

Annual Progress Report of 2016

Ukraine



Kyiv

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General assessment of annual work

Give a short report on work of EITI performed during the last year in accordance with requirement 7.4(a)(i).

Four meetings of the MSG were held in 2016. During the meetings a range of important documents being essential pursuant to the Requirements of EITI were prepared and approved. In particular, there were approved: the Work Plan for 2017, Beneficial Ownership Roadmap, open data policy, Terms of Reference for the Independent Administrator, selection of the Independent Administrator company, all interim reports presented to the attention of the MSG members during the preparation of the second EITI Report of Ukraine and specifically the second Report of EITI of Ukraine.

High emphasis was placed on the following fields of activity:

- Improvement of regulatory and legal framework for EITI implementation in Ukraine.

Due to joint efforts of MSG members the regulatory and legal acts were adopted, which form the basis for preparation of EITI Reports: Law No.521-VIII "On Amendments to Certain Legislative Acts of Ukraine on Ensuring the Transparency in the Extractive Industries", **Ordinance of the Cabinet of Ministers of Ukraine** (CMU) No. 910-r dated 08/09/2015 "Action Plan for the Implementation of the Extractive Industries Transparency Initiative" and Resolution of the CMU "On Approval of the Procedure on Ensuring Transparency in the Extractive Industries" No. 1039 dated 02/12/2015. However, it is essential to notice that aforesaid administrative documents of the CMU do not take into account the extension of the scope of EITI Reports and apply to the sectors of production of gas and oil without imposing compulsory reporting on companies of other extractive industries. In order to extent compulsory report to all companies of the extractive sector the Draft Law of Ukraine "On Ensuring the Transparency in the Extractive Industries" was prepared, which was initiated by the Dixi Group and drawn up with the support of International Renaissance Foundation with involvement of lawyers in the field, wide discussions with public organizations, extractive companies and deputies of Verkhovna Rada of Ukraine. The Draft was registered in June 2016 under number of 4840, approved by several VRU committees, however was dismissed in February 2017. People's Deputies of Ukraine have registered a new version of draft (was registered in Verkhovna Rada of Ukraine under number of 6299 dated 23/03/2017). The Draft Law provides for disclosure of contracts, beneficial owners, project reporting and implementation of responsibility in form of fines for non-disclosure. This takes into account new requirements of the EITI Standard 2016.

Besides the work on preparation of the document, high emphasis was placed on its advocacy campaign that inter alia included discussions of the document with the extractive companies, people's deputies, the public, to take into account the positions of all involved parties. A series of events were held which were devoted to the discussion of the document and the best worldwide legislation experience on transparency, and were joined by foreign experts, representatives of government and parliament, extractive companies, journalists. Moreover, the round table in parliament with involvement of experts concerning the possibility of transparency of extractive sector was held, the series of analytical materials, infographics, media-materials, which were distributed during events and in the Internet, were published. *The aforesaid materials can be found at the link:*

<https://drive.google.com/open?id=0BzQ1g61NKgtdRmlmcGtNWDBWWUk>

- Continuation of work in regions

Due to the support of the German Corporation for International Cooperation (GIZ), International Renaissance Foundation and participation of MSG members the series of seminars, trainings and round tables in extractive regions were held. The foregoing events gathered the representatives of local communities, agencies of local self-government, extractive companies and became a platform for a dialogue of aforesaid parties. The aforesaid events influenced significantly the rise of awareness concerning EITI, its role and benefits for each party. Also the United States Agency for International Development (USAID) has joined to support EITI through the "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" Project contributing to the development of regional non-governmental organizations for strengthening the transparency in the biggest extractive regions of Ukraine. Only in 2016 more than 74 communication events were held, the majority of which were conducted in different regions of Ukraine. [Detailed information on each event is presented in Annex 1 to this Report.](#)

The enhanced work in regions becomes more topical taking into account recent changes to the law, according to which 5% from rent payments, paid by the oil and gas companies, will be returned back to the local communities. Respectively, the work with local inhabitants concerning the development of transparent and reporting mechanism of the use of such revenues is important. That is why as part of regional events and communications the corresponding trainings, consultations and discussions were commenced.

