Chop - Batiovo – Mukachevo section and establishment of passenger facilities for European trains at Mukachewo * Railway rolling stock and locomotive park modernization * Construction and exploitation of the I stage of Greater Kyiv ring road (Velyka Kiltseva) on concession terms * Construction of the bridge crossing through the river the Pivdennyi Buh in the Mykolayiv city * Reconstruction of the international roads that are on the regional “core” and “comprehensive” TEN-T network, especially cross-border sections with neighboring countries * Dnipro River Restoration * Restoration of navigation via Deep Water Navigation Route “Danube – Black Sea”. Development and increasing competitiveness of the Lower Danube Ukrainian ports * Urban public transport modernization | |
| **Institutional and legal framework** |  | The transport sector in Ukraine is undergoing some important structural reforms. The main directions of reforms and development are determined by:   * the Parliament Coalition Agreement "European Ukraine"; * the Sustainable Development Strategy “Ukraine – 2020”; * the Government Action Programme; * the Plan of activities for implementation of the GoU Action Programme and the Sustainable Development Strategy “Ukraine – 2020”; * the Action plan (2014-2017) for implementation of the Association Agreement between Ukraine, on the one part, and the European Union and its Member States, the European Atomic Energy Community, on the other part.   The main priorities in the context of reforming the transport sector are the following:   * bringing the transport sector and infrastructure into conformity with European standards; * reducing the State's role in the activities of state monopolies; * decentralization of functions of the Ministry of Infrastructure; * corporatization of budget revenue generating companies. (Source: [Ukraine-EU Cluster Meeting on Energy, Environment, Climate Action and Transport 2015](http://www.kmu.gov.ua/document/248531076/Non%20paper_Cluster%203_final_en_FOR%20WEB%20(1).pdf.))   The **Ministry for Infrastructure of Ukraine** (a legal successor of the former Ministry for Transport and Communication), is undergoing a organizational change to provide more strategic and less tactical activity particularly the strategy, planning and programming functions. as a part of the Public Administration Reform initiative.  In February 2015 the Government established the **State Service of Ukraine on Transport Safety and Security** (UkrTransBezpeka). This was done through consolidation of State Inspectorate of Ukraine for Land Transport Safety and Security (UkrTransInspektsia) and State Inspectorate of Ukraine for Sea and River Transport Safety and Security (UkrMorRichInspektsia). UkrTransBezpeka implements the state policy of safety and security in the areas of public road, urban electrical, rail, maritime and river transport (except the sea shipping safety and security of the fishing fleet ships). The establishment of a maritime administration is undergoing.  The European Union launched the project “Support to the implementation of the Association Agreement and the National transport strategy” (3,74 mln EUR for the years 2016-2018) to assist Ukraine in the development of the transport sector.  In order to approximate Ukrainian legislation to the EU law in the field of transport policy and infrastructure, the work is underway on the development of a draft Law of Ukraine "On Multimodal Transportation", which will provide for determining the legal and organizational framework for multimodal, or intermodal, combined, containerized transportation supply chains, determining the basic rights, duties and liability of all types of transport business entities involved in these shipments, while taking into account provisions of the EU legislation. (Source: [Ukraine-EU Cluster Meeting on Energy, Environment, Climate Action and Transport 2015](http://www.kmu.gov.ua/document/248531076/Non%20paper_Cluster%203_final_en_FOR%20WEB%20(1).pdf.)) | |
| **Road sector** | The State Road Agency of Ukraine (**Ukravtodor**) is the central executive body that provides management of the road sector of Ukraine and is coordinated by the Cabinet of Ministers of Ukraine via the Minister of Infrastructure of Ukraine.  Ukravtodor provides implementation of the state policy in the road sector and manages the state roads (countryside), summarizes the practice of using the legislation on issues within its competence, organizes the reconstruction, repair and maintenance of public roads, engineering equipment on them, placement of road service and other facilities, develops proposals to improve legislation and in due course submits it to consideration of the Minister of Infrastructure of Ukraine. (Source: [UKRAVTODOR](http://www.ukravtodor.gov.ua/uploads/files/2015-04-21-05-53-50-angl-11.01.2013.pdf))  Ukravtodor is supplemented by a project institute, Ukrhiprodor, which designs objects of road management. The state owned joint-stock company “Avtomobilni dorohy Ukrainy” (ADU), created in 2001, is directly involved in road construction and maintenance. It consists of 32 daughter-companies in each oblast, Crimea, and the cities of national importance. (Source: [LOGMOS](http://www.traceca-org.org/fileadmin/fm-dam/TAREP/65ta/Master_Plan/MPA9.1UA.pdf))  In 2015, Infrastructure Minister announced the beginning of the road sector reforms in Ukraine. The reform foresees the change of the management system – the division of political, administrative and engineering functions, decentralization of local road management and the removal of a state monopoly on the road maintenance market.  The State Road Agency of Ukraine (Ukravtodor) will cease to exist in the current form and remains with functions of managing only state roads. Other roads will depart under the control of local authorities.  At the same time, "Ukravtodor" would only be a customer of the works. Contractors will be selected through an open tender, and control the quality of work will be given to an independent body - surveyor (negotiations are underway to select for this role the British, Austrian and German company).  The next step would be the changing of construction technology - instead of asphalt roads, which need bitumen - a product of oil refining, the government will encourage the construction of cement roads.  A road fund is being established with the purpose to improve the road maintenance funding mechanism. In addition, it is planned to develop the practice of concession and toll roads. (Source: [LOGCLUSTER](http://dlca.logcluster.org/display/public/DLCA/2.3+Ukraine+Road+Network;jsessionid=024CC32E70B4D58270BFA356525C3AE3#id-2.3UkraineRoadNetwork-RoadsectorreforminUkraine)) | |
| **Railways sector** | The administrator of public railway transport is State Administration of Railway Transport of Ukraine "Ukrzaliznytsia" (UZ), which was established in December 1991. The management sphere of Ukrzaliznytsia covers the railways of Donetsk, Lviv, Odessa, Pivdenna (Southern), Pivdenno-Zakhidna (Southwestern) and Pridniprovska (Near-Dnipro) Railways, and also other enterprises and organizations of integrated industrial-engineering complex, that enables freight and passengers transportation. (Source: [UZ](http://www.uz.gov.ua/en/about/))  The State Rail Transport Reforming Programme for the period 2010-2019 (approved in 2011) envisages the implementation of the full reform process by 2019. The programme's purpose is to create a new institutional, legal, and economic model for rail transport management, to develop a competitive environment at the rail services market, to improve its operation performance, to meet the needs of national economy and the population in transport services. It foresees three phases:   * Phase I: the separation of the government's regulatory function from the operational function of Ukrzaliznytsia (UZ), the national state-owned railway company and transformation of UZ into a joint-stock company. In December 2015 Ukrzaliznytsia has become the JSC “Ukrainian Railways”, allowing the separation between State and Corporate Governance. JSC “Ukrainian Railways” will be organized in vertical business units, which will be financially separated to allow the opening of the market for competition in the future. * Phase II: the formation of a vertically integrated rail system, structured by business/ activity with automated accounting systems and controls; improving the tariff policy and providing a free pricing system in the competitive sectors of transport services market. * Phase III: the elimination of cross-subsidy between freight and passenger services through the introduction of a financial support mechanism, the establishment of a long distance passenger service operator and an increase in passenger vehicles on private lease.   On 23 February 2012, the Ukrainian Parliament adopted the “Public Railroad Transport Company Law” and the “Railroad Amendment Law.” The Railroad Amendment Law splits public administration and commercial functions of the State Administration of the Railroad Transport (Ukrzaliznytsya). Public administration functions were transferred to the Ministry of Infrastructure of Ukraine, while commercial functions were retained by a public railroad transport company that was established according to the Public Railroad Transport Company Law. (Source: [ADB](http://www.adb.org/sites/default/files/publication/31216/rail-infrastructure-tariffs-mongolia.pdf)) | |
