



**Resolution 1499 (2006)<sup>1</sup>**

## **Economic development in Ukraine: a test case for European solidarity**

Parliamentary Assembly

1. While Ukraine's economic development since independence in 1991 has been relatively slow, and often troubled, there are now new grounds for optimism. Ukraine has undergone a series of political tests and its economic recovery has been underway for several years, particularly as a result of strong growth between 2000 and 2004. With the election of a new president and more recently a new parliament, the newly confident society has high hopes for political and institutional reform, so that the country can assert itself as a modern democratic state with a market economy that functions well. As European countries are Ukraine's main partners, Europe as a whole shares an interest in its success.
2. Political competition and fiscal loosening throughout 2005 and early 2006 were combined with a less favourable global environment for the country's main industrial exports, resulting in a substantial slowdown in economic growth. At the same time, progress in economic reform, legislation and multilateral negotiations has been recognised by the European Union and the United States of America, and Ukraine has been granted market economy status, which is a crucial step towards membership in the World Trade Organization (WTO), and proof of the country's improving investment profile. The Parliamentary Assembly welcomes this development and hopes that Ukraine will be able to join the WTO in 2006.
3. The Parliamentary Assembly welcomes the launch by the Government of Ukraine, in February 2006, of a long-term development strategy, setting governmental priorities for 2006-2007. It commends the main traits of this strategy, in particular its emphasis on enhancing human development, the quality of life and social welfare through a dynamic, growing, diversified and competitive economy. It is to be hoped that the newly elected parliament and new government will use this development road map as a basis for their work and will build upon it.
4. Implementing these ambitious development goals requires, first and foremost, that the country's ruling elite ensure the continuity of reforms and the integrity and efficiency of its own ranks and that of the entire civil service. This calls for a thorough reorganisation of public administration to match the needs of a changing and increasingly demanding Ukrainian society.
5. In order to boost the country's economic development potential Ukraine, still needs to improve the overall business environment, accelerate the privatisation of large state enterprises and strengthen corporate governance in line with international benchmarks, inter alia the guidelines set by the Organisation for Economic Co-operation and Development (OECD). Clear and effective separation between political power and private economic interests should be ensured and monitored. Stronger credit policies in favour of enterprises and the population at large could be instrumental in reducing the scope of the informal sector of Ukraine's economy. The Assembly welcomes EU-Ukraine-Moldova co-operation on improving border control between Ukraine and Moldova with a view to curbing smuggling, trafficking, corruption and customs fraud, especially through the Transnistria region.

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1. Text adopted by the Standing Committee, acting on behalf of the Assembly, on 29 May 2006 (see [Doc. 10920](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Andrea Rigoni).



6. Energy is the lifeblood of the Ukrainian economy. However, its production, distribution and consumption remain very inefficient, with energy intensity per production unit being five to six times higher than in western European countries. This strongly undermines the competitiveness of the country's industry. Moreover, as the recent gas imports crisis has demonstrated, it is high time for Ukraine to review its energy policy and rationalise its energy use. This is all the more necessary in order to render the Ukrainian economy more competitive in a global context and more resistant to any future energy shocks.

7. The international community is looking forward to full and timely implementation by Ukraine of global nuclear safety measures. With its help, Ukraine has strengthened the old containment unit around Chernobyl's damaged reactor and has started the decommissioning of the entire power station. The Assembly hopes that the Ukrainian Government will clear the remaining legal, regulatory and administrative obstacles in order to proceed rapidly with the construction work foreseen under the Chernobyl Shelter Implementation Plan.

8. The Assembly regrets that Ukraine is not yet a member of the Council of Europe Development Bank (CEB). It believes that the country could benefit considerably from the Bank's resources and expertise in financing a wide range of socio-economic projects and should consider becoming a CEB member at the earliest opportunity.

9. The Assembly, reiterating its recommendations contained in [Resolution 1466 \(2005\)](#) and [Recommendation 1722 \(2005\)](#) on the honouring of obligations and commitments by Ukraine, invites the newly elected Ukrainian Parliament and the newly formed government to:

- 9.1. build their economic policy on the basis of the February 2006 long-term development strategy and expand it to include specific objectives and timetables for their implementation, as well as stronger practical measures to support research and innovation;
- 9.2. seek greater fiscal discipline in order to tackle inflationary trends and the budget deficit;
- 9.3. accelerate structural reforms, inter alia, in the energy sector, and the privatisation of large state enterprises, while giving due consideration to ensuring the smooth provision of services of general interest;
- 9.4. continue streamlining the taxation system, tax administration, customs procedures and corporate legislation, with a view to creating a fair, transparent and stable legal environment for all economic actors;
- 9.5. review and clarify the mission of the country's civil service and accelerate the reform of the public administration;
- 9.6. introduce tax incentives encouraging enterprises to carry out energy audits and to invest in the necessary improvements relating to their energy use;
- 9.7. strengthen investment in the development of projects related to renewable energy sources and energy efficiency;
- 9.8. co-operate fully with the European Bank for Reconstruction and Development (EBRD) on the Chernobyl Shelter Implementation Plan and facilitate joint energy-saving projects;
- 9.9. accede to the revised European Code of Social Security (ETS No. 139) and the European Convention on Social Security (ETS No. 78), as well as the related Supplementary Agreement (ETS No. 78A) and Protocol (ETS No. 154), and speed up the ratification of the European Convention on the Legal Status of Migrant Workers (ETS No. 93) and the revised European Social Charter (ETS No. 163);
- 9.10. re-examine the question of an enhanced Council of Europe presence in Ukraine, in particular through a special representative for the co-ordination of Council of Europe co-operation programmes;
- 9.11. continue simplifying regulations for entrepreneurs, with special attention to the needs of small- and medium-sized enterprises (SMEs);
- 9.12. adopt further measures to ensure transparency in public procurement and privatisation;
- 9.13. strengthen credit policies in favour of SMEs and the creation of new enterprises;
- 9.14. encourage the development of tourist facilities and infrastructure.

10. The Assembly also calls on the Council of Europe member states to:
  - 10.1. facilitate Ukraine's integration into the WTO and its closer partnership with the European Union, including by entering into bilateral free trade agreements, extending Trans-European Transport Networks in Ukraine and simplifying the conditions for the free movement of persons;
  - 10.2. assist the Ukrainian authorities in modernising the country's public administration and consolidating the capacity of the state institutions for good governance;
  - 10.3. work bilaterally and through international organisations in order to ensure the smooth implementation of co-operation programmes, international accounting standards and enhanced corporate ethics in Ukraine;
  - 10.4. enhance co-operation in favour of energy-efficiency, social-cohesion and environmental-protection projects by, inter alia, proposing their know-how in these fields and increased access to financial assistance through relevant financing instruments.