- Preparation of the second EITI Report

Preparation of the second EITI Report differed significantly from preparation of the previous document, as MSG set more difficult tasks to achieve progress in receiving by our country the status of the EITI compliant country. In particular, to meet the requirements of the Standard:

- the additional sectors are included to the scope of the Report, namely: coal, iron ore, titanium and manganese, the technical and economic evaluation on the expediency of other industries was conducted;
- disclosure of data in regard to each company (disaggregated data) is agreed;
- two years are included to the scope of the Report contributing to the information update;
- it is decided to disclose information on beneficial owners of extractive companies through the addition of a separate annex to the Report.

During the preparation of the Report the MSG members have actively joined to comment the interim reports and documents, which the company submitted to independent administrators. Besides, the participation of the MSG members was important during the acquiring of data from the reporting organizations, helping to increase the percentage of the data received and improve the scope aiming to achieve the conformity with requirements of the Standard.

Amongst present documents as part of EITI implementation, as, for instance, Terms of Reference for the Independent Administrator, the following documents were also prepared: open data policy, roadmap on disclosure of beneficial owners, with discussions on disclosure of contracts being commenced.

Taking into account the fact that the issue on disclosure of information on beneficial owners is a key one in the agenda on EITI implementation in the countries that have joined the Initiative, the MSG, along with the preparation of the roadmap, has discussed the system available in Ukraine and those

parts which require improvement.

With the support of German Corporation for International Cooperation (GIZ), expert Lutz Neumann proposed for consideration of MSG the project of the concept on Goal 4 of Work Plan "New forms of participation" and Goal 5 of Work Plan "Reduction of potential rise of tension and conflict with the help of EITI of Ukraine", which provide for a few versions of approaching aforesaid issues.

During the year the current issues of implementation were solved, in particular the request on extension of the term of publication of the first report was prepared and sent to EITI Board, as well as the request on adapted implementation in connection with the difficulties in obtaining data from coal enterprises located in ATO zone. The foregoing requests were approved by the Board. This allowed avoiding violation of the requirements of EITI.

During the year a range of meetings and negotiations with representatives of donor community were held, in particular of the World Bank, EBRD, German Corporation for International Cooperation (GIZ), International Renaissance Foundation on issues of funding the implementation of EITI in Ukraine, as well as on issues that go beyond the scope of EITI, in particular the creation of electronic platform of extractive industries, automation of data collection, etc.

Assessment of work in comparison with goals and works provided in the work plan

Assessment of progress in achieving goals provided in the work plan (Requirement 1.5), including operation and outcome of established goals (Requirement 7.4(a)(iv)).

Multi-Stakeholder Group may

- *Provide the list of tasks and goals, given in the work plan, description of progress in their achievement.*
- *Provide a short description of works, given in the work plan, indicating whether such works were performed. Include all additional works, which were not given in the work plan, but facilitated to the achievement of wider goals.*

During the year the following goals and clauses of the work plan were fulfilled:

Goal 1. Measures directed on the rise of the potential of MSG, NS and other parties involved.

- EITI National Secretariat keeps functioning (cl.1.1);
- The work of MSG is improved: a study tour of MSG members to the EITI International Secretariat/the country, which implements EITI (cl.1.2);
- The Forum of the Association "EnergoTransparency" was held to draw more stakeholders to EITI process (cl.1.4);

Goal 2. The conditions for harmonization of legislative and regulatory framework with EITI were created

Partially fulfilled:

- New draft law concerning the rise of transparency to be prepared and adopted; two round tables, presentations, articles, infographics, campaign, legal support (cl.2.1) to be provided. All

foregoing measures given in the clause took place, except for adoption of the document by the Verkhovna Rada.