| **Maritime sector** | Major legal and regulative acts, which identifies the priorities of the governmental policy on maritime transport:   * The Law of Ukraine ‘On Sea Ports of Ukraine’; * Sustainable Development Strategy “Ukraine – 2020” approved by the Presidential Edict No.5/2015 dd. 12 January 2015; * Coalition Agreement of Parliamentary Groups ‘European Ukraine’ * Programme Plan of the Cabinet of Ministers of Ukraine approved by Resolution of the Cabinet of Ministers of Ukraine No. 26-VIII dd. 11 December 2014 and the Action Plan to implement the Programme Plan of the Cabinet of Ministers of Ukraine and the Sustainable Development Strategy “Ukraine – 2020” in 2015 approved by Ordinance No. 213 of the Cabinet of Ministers of Ukraine dd. 4 March 2015; * Transport Strategy of Ukraine for the period up to 2020, approved by Resolution No. 2174 of the Cabinet of Ministers of Ukraine dd. 20 October 2015. * Strategy for Development of Sea Ports of Ukraine for the period up to 2038 approved by Resolution No. 548 of the Cabinet of Ministers of Ukraine dd. 11 July 2013. * Sub-Sector Programme for Maritime Safety for 2014-2018, approved by Order No. 426 of the Ministry of Infrastructure of Ukraine dd. 26 June 2013 (as amended). * Strategic Plan for Maritime Transport Development for the period up to 2020, approved by Order No. 542 of the Ministry of Infrastructure of Ukraine dd. 18 December 2015.   Ukraine has an exceptionally outstanding maritime potential in both Black and Azov sea basins.  The subsector is represented by state-owned enterprises under the control of MIU, and other private companies.  The seaport sector of Ukraine is one of the priorities in the economic development agenda of the country. At the same time it is a sector that stimulates the development of adjacent sectors as well. One new job in the maritime subsector triggers creation of 4-5 jobs in adjacent sectors. One can say that from one hand the maritime sector is indicator of the overall level of national economic development, whereas on the other hand it is also a stimulating economic trigger of this development.  Table No.1. Cargo handling in seaports of Ukraine   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Cargo handling | Years | | | | | | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | | | Total cargo handles, thousands (tons) | 148177 | 155025 | 150984 | 137272 | 144866 | 144646 | | | Export | 84098 | 84881 | 97233 | 95018 | 104687 | 103943 | | | Import | 17426 | 19400 | 16083 | 17757 | 15986 | 17959 | | | Transit | 44182 | 47599 | 35322 | 22345 | 20719 | 15904 | | | Domestic | 2471 | 3145 | 2346 | 2152 | 3473 | 6481 | |   The overview of cargo handling rates clearly indicates a negative evolution of these processes. The major share of cargo handling in sea ports falls under the export category. This is the only indicator with permanent positive evolution for the period of 2008 - 2014.  The period of 2008 – 2014 saw a drop in transit cargoes handled by ports of Ukraine. The share of transit cargoes handled by Ukrainian seaports went down by 69.3% compared with 2008, amounting to 14.2% of the total cargo turnover.  A fragile situation in the country, on one hand, constrains foreign investments into the transport infrastructure, while the shortage of budget resources under such conditions, on the other hand, impedes implementing the investment projects out of own funds.  As to the Ukrainian ship building and merchant fleet, it should be stated that they have been experiencing crisis for a long time, and the state has not taken any actions to support them. The Ukrainian trade fleet deadweight shrinked 13-fold for 1993-2015, totaling currently about 477 thousand tonnes (0.027% of the total global fleet deadweight).  Granting a Classification Society Status recognized by the European Commission according to the EU acquis, to the Shipping Register of Ukraine should be an important step.  With the Law of Ukraine on Sea Ports of Ukraine coming into force since 2013, the sector saw certain reforms started.  With strategic port infrastructure facilities, other property, rights and liabilities separated, the state entity “Ukrainian Sea Ports Authority” was founded under the control of the Ministry of Infrastructure.  The Ukrainian Sea Ports Authority (hereinafter referred to as the USPA/ AMPU) was created to facilitate the development of maritime transport infrastructure of Ukraine and to improve competitive performance of Ukrainian sea ports through administrative reforms and creation of the environment and mechanisms to attract strategic investments.  The USPA maintains and ensures efficient management of the state property under its supervision, namely by modernizing, repairing, rehabilitating and building hydro technical facilities, other port infrastructure facilities within the port grounds and waters.  One of the major USPA tasks is to ensure a fair and equal access for all the entities (state, private or of other ownership type) to the strategic port infrastructure facilities that constitute a core property of USPA and its branches in every seaport. The USPA branch offices deal directly with functions on operating and maintaining the port infrastructure facilities, ensuring the achievement of port development plan, and financial plans, compliance with the security procedures, fire and on-the-job safety requirements.  Presently Ukraine has quite a strong port complex consisting of 13 seaports that are able to handle up to 230 mln tons of cargoes per year. The third part of all existing port capacities fall under the state-owned stevedoring companies (hereinafter referred to as SSC), with depreciation rate of fixed assets of 80%. Moreover every year SSC keep losing cargo traffic to private stevedoring companies and terminals: they handled only 34% of total cargo traffic in sea ports of Ukraine in 2014.  The structure of cargo traffic in commercial seaports by international trade categories remains unbalanced. The recent years saw drastic drop in transit cargo traffic predominately due to rerouting transit cargoes by the Russian powers to Russian ports. Besides, the volumes of cargo traffic in coal, containers, oil and chemicals also keep decreasing.  At the same time there is a noted increase in handling ores (+6.6%), grain (+24.9%), ferrous metals (+6.6), rolled steel (by 9.7%) and oil products (by 8.9%).  In the general map of exported cargos grain has taken up around 30%. Grain terminal workload in 2014 was around 86%, with Odessa and Mykolaiv sea ports covering the main volume of grain export.  There is a definite need of additional handling capacities in bulk cargoes in Ukrainian ports. With that said, the deep water terminals are in the highest demand handling practically at 100% of workload. To ensure energy security Ukraine needs construction of powerful, technologically efficient and deep-water terminals for handling coal.  Due to the situation in the East of Ukraine the volume of cabotage traffic rocketed, with more than a 1000% increase in the first quarter of 2015, hitting 1.3 mln tonnes.  The lack of funding in infrastructure development is also among operational challenges Ukrainian sea ports face. That is why the main reform strand is a state policy designed to support strategically important investment projects and to attract new private investments into the port infrastructure.  According to the Cabinet of Ministers of Ukraine Decree No. 1055 dd. 15 October 2012 on Some Issues of Granting a Concession of State-Owned Facilities, 18 Ukrainian seaports can be granted on concession with the possibility to implement several concession projects in each of ports.  Further implementation of investment projects in the field of port infrastructure development will contribute to the growth in transit, export and import cargo traffic and will advance the competitiveness of the national transport system.  The Concept for Development of the State Border Guard Service of Ukraine for the period until 2015, as approved by the Presidential Edict No. 546/2006 dd. 19 June 2006, envisages the improvement of border control by introducing new technical systems and equipment units, such as electronic document management systems and electronic means of identifying transport means and persons.  The State Customs Service jointly with the Odessa Sea Port implemented an one stop shop pilot project in the area of the Southern Customs Office operations and ports of Odessa oblast provided through managing the electronic interaction system of the executive authorities and other foreign commercial operation parties (transport agents).  A new Procedure for customs clearance on sea and river vessels was approved by Order of the Ministry of Finance of Ukraine No. 308 dd. 10 March 2015, stipulating, inter alia, a possibility to apply for clearance electronically.  The priorities of the Ministry of Infrastructure of Ukraine include: to increase the competitiveness of the subsector, to improve business environment in ports and to minimize corruption. To achieve these objectives a number of deregulation measures in ports approved by CMU resolution no 491 dd. 7 July 2015 ‘On amending certain resolutions of Cabinet of Ministers of Ukraine’ have been designed and implemented. For instance, such initiatives were implemented: the number of procedures in ports and the number of the check bodies involved (the commission onboard vessel check was cancelled) have been reduced, an electronic document management and an automated radiological check have been introduced, an mandatory check of segregated ballast has been cancelled, procedures to register yachts have been simplified.  A priority area for subsector development, given the support on implementing the governmental policy of Ukraine as transit state development, is development of multimodal transport and logistic technologies.  Sea ports play a crucial role as logistical hubs and thus need efficient and operational connections with the hinterland. In cargo transportation, in particular to the hinterland and in combining the European seas, the inland waterway transport plays ever more important role, and this potential is still to be used.  Maritime safety is an important condition for protection of human lives, property and environment. It is an integral part of navigation and commercial maritime subsector, while its support system is directly connected with international cooperation in the field, establishment and enforcement of technical norms and standards, training and certifying of seafarers, authorities of Port State and Flag State, of a coastal state, rescue and search operations on the sea, operations of classification societies and insurance companies, implementation of international legal norms.  To improve the performance of state system of safety and security at maritime and river transport the Ministry of Infrastructure approved the Sector Programme for Navigation Safety and Security for 2014-2018 and the Action Plan for its implementation.  One of important issues is compliance with safety standards at the maritime transport that requires today harmonization of national legal provisions with provisions of EU acquis on State Port Control and compliance with Flag State requirements as well as implementation of International Maritime Organization conventions.  Presently Ukraine has to harmonize international codes: the International Maritime Dangerous Goods Code (IMDG Code) and the new version of the International Maritime Solid Bulk Cargoes Code (IMSBC Code) in the list of national documents regulating safety and security of cargo transport by sea. Furthermore, currently valid in Ukraine Rules for safe and secure maritime dangerous cargo transport, in terms of classification of dangerous cargoes, their placement, containers and packaging, stowage and securing in cargo transport units (incl. in containers), contradict in full or in part with the requirements of the International Maritime Dangerous Goods Code.  To solve these issues it is required to ensure maritime safety against the respective cargo maritime transport risks, to improve and develop the respective regulative framework and to align it with international requirements.  It is necessary to create a national segment of the SafeSeaNet system and ensure its proper implementation in Ukraine that should contribute to creation of a unified information exchange space to monitor the seas and form the single maritime space. | |
| **Aviation sector** | The State Aviation Administration of Ukraine (SAA) is the body of State executive power. Its activity is directed and coordinated by the Cabinet of Ministers of Ukraine via MIU. Apart from SAA two more bodies are involved in civil aviation of Ukraine, namely the MIU and the Ukrainian aviation accidents investigation bureau (UAAIB). MIU is in charge of national aviation policy and UAAIB must ensure independent and impartial investigation of aviation accidents.  On November 28, 2013 Ukraine and the European Union initialled a Common Aviation Area Agreement at the margins of the Eastern Partnership Summit in Vilnius. This agreement opens the way towards a "Common Aviation Area" between the EU and Ukraine, based on common and reliable standards in important areas such as aviation safety and air traffic management. It will foster market access and offer new opportunities for consumers and airlines on both sides. To attain these objectives, Ukraine will have to align its legislation with EU aviation standards and enforce EU requirements in areas such as aviation safety, air traffic management, security, environment, economic regulation, competition, consumer protection and social aspects. | |
| **Inland waterways sector** | Ukraine possesses a rather high river navigable potential, with the length of waterways suitable for operation making about 6.2 thousand km. The Dnieper River – 1.205 thousand km long (with its arms: the Desna River – 520 km long and the Pripyat River – 60 km), the Danube River[[1]](#footnote-1) - 160 km long and partially the Southern Bug River – 155 km long remain the main shipping routes.  From Kyiv to the city of Kherson (825km), the Dnieper River is classified as Vb Waterway – with improved features and locks of maximum sizes of 270 m x 18 m, and 3.65 m deep. This depth is maintained at the major part of the waterway, except the areas of Dniprodzerzhynsk – Dnipropetrovsk, where depth can drop to 3 – 3.2 m during periods of drought.  There are six consecutive water storage reservoirs: Kakhovs’ke, Zaporiz’ke, Dniprodzerzhyns’ke, Kremenchuts’ke, Kanivske, and Kyivs’ke on the Dnieper River.  The passage height under the bridge in Cherkassy town is limited to the level of 12m (11 m during the high water). The lowest bridges in Dnipropetrovsk and Kremenchuk are 8.50 m high, though these are drawbridges.  In 2014, the capacity fleet of Ukrainian river vessels included 1,648, including 20% unavailable for operations. The largest share in the structure of available for operations vessels is composed of auxiliary vessels - 46.7% (770) and transport ships -44.4% (731). There are also technical vessels and special-purpose vessels, constituting 6.9% (113) and 2.1% (34), correspondingly.  The transport ships have the total freight carrying capacity of 899.8 thousand tones, and passenger capacity – 16.4 thousand persons. These are: 38 tankers; 590 dry cargo vessels; 103 passenger and cargo and passenger ships.  The river transport vessels mostly belong to such shipping companies as Private JSC ‘Ukrainske Dunaiske Paroplavstvo’ (Ukrainian Danube Shipping company) (Izmail), Ukrrichflot (Kyiv), KDM Shipping Public Ltd (Cyprus) – holding company of the shipping operator of ‘Stolychna Sudnoplavna Compania’(Capital City Shipping Company) LLC (Kyiv), JV ‘NIBULON’ (agro-industrial group) LLC , etc.  The average service age of the river fleet is 21-25 years, and only 18% of the fleet is aged less than 20 years.  In general, the river commercial fleet of Ukraine is able to carry 10-12 million tons of cargo annually.  The existing infrastructure of the river berths (terminals) does not meet present-day international technical specifications and standards and is used only at 5-10% of its capacity.  There is a concentration of major river ports (Kyiv, Kherson, Zaporizhia, Dnipropetrovsk, Nikopol, Mykolaiv and Chernihiv) and ship repair bases (in Kherson - ‘Khersonsky sudnobudivnyi sudnoremontnyi zavod Kominternu’ (Komintern Kherson Shipbuilding Dockyard); in Zaporizhia - ‘Zaporiz’ky richkovyi port’ (Zaporizhia River Port); in Vylkovo of Odessa region – ‘Vylkivs′ka remontno-ekspluatatsiyna basa flotu’ (Vylkove Fleet Repairs and Maintenance Base), Kilia Ship Building & Repairing Plant.  Other river ports and terminals, including ports of PJSC ‘Dnieprodzerzhynsk River Port’, JSC ‘Novokahovka River Port’, JSC ‘Kremenchuk River Port’, JSC ‘Cherkassy River Port’, LLC ‘Svitlovods′k River Terminal’, LLC ‘Zernoport’ Myshurin Rih’, Quay ‘Dniprorudne’, as well as the terminals of Pereyaslav, Vitove, Gradyz′k, Kamianka-Dniprovs′ka and Cozatskiy belong to different private industrial and agro-industrial companies, such as: JV ‘NIBULON', LLC ‘Hermes-Trading’ and ‘Ukragrocom’, which become active players on the river transport service market.  **Three Ukrainian seaports are located on the Danube River. They are Reni, Izmail and Ust-Dunaisk.**  **Volume of cargo handled in Ukrainian seaports on the Danube River (thousands of tons)**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Enterprise** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | | **Port of Reni** | **1,587.40** | **1,599.80** | **1,061.00** | **2,794.92** | **1,464.76** | **906.93** | | **Port of Izmail** | **6,633.10** | **4,951.20** | **2,907.20** | **2,732.92** | **3,092.98** | **4825.20** | | **Port of Ust-Dunaisk** | **28.10** | **27.50** | **35.30** | **39.00** | **61.55** | **22.50** |   **Main characteristics of the Ukrainian part of the Danube waterway are included to the Fairway Rehabilitation and Maintenance Master Plan – Danube and its navigable tributaries of the EU Strategy and national roadmap.**  **In May 2012, The River Information Service of Ukraine (RIS) was established and put into operation.**  **The UkrRIS control center is located in Odessa. Besides the control center, the system consists of six subcenters on the Dnieper River and three subcenters on the Danube River, as well as twenty four automatic stations AIS on the Dnieper River and two automatic stations AIS on the Danube River, which are networked. The subcenters are located at locks on the Dnieper Cascade at the cities New Kahovka, Zaporozhye, Dneprodzerzhinsk, Svetlovodsk, Kanev and Vyshgorod (Kiev). In the coverage areas of the subcenters, the VHF communication is used.