Goal 3. The second EITI Report of Ukraine was published

- Terms of Reference for the Independent Administrator were approved by the MSG (cl.3.1);
- The agreement is entered into with the Independent Administrator. The Independent Administrator shall investigate and define what natural resources, revenue streams, companies and agencies of state authority shall be included to the second EITI Report of Ukraine taking into account the inclusion of coal and iron-ore industries (cl.3.2);
- Data collection by the Independent Administrator from government and companies for reconciliation (cl.3.3);
- Reconciliation of payments, preparation of the report (cl.3.4);
- MSG in Ukraine approves the second EITI Report (cl.3.5);
- Ensuring of completion of communication plan and timely update of EITI web-site in order to provide actual information (cl.3.7);

Goal 6. Disclosure of information on beneficial owners

- Roadmap on Disclosure of Beneficial Owners was developed and published (cl.6.1);

Goal 7. Achievement of status of the EITI compliant country

- Research and presentation of information on the activity of the MSG, publication of the annual report on progress (cl.7.2);
- Address to the EITI Board with a request for adapted implementation (cl.7.3).

It is also essential to notice that before the stage of collecting the data, the Independent Administrator with the support of the National Secretariat has conducted 6 trainings for extractive companies, which operate in the sphere of extraction of coal, iron ore, extraction and transportation of oil and gas, as well as for corresponding state enterprises. In particular, 62 attendees representing 22 extractive companies (amongst which 9 are the groups of companies) and 9 state enterprises have visited the trainings.

The fulfillment of the aforesaid clauses allowed to achieve goals outlined in the plan: the conditions for harmonization of legislative and regulatory framework with EITI are created (cl.2), the second EITI Report was published (cl.3), improvements in ensuring the potential of the Government and companies of Ukraine concerning implementation of EITI were achieved (cl.1) and the measures on the way to achieve the status of the EITI compliant country, , were taken.

The important progress was achieved in fulfillment of the work plan clauses 4 and 5 : establishment of the partnership between central government, local agencies of public administration, companies and local inhabitants concerned, as well as Decrease of the discrepancies and conflict potential with the help of EITI in Ukraine.

Assessment of work in comparison with the requirements of EITI

Assessment upon each individual requirement of the progress in achieving and/or maintaining the compliance with each of these requirements of EITI (Requirement 7.4(a)(ii)). This shall include any activity performed to resolve such issues, as management of income and expenses (5.3), payments for transportation (4.4), discretionary social costs (6.1), subnational money transfers (5.2), beneficial ownership (2.5) and contracts (2.4).

MSG may assess the compliance with the requirements, using the table provided below

| Requirements: | Progress: |
|-----------------------------------|--|
| Management of income and expenses | <p>At all stages of the budget process in Ukraine the audit and assessment of effectiveness of management of the budgetary funds is performed, as well as the control over the observance of the budget law. Control over the revenues to the State Budget of Ukraine and their use is performed by the Accounting Chamber. The Accounting Chamber publishes reports on its web-site: http://www.ac-rada.gov.ua/control/main/uk/publish/category/16748561</p> <p>State financial control aimed to check the compliance with the budget law, in particular the audit of lawful and effective use of state and municipal funds and property, and fulfillment of the budget programs, is performed by the State Audit Service of Ukraine (since the middle of 2016 as the assignee of the State Financial Inspection, which performed abovementioned functions in 2014-2015)</p> <p>The EITI Report contains corresponding information in the contextual part</p> |
| Payments for transportation | <p>Taking into account importance of reporting the data on transportation of gas and oil in Ukraine, and on the basis of the technical and economic assessment conducted, having proved the essentiality of revenues from indicated activity to the budget, the MSG agreed on the necessity to include information on transportation to the scope of EITI. In the contextual part of EITI the data on routes, volumes of transportation and tariffs on transportation, as well as on companies that carried out transportation and their income, are presented. Besides, in Section 7.4.6. of the Report detailed information on revenues from rent payments for transportation of oil and gas in 2014 and 2015 is provided, Section 21.6 contains information on reconciliation of revenues from rent payments for transportation of oil and gas in 2014 in regard to each company, Section 22.6 contains that information regarding 2015.</p> |