**  **The project’s key feature is availability of specially developed Web-portal (http://ukrris.com.ua), which integrates information from subsystems of the UkrRIS and provides users with real time information.**  **The system’s differential peculiarity is ability to send electronic notices to boat masters which are automatically translated into 24 European languages**  **Every vessel on the Dnieper and the Danube is able to use all the services provided by RIS.**  **Ukraine created the largest project of RIS in Europe. It covers 100% of inland waterways.**  Ukraine is an integral part of all European processes. Due to its geopolitical position, Ukraine is a strategic player in the system of the European inland navigation, being located at the junction of crucial transport routes connecting West and East, North and South.  There is no doubt that integration of the Ukrainian inland waterway system to the European one will promote:   * to reach the goals of the EU’s transport policy – high efficiency of transportations, especially in terms of costs, development of environmentally friendly and safe modes of transport; * to discover and develop new perspective multimodal connections ‘Green Corridors’ between the Black sea and the Baltic sea, as well as in direction Danube-Black Sea towards the Mediterranean and Asian markets; * to provide better connections between main industrial centers and centers were generated main volumes of agricultural products; * to develop new opportunities for touristic potential developing; * to improve socio-economic conditions for local communities, including creation of new working places. | |
| **National transport policy and plan** |  | The policy of Ukraine in the field of transport is defined in the following documents:   * [Ukraine Transport Strategy 2020](http://mtu.gov.ua/files/for_investors/Transport%20strategy%20of%20Ukraine%20until%202020.pdf) (approved in October 2010).An update of the strategy is undergoing with horizon 2030. * 5 subsectors development plans up to 2020 (approved in December 2015) * Ukraine Maritime Doctrine 2035 (approved in October 2009) * Ukraine Sea Ports Development Strategy 2015 (approved in July 2008) * Ukraine Railway Transport Development Strategy 2020 (approved in December 2009) * State Target Programme for Railways Reform for 2010-2019 approved by the Resolution of Cabinet of Ministers of Ukraine No1106 of 26 October 2011. It aims at creating a new, more efficient institutional, legal, and economic rail transport management model. The first step should be a sector adaptation to the EU standards through qualitative improvement of legal framework and institutional structure. * Concept for Ukraine Road transport development program (adopted in August 2011) which provides for: * the integration of Ukrainian transport system into the European one by means of adapting EU standards and rules; * effective transport support to foreign trade, increase of transit cargo flows; * joint elaboration and implementation of transit transport technologies and through rates with neighbouring countries; * support to intermodal transport and opening of new container transport routes; * establishment of logistics centers for transport and storage, etc.   The Ukraine Transport Strategy 2020 pertain to the following issues:   * + development of transport infrastructure by means of expanding road network and constructing by-pass roads, increasing capacity of railways and at sea port terminals;   + renewal of rolling stock;   + improvement of investment climate by means of implementing public-private partnerships, leasing and concession arrangements;   + increasing the availability and quality of transport services by means of developing international transport corridors, widening the implementation of container and piggy-train techniques, increasing cargo throughput at sea ports, reducing delivery time and time spent at border crossing points, introducing electronic document exchange and “electronic customs”, adapting Ukrainian legislation to European one. (Source: [Ukraine Transport Strategy 2020](http://mtu.gov.ua/files/for_investors/Transport%20strategy%20of%20Ukraine%20until%202020.pdf))   A new Road Map for road sector development in Ukraine for 2015-2017 was published by the Ministry of Infrastructure in June 2015. The strategic objectives of the road map areas are threefold:   * the protection of roads from early deterioration, * the reform of Ukravtodor and DAK; and * a sustainable financial structure and collection of new revenues. (Source:[WB](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2015/09/24/090224b0830fe3ea/1_0/Rendered/PDF/Project0Inform0nt0Project000P149322.pdf))   A draft Law of Ukraine "On Bringing Ukrainian Road Transport Sector Legislation in Accordance with the European Union Acts" has been developed, which takes into account the provisions of all EU legislation acts on road transport. The draft law introduces changes to existing laws, and will regulate the road transport market (market access, time of work, speed limit devices, tachographs, and technical inspections). Currently, the draft act is under legal examination. (Source: [Ukraine-EU Cluster Meeting on Energy, Environment, Climate Action and Transport 2015](http://www.kmu.gov.ua/document/248531076/Non%20paper_Cluster%203_final_en_FOR%20WEB%20(1).pdf.))  A new Law on “On Railway Transport” has been drafted, passed to the Cabinet of Ministers and expected to be voted in the Parliament in 2016. The Law foresees the opening of the freight market for competition of Railway Undertakings, the creation of new state bodies for the governance of the sector according to EU acquis and a new pricing system based on infrastructure charges and Public Service Contracts for Public Service Obligations. (Source: [Twinning Project Fiche](https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?ADSSChck=1455285276488&do=publi.detPUB&searchtype=QS&orderby=upd&orderbyad=Desc&nbPubliList=15&page=2&aoref=137801)).  With the support of the European Commission a draft Roadmap for approximation of Ukrainian legislation to the EU law in the field of international maritime transport has been developed, taking into account the provisions of the EU legal acts. (Source: [Ukraine-EU Cluster Meeting on Energy, Environment, Climate Action and Transport 2015](http://www.kmu.gov.ua/document/248531076/Non%20paper_Cluster%203_final_en_FOR%20WEB%20(1).pdf.))  The signing of the Common Aviation Area (CAA) Agreement remains a priority for Ukraine, since it will become a comprehensive solution for all parties on the liberalization of air transport markets, as well as on implementation of the relevant requirements and standards in the field of aviation safety. However the signing of CAA Agreement has been twice postponed at the initiative of the EU side (due to lack of consensus between Spain and Great Britain regarding the wording of Paragraph 31).  Simultaneously with the CAA Agreement the following arrangements on expanding cooperation with EASA are expected to be signed:   * arrangements between the Ministry of Infrastructure of Ukraine and the European Commission regarding convergence of the certification systems; * an updated version of the Working arrangement between the State Aviation Service of Ukraine and the European Aviation Safety Agency (EASA) on cooperation in the field of civil aviation safety and participation of the State Aviation Service of Ukraine in the relevant activities of EASA. (Source: [Ukraine-EU Cluster Meeting on Energy, Environment, Climate Action and Transport 2015](http://www.kmu.gov.ua/document/248531076/Non%20paper_Cluster%203_final_en_FOR%20WEB%20(1).pdf.))   In order to open up inland waterways of Ukraine for the entrance of vessels under third countries' flags in accordance with the commitments undertaken by Ukraine within the WTO, a draft Law of Ukraine "On Inland Water Transport" has been developed. Now, the draft law is being studied in the Committee of the Verkhovna Rada of Ukraine on transport issues.(Source: [Ukraine-EU Cluster Meeting on Energy, Environment, Climate Action and Transport 2015](http://www.kmu.gov.ua/document/248531076/Non%20paper_Cluster%203_final_en_FOR%20WEB%20(1).pdf.))  The new Law will stimulate development of inland waterways transport through:   * Admission of foreign ships in the Ukrainian inland waterways for the transport of both passengers and cargo * Strategy of river ports development * Introduction of private river transport operators * Cancelation of fees for passage the water locks (Source: [MTU-GOV](http://mtu.gov.ua/files/Zakypivli/Waterways%20Presentation%20the%20Netherlands%20Conference.pdf))  With the aim to implement the provision of the Directive 2008/68/EC on the inland transport of dangerous goods the draft law of Ukraine on Amendments to Some Legislative Acts to Bring them in Line with EU Legislation in the Field of Dangerous Goods Transport was developed and submitted to the Parliament. The draft Law foresees: to ensure a proper level of safety in the course of transportation of dangerous goods by automobile, railway, and river transport, it is necessary to harmonize the standards of dangerous goods transportation with the European ones through revising the national law in this sphere, in particular, the regulations on the functions, obligations, and responsibilities of a person in charge of transportation of dangerous goods (consultant, advisor) and other participants of the process of dangerous goods transportation. The Ministry of Infrastructure of Ukraine has also developed draft orders aimed at:  - simplifying procedures for dredging;  - solving the issue of financing maintenance services;  - simplifying the technical requirements for barges;  - improving the system of paying port fees by river vessels and mixed navigation vessels on inland waterways;  - opening up inland waterways for vessels flying foreign flags. (Source: [Ukraine-EU Cluster Meeting on Energy, Environment, Climate Action and Transport 2015](http://www.kmu.gov.ua/document/248531076/Non%20paper_Cluster%203_final_en_FOR%20WEB%20(1).pdf.)) | |
|  | **Investments decision making process** | Ukrainian legislation provides for national treatment of foreign investors, in line with its World Trade Organization (WTO) commitments.  The Law of Ukraine on Investment Activity (1991) establishes the general principles for investment.  In addition, the following laws and regulations pertain to foreign investment:  Law "On the Foreign Investment Regime" (1996); Law "On the Protection of Foreign Investment" (1991); Cabinet of Ministers' Resolution, "On the Procedure for the State Registration of Foreign Investment" (1996); Law “On Production-Sharing Agreements,” (1999), amended in 2012; The Land Code (2001); National Bank of Ukraine Resolution "On Regulation of Foreign Investing in Ukraine" (2005); Law "On Amending Certain Laws of Ukraine with the Purpose of Overcoming Negative Impacts of the Financial Crisis" (2009); Tax Code (2010); Law “On Public-Private Partnerships” (2010); Law “On Preparation and Implementation of Investment Projects Based on the Principle of the Single Registration Window,” (enacted 2012); Customs Code (2012); Law “On Industrial Parks” (2012), Law :”On Amending Certain Laws of Ukraine with the Purpose of Increasing Protection of Investor Rights” (May, 2015).  On January 1, 2016 the Law of Ukraine “On state registration of legal and physical entities – entrepreneurs and civil organizations”  was amended. Business and property registration system in Ukraine was reformed with approximately 7,000 notaries granted full authority to perform State Registrar’s duties along with accredited banks and Centers for administrative services under City Councils.   The amended law also introduces a provision allowing citizens to address any Notary office in Ukraine to register their business and legalized online services, which had been operating as pilot projects.   The Ministry of Justice of Ukraine launched a website for registration of private entrepreneurs and legal entities <http://irc.gov.ua/ua/el_reg>.  It takes 11 procedures and 28 days to establish a foreign-owned limited liability company (LLC) in Ukraine (Kiev).  In addition to the procedures required of a domestic company, a foreign company establishing a subsidiary in Ukraine must legalize and translate the parent company’s documents abroad.  Time limit for the company registry is three days and is usually also observed in practice.  For registration with the tax authorities (for VAT purposes) the time limit is 14 days and the registration tends to take longer than three days.  As the registering authority, the State Registrar issues a certificate of registration, which becomes the company's incorporation document.  By implementing the one-stop shop system, Ukraine has eased registration with the Pension Fund, the Employment Fund, the Social Insurance Fund, the Industrial Accidents Fund, and the relevant tax authorities (except for VAT registration) through the Registration Office.  In substantial measure, this new system emerged following the Cabinet of Ministers' Resolution, dated 8 August 2005, No. 321-р, "On Top-Priority Measures on Expediting Revision of Regulations and Enhancing Registration and Authorization Procedure."  Pursuant to Order No. 317 of the State Tax Administration of Ukraine, dated 8 August 2005, No. 317 "On Amending Instruction on the Procedure for Keeping Record of Taxpayers," stand-alone tax registration was abandoned and incorporated into the one-stop shop system.    Ukraine continues to struggle to build a legal system that effectively protects investor rights.  The following major pieces of legislation – in addition to the Tax Code – affect foreign investment into Ukraine:  The law On Foreign Investment Regime sets out in broad terms Ukraine's policy on inward investment and the rights and obligations of foreign investors.  The Civil Code regulates civil relationships, the establishment of legal entities, and personal property rights.  The Commercial Code (enacted on the same day as the Civil Code) governs business relationships. The Commercial Code is intended to regulate issues that are not dealt with in the Civil Code, although in practice there is some overlap.  The law On Securities and Stock Market governs the public issuance and trading of securities.  The law On Protection of Economic Competition restricts business monopolies. The majority of mergers and acquisitions in Ukraine are likely to require pre-approval from the Antimonopoly Committee.  The law On Protection from Unfair Competition aims to protect business entities and consumers from unfair competition.  The Environmental Protection Law establishes a framework for pollution fees to be imposed on any legal entity that discharges contaminants into the environment.  The Law “On Stimulating Investment Activity in the Priority Sectors of the Economy in order to Create Jobs” envisages tax privileges for investment projects in such priority sectors as agriculture, communal and housing, machine building, transport infrastructure, resorts-recreation, metallurgy (<http://zakon5.rada.gov.ua/laws/show/5205-17>).  On 4 October 2016 Draft Act No.5105 On Amendments to the Act of Ukraine On Investment Activity was approved in the first reading. The Draft is expected to harmonize the provisions of the following legal acts: On Investment Activity Act with the Act On Amendments to the Budget Code Regarding State Investment Projects, and also to improve the conduct of evaluation, selection and monitoring of investment projects, for implementation of which state support may be provided. The Draft provides for: distinction between concepts of state investment and state support; decentralization of decision-making on investment through the introduction of concepts of state investment, local investment; simplification of procedure for obtaining state support for investment projects by changing the role of the State Register of investment projects from permissive to informative, as well as entering projects, for which state support was provided, and state Investment Projects to the State Register of investment projects for the purpose of monitoring their implementation.  Legislative initiatives are available for viewing on the Parliament’s [Verhovna Rada] website (<http://www.rada.gov.ua/en>) as well as on websites of government agencies granted with legislative initiative authority; the principal agencies are the Ministry of Justice and the Ministry of Economic Development and Trade.  The Ukrainian Government is contemplating e-commerce registration as a mechanism to increase transparency.  For example, the Government of Ukraine in 2014 implemented an automated VAT-refund system to reduce opportunities for bribery.  Electronic Government procurement has also been introduced to combat corruption. The newly implemented open-source system of electronic procurement ProZorro is estimated to save about UAH 500 million of budget funds per year.  In general, the regulatory framework for the establishment and operation of business in Ukraine by foreign investors is similar to that for domestic investors (apart from the ownership of agricultural land).  The accreditation of representative offices of foreign companies and their branches is significantly lagging behind the simplified registration procedures for Ukrainian business.  Foreign and domestic private entities can establish and own business enterprises and engage in all forms of remunerative activity.   Investment permits are not required, but all enterprises must be established according to the form and procedure prescribed by law and registered with the appropriate state authorities.  Foreign companies are restricted from owning agricultural land, manufacturing carrier rockets, producing bio-ethanol, and some publishing activities. In addition, Ukrainian law authorizes the government to set limits on foreign participation in "strategically important areas," but the wording is vague and the law is rarely used in practice.  Generally, these restrictions limit the maximum permissible percentage of foreign investment into Ukrainian firms in these sectors.  The new Government is looking into further expanding the list of companies slated for privatization to go forward with expanded privatization in order to increase management efficiencies.  The first tender under the new government privatizing licenses to provide nationwide 3G mobile telecommunications services was generally regarded as transparent and drew interest of major players in the local market. In February, 2016 the Parliament approved the legislation, opening ways to large privatizations this year.  