| Requirements: | Progress: |
|--------------------------------|--|
| Discretionary social costs | <p>At the meetings of MSG the members once and again emphasized the importance of reporting the social costs of the companies. The embodiment of aforesaid discussions was the inclusion of information on social purposes costs of extractive companies to the Report.</p> <p>In particular, in Section 7.7 costs of extractive companies of coal, iron ore, oil and gas sectors, connected with social purposes have been reviewed, i.e.:</p> <ul style="list-style-type: none"> • Social costs incurred as a result of compliance with the requirements of the law, production sharing agreements, agreements on subsoil use, investment obligations, concession agreements, contracts of sale of state property or any other obligations to the state, central and local authorities; • Social purposes costs, voluntarily incurred by the companies; • Other payments towards the SE and CEA, which in accordance to their purpose could be considered as social costs - charitable contributions and donations of companies to the state enterprises, institutions and organizations, agencies of state authority and local self-government in connection with prospecting, exploration and mining of mineral resources. <p>Overall, based on the results of the questioning the companies of extractive industries have spent for social purposes and charitable contributions UAH 953.0 million in 2014 and UAH 998.2 million in 2015.</p> <p>The details of aforesaid payments of companies, as well as information on the largest payers of social costs in regard to the companies are presented in the foregoing Section 7.7.</p> |
| Subnational transfers of funds | The indicated issue is presented in Section 5.12 and in Annex 12 of EITI Report. |

| Requirements: | Progress: |
|----------------------|---|
| Beneficial ownership | <p>Within the indicated issue Ukraine is one of the leaders as for information disclosure. Disregarding the fact that EITI Requirements becomes obligatory from 2020 and before this it is essential to perform the steps marked in corresponding roadmaps, there is applicable law on obligatory disclosure of data on beneficial owners of enterprises regardless whether they belong to any specific industries. The EITI Report of Ukraine discloses information on beneficial owners of extractive companies in Annex 7. Data were provided pursuant to the information contained in the Unified State Registry of Legal Entities and Individual Entrepreneurs. The reporting template included corresponding request to the reporting institutions to provide relevant information:</p> <p>In accordance with Art. 17 of the Law of Ukraine "On State Registration of Legal Entities and Individual Entrepreneurs" on:</p> <ul style="list-style-type: none"> - the ultimate beneficial owner (controller) of legal entity, including the ultimate beneficial owner (controller) of its founder (participant), if the founder (participant) is a legal entity with a share of beneficial owner indicated in the capital of legal entity; - the structure of ownership of founders - legal entities, which provides with possibility to define individuals - owners of the substantial interests of these legal entities |
| Contracts | <p>The issues of disclosure of contracts belong to key issues of EITI agenda at the international level. Currently in Ukraine the corresponding practice is absent. Thus, understanding its importance, the requirement to disclose contracts was included to the Draft Law "On Ensuring Transparency in Extractive Industries", which was widely discussed by all stakeholders. The extractive companies which are directly concerned with the disclosure of contracts, proposed own revisions to the texts, which were included to the updated version of the document after corresponding approvals, in particular to Art. 11.</p> |

Description of progress regarding compliance with other requirements of EITI

| Requirement of EITI | Section of the Report |
|---------------------|--|
| 2.1 | Description of regulatory and fiscal regime in the extractive industries, as well as key tendencies of reforming are presented in Section 6 of the Report, namely: <ul style="list-style-type: none"> • Overview of the law governing the issues of extraction of mineral resources - Section 6.1 • Functions and authorities of the agencies of state authority - Section 6.2, Annex 6 • Reforming of the regulatory and fiscal regime of the extractive industry in 2014-2015 - Section 6.3 • Fiscal regime - Section 6.4 • Regulatory regime - Section 6.5 |
| 2.2 | In Section 6.5.2 the procedure on obtaining of special permits for subsoil use is provided. Information on auctions for sale of special permits for subsoil use that took place in 2014-2015 and winners of these auctions is provided in Annex 11. |
| 2.3 | Information on the Registry of Special Permits for Subsoil Use is presented in Section 6.5.1. |
| 2.4 | Information on contracts in the extractive industries is provided in Section 6.5.4. In Annexes 8 and 9 the essential conditions of PSA (Production Sharing Agreements) and concession contracts are listed. |
| 2.5 | Information on the state policy on disclosure of information on the ultimate beneficial owners of the companies of the extractive industries is contained in Section 6.5.3. Information on the ultimate beneficial owners of reporting organizations pursuant to the Unified State Registry is provided in Annex 7. |
| 2.6 | Information on participation of the state in the extractive industries is provided in Section 5.11 |
| 3.1 | Information on significant exploratory works is presented in Section 5.9 |
| 3.2 | Information on reserves and volumes of extraction of mineral resources is provided in Section 5, namely: <ul style="list-style-type: none"> • coal – Sections 5.2.1, 5.2.2, 5.2.3; • natural gas and oil – Sections 5.3.1, 5.3.2, 5.3.3; • iron ores – Sections 5.4.1, 5.4.2; • titanium ores – Sections 5.5.1, 5.5.2; • manganese ores – Sections 5.6.1, 5.6.2. |
| 3.3 | Information on export and import is provided in Section 5, namely: <ul style="list-style-type: none"> • coal – Section 5.2.3; • natural gas and oil – Section 5.3.4; • iron ores – Section 5.4.2; • titanium ores – Section 5.5.2; • manganese ores – Section 5.6.3; • general information – Section 5.10.4. |
| 4.1 | Information on taxes and other revenues of the state is presented in Section 7, as well as in Annexes 13, 14, 15, 16 |
| 4.2 | In Ukraine the mechanisms for transfer of part of the extracted products in favor of |

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|---------------------|---|
| | the state are not used. |
| Requirement of EITI | Section of the Report |
| 4.3 | In Ukraine the mechanisms for barter and infrastructure arrangements with the state are not used. |
| 4.4 | Information on transportation of oil and gas, including transit activity is provided in Section 5.7. Information on revenues of the state from transportation of oil and gas is provided in Section 7.6. |
| 4.5 | Information on payments of extractive companies in favor of the state enterprises, organizations and institutions is provided in Section 7.5.3. |
| 4.6 | In accordance with the results of the technical and economic assessment, and the decisions of MSG the scope of the Report includes two subnational payments, information on which is provided in corresponding Sections, namely: <ul style="list-style-type: none"> • personal income tax – Section 7.4.1, as well as Annex 13 (21.1), and Annex 14 (22.1); • environmental tax – Section 7.4.7, as well as Annex 13 (21.7), and Annex 14 (22.7). Information on distribution of tax revenues between the budgets of different levels is provided in Section 6.4. |
| 4.7 | The disaggregated information on revenues of the state from extractive industries by type of payments and specific companies is presented in the Report (Annexes 13, 14, 15 and 16). |
| 4.9 | Information on procedures of audit for confirmation of data is provided in Section 17. |
| 5.1 | Information on distribution of tax revenues between the budgets of different levels is provided in Section 6.4, Section 5.12 and Annex 12. |
| 5.2 | Information on distribution of tax revenues between the budgets of different levels is provided in Section 6.4, Section 5.12 and Annex 12. |
| 5.3. | Description of the budget process in Ukraine is contained in Section 6.6. |
| 6.1 | Information on social costs by extractive companies is provided in Section 7.7. |
| 6.2 | Information on attraction of loans under government guarantees by extractive companies is provided in Section 5.11.5. |
| 6.3 | Information on contribution of the extractive industries to the economy of the country is provided in Section 5.10. |

Short description of the MSG feedback on the recommendations of authorization process (if applicable)

In accordance with the Requirement 7.2 (a) (iii) to provide a short description of the feedback of MSG and the achieved progress in the fulfillment of recommendations on reconciliation and authorization pursuant to the Requirement 7.1., MSG is offered to enumerate all recommendations and corresponding measures taken for their fulfillments. MSG may display how the work plan was changed to fulfill recommendations .