The new legislation allowed the State Property Fund to hire foreign advisors, increased transparency of asset evaluation procedures, removed the mandatory requirement to sell 5-10percent of a privatized entity via a securities’ exchange and, among other, banned companies from the aggressor-country and off-shore companies from participating in privatization in Ukraine. In March of 2015, the government approved a list of companies to be privatized in 2015-2016.  Due to the delays in the adoption of the legislation, the original privatization plans were postponed.  The State Property Fund oversees privatizations.  Privatization rules generally apply to both foreign and domestic investors, and, in theory, a relatively level playing field exists.  Observers note numerous instances of past privatizations adjusted to fit a pre-selected bidder.  The new government has made statements that there will be no revisions of past privatizations. Still, some court cases have surfaced from private companies challenging earlier privatizations.  Judicial reform is critical to ensure fair treatment of the cases.  There will be more privatizations in the near-term as a means to plug budgetary gaps; the transparency of these transactions will be a good indicator of the new government’s approach to business and investment.  In April 2015 the CMU passed a Resolution to liquidate the State Agency for Investment and National Projects of Ukraine that served as a clearing house for state-approved investment projects, in 2011-2015.  Instead, a Department for Attracting Investments was established at the Ministry of Economic Development and Trade (MEDT). Thus, MEDT has a lead now in the formation of government investment policy to improve investment climate in Ukraine and attract new investments.  To achieve these goals, the Ministry has developed a plan of business forums in different countries.  Ukraine's Anti-Monopoly Committee (AMC) is being reformed now to ensure fair     competition and consumer protection. A new leadership of AMC worked with the Parliament to amend a 2002 Law "On Protection of Economic Competition.”  Amendments that made AMC work more transparent and predictable were passed in November 2015 and allowed the government to perform stricter controls of  mergers/acquisitions, gave it more effective tools to destroy existing and prevent new monopolies in sensitive sectors such as energy and utilities.  The international business community has found the new AMC leadership to be more open and transparent, a significant shift from past years. | |
|  | **Financing and Funding** | **Road sector**  Road maintenance is largely financed by fuel levies supplemented by vehicle import duties, vehicles registration fees and fees for oversized and overloaded vehicles. These revenues were hypothecated and made available to the State Road Fund but in 2015 that linkage was broken and Ukravtodor is now financed from the general fund of the State Budget. The impact of this change in budgetary policy is unclear but the reestablishment of a road fund is a priority for MoI although the legislative and institutional form that such fund can take and whether it can be readily implemented in the current constrained fiscal environment is yet to be determined. (Source: [WB](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2015/09/24/090224b0830fe3ea/1_0/Rendered/PDF/Project0Inform0nt0Project000P149322.pdf))  In 2015, the budget allocation for road maintenance and development was UAH 2.7 billion, a value estimated to be two times less than the minimum required for maintenance alone. (Source: [WB](http://www.worldbank.org/content/dam/Worldbank/document/Ukraine-Snapshot.pdf))  The government is now finalizing legislation to allow tolling of heavy goods vehicles, better enforcement of weight control and automation of speed enforcement on the national roads network. The government aims to gradually roll out a system of electronic tolling and other network management tools including weigh-in-motion and speed cameras. The system would be financed, installed and operated through a private concession. (Source: [WB](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2015/09/24/090224b0830fe3ea/1_0/Rendered/PDF/Project0Inform0nt0Project000P149322.pdf))  The Government has long been interested in the establishment of concession arrangements, in general, and PPPs in particular for roads construction.  Additional sources of roads financing are loan proceeds from International Financial Institutions and commercial banks under state guarantees. (Source: [UKRAVTODOR](http://www.ukravtodor.gov.ua/uploads/files/2015-04-21-05-53-50-angl-11.01.2013.pdf))  **Rail sector**  The system of rail tariffs in Ukraine is largely unchanged from the Soviet era. Within Ukraine, rail tariff changes take into account country inflation, Ukrainian Railways’ (UZ) investment needs and the need to provide sufficient returns to cover passenger losses and a return on assets.  Changes are developed and proposed by UZ, first to the Ministry of Infrastructure and then to others, including the ministries of finance and economy. Objections are most often made by the Ministry of Economy because of its wider responsibility for the economy. Changes must be approved by the cabinet. There are also ad hoc interventions by the cabinet to reduce tariffs on certain commodities. This system therefore creates some uncertainty for private carriers, particularly regarding the timing of increases.  The current tariff code divides UZ’s tariffs into three parts:   * infrastructure charges, which depend on the particular infrastructure involved and whether the wagons used have heavy loads; * traction charges, which include locomotives, drivers, and energy costs; and * wagon charges, which private wagon owners do not pay as they receive this as a discount from the full tariff. (Source: [ADB](http://www.adb.org/sites/default/files/publication/31216/rail-infrastructure-tariffs-mongolia.pdf))   **Maritime sector**  Port due tariffs (vessels‟ disbursement accounts) are fixed unilaterally by the Ministry of Infrastructure( MoI). In the absence of any benchmarking Ukrainian port due tariffs are among the highest in the world. (Source: [LOGMOS](http://www.traceca-org.org/fileadmin/fm-dam/TAREP/65ta/Master_Plan/MPA9.1UA.pdf))  The charges include fees for the use of port facilities, port waters, etc., and revenues from them are used to finance maintenance and development of the port’s water infrastructure. (Source: [CTS](http://www.en.cfts.org.ua/articles/why_vessel_calls_at_ukrainian_ports_are_the_most_expensive_in_the_world))  95% of the fees in Ukraine are regulated and collected exclusively by the state and the Ukrainian Port Authority, which is a state monopoly, as stipulated in the relevant regulations. Since the state monopoly levies the charges in US dollars, the fall of the hryvnia has led to a sharp increase of the monopoly’s revenues. (Source: [CTS](http://www.en.cfts.org.ua/articles/why_vessel_calls_at_ukrainian_ports_are_the_most_expensive_in_the_world))  According the Ukrainian Port Authority port charges are the only source of funding for maintenance, repair, reconstruction, and construction of the state portion of port facilities. The Ukrainian Port Authority does not receive anything from the state. On the contrary, pays taxes on our revenue from port charges. Only 10% of profits are left for financing development. (Source: [CTS](http://www.en.cfts.org.ua/articles/why_vessel_calls_at_ukrainian_ports_are_the_most_expensive_in_the_world))  **Inland navigation sector**  Maintenance of the IWW in Ukraine is carried out mainly through the budgetary allocations. In recent years, the annual budget of the IWW of Ukraine with navigable locks of Dnipro cascade maintenance, as a rule, does not exceed 35% of the required amount.  Today the locks economy in Ukraine is financed through the funds provided for in the State Budget on the basis of state order, including real amount of incomes received by the entities according to the legislation on providing the security of navigation on inland waterways and navigable passage of ships through the locks. Fee for locking, introduced in 1999 with a view of budget underfunding partial cover comes to the Fund for Reconstruction and Gateways of the SE "Ukrvodshlyakh."  According to the current legislation Ukrainian shipowners pay to the State Budget mandatory payments for the use of inland waterways, indirectly (in the price of oil) - in the form of excise duty (Article 215 of the Tax Code of Ukraine) and directly - in the form of rent for special use of surface water for the needs of water transport (Article 255 of the Tax Code of Ukraine).  During the 2009-2015 level of financing for shipping locks operational activities is in average only 25-33% of the necessary funding, 75% of which was covered from the State Budget and 25% - payment for locking.  A new draft Law on Inland Water Transport defines sources of financing for maintenance, repair and reconstruction of shipping hydro-technical utilities by owner (s) of the Dnipro Hydropower Cascade; provides for exemption from fees for vessels locking as well as terms of exemption of port dues in the seaports for vessels engaged in inland waterway transportations. In addition, sources of compensation of investments made by undertakings to the strategic infrastructure of inland waterways are defined; exemption for raising bridges is provided for and it is planned to introduce e-data for river traffic.  **Aviation sector**  The development of the country’s airports is being held back by unfavorable tax policies that require airports to transfer a major portion of their income to the State Budget. The high cost of operating airports, this leaves very little cash to invest in getting facilities certified for operation and to expand infrastructure in line with modern standards.(Source: [IERPC](http://eu.prostir.ua/files/1322828388877/28_11_common%20avia%20space_PP_eng_final%20.pdf))  **PPP**  The attraction of investments from the private sector has been stated as a key priority by all Ukrainian Governments.  Concession activity in Ukraine has the following specifics:   * It covers areas that have strategic, economic or social value which may not be privatised and where the State is interested to attract private capital; * In a concession agreement the concessionaire has the possibility to establish conditions for the state property use of the right granted to a concessionaire which will secure high efficiency of its use the required control over the agreement fulfilment and its termination. The agreement may contain any provisions that are not at variance with the current legislation; * A concession object remains the state property.   In addition, since 1998 a set of legislative and the other regulatory documents have been approved in Ukraine to regulate various aspects of concession creation and concession administration based on the use of state or municipal property.  Concessions are regarded the most attractive way to implement large scale long-term infrastructure projects in Ukraine. (Source: [TRACECA](http://www.traceca-org.org/fileadmin/fm-dam/Investment_Forum/101208_UKR%20country%20report.pdf)) | |
| **Donors coordination** |  | There is an established platform for cooperation in the transport sector in Ukraine, led by the EU Delegation. EU Member State donor in the sector is Germany, providing advisor to the ministry to deal with the railway reforms. USA is providing experts to reforming the sector as well. The main lenders are the EBRD, the EIB, the WB and the KfW, who provide loans for infrastructure projects in the road, railway and urban transport, together with their preparation. The EU works closely with the IFIs in Ukraine and provides technical assistance to pre-identified potential infrastructure projects to be financed by EIB and NIF. Donors meetings are organized regularly, with proper follow up on common topics/issues discussed. The recent initiative of the Ministry of Infrastructure is to organize donors meeting and present their needs for assistance. As part of the EU funded project assistance is provided to improve the coordination, prioritization of proposals and decision making process. | |
| **Transport Indicators** | **General** | |  |  |  |  |  | | --- | --- | --- | --- | --- | | Mode | Indicator | Year | Unit of measurement | Value | | Road | Total length1 | 2014 | Km | 163.028 | |  | Paved network1 | 2014 | Km | 159.463 | |  | Total motor vehicles | 2011 | per 1.000 people | 186 | |  | Cars | 2011 | per 1.000 people | 151 | |  | Freight1 | 2015 | million tons∙km | 34.431 | |  | Passengers1, 2 | 2015 | million pass∙km | 34.776 | |  | Road accidents1 | 2014 | Accidents | 25.820 | |  | Fatalities1 | 2014 | People | 4.420 | |  | Serious injuries1 | 2014 | People | 31.966 | | Railway | Total length1 | 2014 | Km | 20.948 | |  | Electrified network1 | 2014 | Km | 9.976 | |  | Freight1 | 2015 | million tons∙km | 194.322 | |  | Passengers1, 3 | 2015 | million pass∙km | 35.426 | | Air | Airports4 | 2013 | Units | 187 | |  | Freight1 | 2015 | million tons∙km | 211 | |  | Passengers1 | 2015 | million pass | 6,3 | | Maritime | Ports and terminals | 2015 | Units | 6 | |  | Container traffic | 2012 | TEU | 693.210 | | Inland waterways | Total length1 | 2014 | Km | 1.613 | | Pipelines | Total length | 2013 | Km | 45.597 |   Source: State Statistics Service of Ukraine, C.I.A. (The World Factbook), OECD, UNECE, Eurostat, The World Bank.  1 Excluding the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and part of the anti-terrorist operation zone  2 By motor vehicles  3 Including transportation by urban electric train  4 With paved and unpaved runways | |
|  | **LPI (Logistics Performance Index)** | |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Year** | **2007** | **2010** | **2012** | **2014** | | LPI Rank | 73 | 102 | 66 | 61 | | LPI Score | 2,55 | 2,57 | 2,85 | 2,98 | | Customs | 2,22 | 2,02 | 2,41 | 2,69 | | Infrastructure | 2,35 | 2,44 | 2,69 | 2,65 | | International Shipments | 2,53 | 2,79 | 2,72 | 2,95 | | Logistics Competence | 2,41 | 2,59 | 2,85 | 2,84 | | Tracking and Tracing | 2,53 | 2,49 | 3,15 | 3,20 | | Timeliness | 3,31 | 3,06 | 3,31 | 3,51 |   Source: [WB](http://lpi.worldbank.org/international/global)  Source: [WB](http://lpi.worldbank.org/international/scorecard/column/254/C/UKR/2014/C/UKR/2012/C/UKR/2010/C/UKR/2007" \l "chartarea)  The Logistics Performance Index is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance. The LPI is based on a worldwide survey of operators on the ground (global freight forwarders and express carriers), providing feedback on the logistics “friendliness” of the countries in which they operate and those with which they trade. | |
|  | **Road** | **EaP STRATEGIC ROAD NETWORK INDICATORS**  Total length: 6.080 km   * Motorway with separated lanes (4 lanes in both directions): 452 km * Motorway with separated lanes (>4 lanes in both directions): 19 km * Expressway road (2 lanes in both directions): 2.083 km * Expressway road (4 lanes in both directions): 801 km * Single carriageway road (2 lanes in both directions): 2.695 km * Single carriageway road (4 lanes in both directions): 30 km   Network indicators (km)    Design speed (km)    Road conditions (km)    \* Road conditions are not verified for 83 km (0.7% of the EaP network) in the Donetsk region  The survey on road quality performed on the context of the EaP regional transport study shows that 34% of the EaP strategic network in Ukraine is characterized by poor (1.012 km) and poor to medium (1.080 km) road conditions. The remaining network is characterized by medium or high road conditions.  LEVEL OF SERVICE ON EaP ROAD NETWORK | |
|  | **Rail** | EaP RAIL NETWORK INDICATORS  The EaP rail network in Ukraine is of 6.018 km length. 66% of EaP Ukrainian network (3.982 km) is double-track, remaining 34% is single-track. 83% of the network is electrified (4.991 km length) at 3 kV DC and 25 kV AC, remaining 17% is non- electrified.  Traction | |
| **Projects included in the EaP Pipeline** |  | |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Title of project** | **Year of approval** | **Sector** | **Total cost** | **IFI funding** | | Iliychevsk - Samsun - Poti maritime-based Service1 | n.a. | Maritime | 3 mln EUR2 | 0,18 mln EUR:  national stakeholders (UkrFerry and BMF)  2,72 mln EUR:  external sources to be defined | | Reconstruction of Krakovets-Lviv-Brody-Rivne road | n.a. | Road | 1.216 mln EUR (400/366/450 mln EUR – Phase I/II/III) | Funds of private investors and others | | Electrification of railways: Dolyns'ka-Mykolayiv section | n.a. | Rail | 443,2 mln EUR | State funds  150 mln EUR (EIB)  EBRD | | Beskyd Railway Tunnel (Beskyd-Skotarske section) | n.a. | Rail | 253 mln EUR | 55 mln EUR (EIB)  40,3 mln USD (EBRD) | | Construction of a new Odessa-Reni road | n.a. | Road | 1.587 mln EUR (827/760 mln EUR – I/II stage) | Funds of private investors,  ORSA, others (IFI) | | Reconstruction of the Scherbakivka-Kharkiv road | n.a. | Road | 390 mln EUR (90/300 mln EUR – I/II stage) | Funds of private investors and others. | | Construction of the bridge over the Dnieper river with approaches to the Kyiv - Znam'yanka (H-01) and Gora - Rogoziv (Kyiv Great Ring Road) roads | n.a. | Road | 1,5 bln EUR  5.500 mln EUR (for the whole Kiev Great Ring Road) | Funds of private investors and others | | UKSATSE air navigation system modernisation | n.a. | Air | 160,3 mln EUR | 41,1 mln EUR (EBRD)  41,8mln EUR (EIB) | | Improvement of transport and operational conditions of road approaches to Kyiv: Pan-European corridors (EBRD) and European roads Ukraine II (EIB) | n.a. | Road | 1.150 mln EUR | 450 mln EUR (EBRD)  450 mln EUR (EIB) | | M-06 Kiev-Chop highway rehabilitation (Section Brody - Kiev): European roads Ukraine (EIB) and Third project Kiev-Chop M06 (EBRD) | n.a. | Road | 486 mln EUR | 200 mln EUR (EBRD)  200 mln EUR (EIB) | | International Logistics Centre (ILC) at Boryspil Airport Commerce Park (BACP) | n.a. | Intermodal | 96,4 mln EUR | n.a. | | International Logistics Centre (ILC) at the dry port Euroterminal in Odessa | n.a. | Intermodal | 103 mln EUR | Euroterminal LLC revenues: from leasing out spaces / providing a range of ancillary services to tenants and users  Public support is expected for implementation of new road and rail access to the site. | | Improving existing Varna - Iliychevsk - Kerch - Poti/Batumi maritime service | n.a. | Maritime | 2 mln EUR3  plus  0,9 mln EUR4 | 0,18 mln EUR:  national stakeholders (UkrFerry and BMF)  2,72 mln EUR:  external sources to be defined | | Development of passenger complex of Odesa sea port | n.a. | Maritime | 8 mln EUR | PPP or other | | Development of the transhipment facilities in the oil district of Odesa sea port | n.a. | Maritime | 100 mln EUR | PPP or other | | Construction of the universal transhipment complex at the planned berth N 8 of Mykolaiv sea port | n.a. | Maritime | 11,2 mln EUR | PPP or other | | Construction of the container terminal at the boatyard N 2 on the left bank of Dnipro on the basis of new berth of Kherson sea port | n.a. | Maritime | 9,1 mln EUR | PPP or other | | Construction of terminal for wood bulk transhipment at the boatyard N 2 on the left bank of Dnipro on the basis of new berth of Kherson sea port | n.a. | Maritime | 2,8 mln EUR | PPP or other | | Construction of terminal for coal and coke transhipment at the boatyard N 2 on the left bank of Dnipro on the basis of new berth of Kherson sea port | n.a. | Maritime | 3,2 mln EUR | n.a. | | Construction of transhipment complex for bulk cargo in the South Dipper, 90 km river Dunay (two berths N 27-28) of Ismail Sea Port | n.a. | Maritime | 8,4 mln EUR | PPP or other | | Construction of transhipment complex for granular fertilizer at the berth N 26 of Ismail Sea Port | n.a. | Maritime | 4,9 mln EUR | PPP or other | | Construction of transhipment complex in the rear berth N 7 of the specialised Oktyabrsk sea port | n.a. | Maritime | 13,8 mln EUR | PPP or other | | Construction of the grain complex in the rear of the auxiliary berth in the specialised Oktyabrsk sea port | n.a. | Maritime | 16 mln EUR | PPP or other | | Construction and exploitation of the I stage of Greater Kyiv ring road (Velyka Kilceva) on concession terms | n.a. | Road | 1,81 bln EUR | n.a. | | Feasibility study on the implementation of automated transfer gauge systems for interoperable rail traffic between Ukraine and the EU | n.a. | Rail | 1,5 mln EUR | n.a. | | Electrification of the railway section Kovel - Izov - Poland border | n.a. | Rail | 503,2 mln UAH | n.a. | | Feasibility study on the implementation of electrification of the railway direction Berdychiv - Zhytomyr - Korosten - Ovruch - Belarus border | n.a. | Rail | 1.821,66 mln UAH | n.a. | | Construction of the Bypass Road from Beregovo Town and Astey Village to the International Motor Vehicle Crossing Point "Luzhanka", Zakarpats`ka oblast | n.a. | Road | 25 mln UAH | n.a. |   1 the project involves also Georgia  2 Related investments: 3 mln EUR for the rehabilitation of Samsun rail ramp and construction of rail gauge-break (from Russian to European) and marshalling yard facilities.  3 for container handling equipment  4 for Varna Ferry Complex renovation  EBRD European Bank for Reconstruction and Development  EIB European Investment Bank  IFI International Funding Institutions  ORSA Odessa Regional State Administration  PPP Public-Private Partnership |
| **Macro-financial context** |  | **BASIC ECONOMIC INDICATORS**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Indicator** | **Unit of measurement** | **2010** | **2011** | **2012** | **2013** | **2014** | | GDP1 | million Euro | 68.323 | 68.455 | 74.314 | 71.889 | 66.982 | | GDP per capita1 | Euro/capita | 1.489 | 1.498 | 1.630 | 1.580 | 1.477 | | GDP growth | % | 4,2 | 5,2 | 0,2 | 0,0 | -6,8 | | Inflation2 | % | 9,4 | 8,0 | 0,6 | -0,3 | 12,2 | | Unemployment | % | 8,1 | 7,9 | 7,5 | 7,2 | 7,7 | | Agriculture | % of GDP | 8,3 | 9,5 | 9,1 | 10,2 | 11,8 | | Industry | % of GDP | 31,3 | 29,1 | 28,4 | 26,2 | 25,4 | | Services | % of GDP | 60,4 | 61,4 | 62,5 | 63,6 | 62,8 | | Trade | % of GDP | 104,3 | 106,2 | 104,1 | 95,1 | 102,4 | | Public debt | % of GDP | 40,5 | 36,8 | 37,5 | 40,7 | 71,2 | | External debt | % of GDP | 91,7 | 83,0 | 74,4 | 80,3 | 99,2 | | Total loans | % of GDP | 19,6 | 18,6 | 15,0 | 9,1 | n. a. | | Import | million Euro | 45.817 | 59.344 | 65.892 | 57.950 | 39.683 | | Export | million Euro | 38.797 | 49.146 | 53.557 | 47.668 | 39.340 | | Balance | million Euro | -7.020 | -10.198 | -12.335 | -10.282 | -343 | | Real interest rate | % | 1,9 | 1,6 | 9,8 | 11,8 | 2,6 |   Source: The World Bank (2014), EC (2014), National Bank of Ukraine (2014).  1 Constant prices 2005  2Consumer annual price  **Explanatory Note:** The external debt, at any given time, is the unresolved amount of current, and not contingent, liabilities that require payment of an interest by a debtor at some point in the future and that are owed to non-residents by residents of an economy.  The non-resident creditors that owns the external debt are disseminated by many economies. Official creditors are public bilateral bodies and multilateral organizations. Public bilateral creditors are lenders in individual countries (e.g., central governments and central banks), multilateral organisations are international institutions (e.g., the International Monetary Fund, the World Bank and regional development banks). The total loans supplied to the economy of a country characterise the borrowing capacity of that country, with respect to external financing.  Source: IMF (2014), External Debt Statistics Guide for Compilers And Users; The World Bank (2016), Joint External Debt Hub.  **BASIC SOCIAL INDICATORS**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Indicator** | **Unit of measurement** | **2010** | **2011** | **2012** | **2013** | **2014** | | Total population | Inhabitants | 45.870.700 | 45.706.100 | 45.593.300 | 45.489.600 | 45.362.900 | | Urban population | % | 68,7 | 68,9 | 69,1 | 69,3 | 69,5 | | Rural population | % | 31,3 | 31,1 | 30,9 | 30,7 | 30,5 | | Gini Index | adimensional | 24,8 | 24,6 | 24,7 | 24,6 | n. a. | | Life expectancy | years | 70,3 | 70,8 | 70,9 | 71,2 | n. a. | | Poverty rate | % | 8,8 | 7,8 | 9,1 | 8,4 | n. a. |   Source: The World Bank (2014).  **BASIC ENERGY AND ENVIRONMETAL INDICATORS**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Indicator** | **Unit of measurement** | **2010** | **2011** | **2012** | **2013** | **2014** | | Energy use | Kg of oil eq./capita | 2.887,0 | 2.768,9 | 2.690,3 | n. a. | n. a. | | Electric power cons. | kWh/capita | 3.549,8 | 3.662,4 | 3.640,6 | n. a. | n. a. | | CO2 emissions | metric tons/capita | 6,6 | 6,3 | n. a. | n. a. | n. a. |   Source: The World Bank (2014).   |  |  | | --- | --- | | **STRUCTURE OF THE ECONOMY** | | | Source: The World Bank (2014). | | | **IMPORT AND EXPORT BY MAIN PRODUCTS AND LEAD MARKETS** | | |  |  | | Source: The World Bank (2014). | | |  |  | | Source: EC (2014). | | | |
| **References** |  | <http://www.traceca-org.org/fileadmin/fm-dam/TAREP/65ta/Master_Plan/MPA9.1UA.pdf>  <http://ec.europa.eu/transport/themes/international/studies/doc/2015-06-eastern-partnership-regional-transport-study.pdf>  <http://trt.serverlet.com/EaP/login.php>  <http://www.ukrstat.gov.ua/>  <http://knoema.com/atlas/Ukraine/topics/Transportation/Road-transport/Motor-vehicles-per-1000-people>  <http://ec.europa.eu/eurostat/web/products-datasets/-/enpr_transp>  <http://w3.unece.org/PXWeb2015/pxweb/en/STAT/STAT__40-TRTRANS__01-TRACCIDENTS/01_en_TRAccprofile_r.px/table/tableViewLayout1/?rxid=a1761ca4-5d1e-43a5-a6f6-e83a08189ba4>  <https://www.cia.gov/library/publications/the-world-factbook/geos/up.html>  <http://stats.oecd.org/>  <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>  <http://www.tradingeconomics.com/ukraine/government-debt-to-gdp>  <http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113459.pdf>  <http://wits.worldbank.org/CountryProfile/en/Country/UKR/Year/2014/Summary>  <http://mtu.gov.ua/files/for_investors/Transport%20strategy%20of%20Ukraine%20until%202020.pdf>  <http://www.un.org.ua/images/UkraineRecoveryPeace_A4_Vol2_Eng_rev4.pdf>  <http://dlca.logcluster.org/display/public/DLCA/2.3+Ukraine+Road+Network;jsessionid=024CC32E70B4D58270BFA356525C3AE3#id-2.3UkraineRoadNetwork-RoadsectorreforminUkraine>  <https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?ADSSChck=1455285276488&do=publi.detPUB&searchtype=QS&orderby=upd&orderbyad=Desc&nbPubliList=15&page=2&aoref=137801>  <http://www.worldbank.org/content/dam/Worldbank/document/Ukraine-Snapshot.pdf>  <http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2015/09/24/090224b0830fe3ea/1_0/Rendered/PDF/Project0Inform0nt0Project000P149322.pdf>  <http://databank.worldbank.org/data/reports.aspx?source=joint-external-debt-hub>  <http://www.jedh.org/jedh_home.html>  <http://www.ukravtodor.gov.ua/uploads/files/2015-04-21-05-53-50-angl-11.01.2013.pdf>  <http://www.traceca-org.org/fileadmin/fm-dam/Investment_Forum/101208_UKR%20country%20report.pdf>  <http://www.adb.org/sites/default/files/publication/31216/rail-infrastructure-tariffs-mongolia.pdf>  <http://voxukraine.org/2015/10/19/ukrzaliznytsias-new-tariff-policy-how-to-find-a-balance-with-the-national-economy/>  <http://www.en.cfts.org.ua/articles/why_vessel_calls_at_ukrainian_ports_are_the_most_expensive_in_the_world>  <http://eu.prostir.ua/files/1322828388877/28_11_common%20avia%20space_PP_eng_final%20.pdf>  <http://mtu.gov.ua/files/Zakypivli/Waterways%20Presentation%20the%20Netherlands%20Conference.pdf> | |
| **This document has been prepared by the IDEA II project.**  **The content of this document does not reflect the official opinion of the European Union.**  **Responsibility for the information and views here expressed lies entirely with the author(s).** | | | |

1. The length of Ukrainian section of the Danube is 160km [↑](#footnote-ref-1)