Authorization was not conducted in 2016. However it is essential to notice that MSG discussed recommendations on implementation of EITI, which were provided by the Independent Administrator, as well as the progress of their fulfillment was analyzed and recorded. Aforesaid information is provided in Annex 2 to this document.

Strengths and weaknesses discovered during the process of implementation of EITI:

Provide a summary of efforts on strengthening the implementation of EITI, including any actions to improve details and scope of EITI reporting and improve interactions with stakeholders (Requirement 7.4 (a) (v)).

MSG may include the following information concerning

- *Increase of the scope of EITI reporting and how it displays the goals indicated in the work plan;*
- *Ensuring that EITI Reports would contribute to the debates and improve understanding by the public of EITI process;*
- *Improvement of awareness and support of strengthening of the potential of stakeholders;*
- *Description of weaknesses discovered during the process of EITI and actions to eliminate them.*

The scope of the second EITI Report was significantly increased, it provides data for two years and includes not only the oil and gas extraction and transportation sector, but also the coal, iron ore, titanium and manganese extraction sectors, besides that more detailed information concerning regions is included t allowing to update the data and disclose it in regard to all sectors, which are essential for Ukrainian economy.

At the end of 2016 the Law of Ukraine "On Amendments to the Budget Code of Ukraine (on Arrangement of the System of Revenues and Use of Funds from Rent Payments for Use of Minerals for Extraction of Oil, Natural Gas and Gas Condensate)" was adopted, which provides for the return of 5% of rent payments, paid by the extractive companies to the places of extraction and the author of which is the People's Deputy of Ukraine Olha Bielkova, a member of the EITI Board . EITI Ukraine actively participated in the advocacy campaign of the aforesaid document, emphasizing the necessity of its adoption during regional events, events dedicated to EITI, through the support in social networks, interacting with the involved parties, etc. Adoption of the law is very important for improvement of dialogue between local communities and extractive companies, as since 2018 the aforesaid revenues will motivate the local inhabitants to be more supportive of drawing new investments to the extractive industry, promoting its development, and they will be able to spend these funds on infrastructure restoration and other urgent needs. This is a practical implementation of one of the sides of so called "EITI triangle" – the public – the extractive companies – the government.

Besides the aforesaid draft law, active debates were promoted by numerous publications and articles on EITI, the update of EITI Ukraine page in social networks (Facebook, Twitter), seminars and round

tables on EITI both at the central and regional levels, of which more than 70 were held (detailed list is attached as a separate document), as well as activities devoted to the Draft Law of Ukraine "On Ensuring Transparency in Extractive Industries".

The separate meetings were held with participation of representatives of the World Bank, the public, business, and journalists.

The following positive features of implementation of EITI shall be mentioned:

- Government support;
- Initial legislation that ensures implementation of EITI;
- Developed and registered in the parliament the Draft Law of Ukraine "On Ensuring Transparency in Extractive Industries";
- Two representatives of Ukraine in EITI International Board;
- High level of explanatory work and distribution of information — large-scale work in the regions of Ukraine;
- Active and visible participation and support of civil society;
- Open registry of beneficial owners and corresponding law that provides for disclosure of information about them;
- Constant dialogue with international donors.

The weaknesses in the process of implementation of EITI in 2016 are the following:

- Lack of sufficiently coordinated cooperation between agencies of executive authority;
- Lack of sufficient regulatory and legal framework for submission of data by companies that operate in the sphere of coal and metal ore extraction;
- Too much red tape as for the process;

MSG sees the following ways to overcome these weaknesses:

- MSG can be a platform for improvement of coordination of cooperation of agencies involved in implementation of EITI;
- Adoption of the Draft Law of Ukraine "On Ensuring Transparency in Extractive Industries";
- MSG shall discuss the ways of the red tape reduction.

General expenditures on implementation:

MSG may include information on expenses connected with implementation of EITI. This may involve comparison of general expenditures with expenditures pursuant to the work plan and breakdown by position of the financing parties and budget items. Data on staff numbers of National Secretariat.

In 2016 the World Bank gave Ukraine a grant for implementation of EITI in the amount of USD 400,000, of which USD 206,524.28 were used. The main expenses comprised the funds for preparation of EITI Report for two years, short version of EITI Report, trainings for reporting institutions, as well as one of the expenditure items was the salary of the National Secretariat staff of 4 people.

Besides the aforesaid funds, the support of implementation of EITI was provided by the International Renaissance Foundation in the amount of USD 50,000, the German Corporation for International Cooperation (GIZ) in the amount of USD 10,000 and the United States Agency for International Development (USAID). These funds were aimed at carrying out of the events at the regional and central levels, publications, development of the regulatory and legal framework, strengthening the capacity of MSG.

Other additional comments

In view of foregoing, one of the progressive features of implementation of EITI is the disclosure of information on beneficial owners. It is an existing law in Ukraine that makes such disclosure obligatory, and which was a basis for creation and functioning of the Unified State Registry of Legal Entities and Individual Entrepreneurs. Moreover, Ukraine has joined the corresponding Global Registry of Beneficiaries. Ukraine disclosed beneficial owners of extractive companies in EITI Report of 2014-2015. Implementation of the disclosure of data on beneficial owners takes place also with the support of International Renaissance Foundation, and civil society became the driving force of aforesaid changes.

1. Was this Report discussed beyond the scope of MSG?

In accordance with the Requirement 7.2 (b) all parties shall be able to participate in preparation of the annual activity report and analysis of implementation of EITI. Civil society and industry groups involved in EITI, not limited to those who are parties to the MSG, shall be able to speak about the process, their views shall be reflected in the annual activity report.

This enables the MSG to improve the specific nature of their process and to ensure a closer connection of EITI with the processes of wider reforms in the country. Countries should describe any wider activities on involvement of other stakeholders to the participation in the process, including civil society and companies, as well as, providing them with a feedback on the process.

Annual Progress Report was sent to the MSG in advance, so that its members were able to held consultations and provide commentaries from their groups. The responses from civil society representatives that were taken into account in the final version of the document were received.

2. Data on membership in the MSG during the period: (including data on attendance and number of meetings held)

During the year 4 meetings of MSG were held. In March and May 5 persons were absent, in September and November - 4.

Annexes 1 and 2 are provided below

MSG approved:

Date:

Annex 1. The list of EITI events in Ukraine for 2016

In total for 2016 - 74 events without taking into account 4 meetings of MSG

| Date | Event | Commentary |
|-------------|--|---|
| February 09 | Round table in the Verkhovna Rada of Ukraine on fuel and energy complex, devoted to the discussion of the Draft Law of Ukraine "On Disclosure of Information in Extractive Industry" | Participants: representatives of a number of ministries, Verkhovna Rada of Ukraine Committee on Fuel and Energy Complex, Naftogaz of Ukraine, State Service for Geology and Mineral Resources of Ukraine, representatives of energy companies, NGO representatives, EITI National Secretariat in Ukraine; Hosted by: People's Deputy Olha Bielkova, with the support of the EITI National Secretariat and the Dixi Group. |
| February 24 | Ivano-Frankivsk, Seminar "Involvement of Regional State Administrations and Agencies of Local Self-Government in Promotion of EITI in Ivano-Frankivsk Oblast" | Participants: Representatives of Ivano-Frankivsk National Technical University of Oil and Gas, scientists, experts, civil society organizations. Local self-government and agencies of self-government of Ivano-Frankivsk oblast Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" More details at the link . |
| February 18 | Lviv, seminar "Cooperation of State Agencies, Agencies of Local Self-Government and Extractive Companies to Promote EITI in Lviv Oblast" | Participants: NGOs, representatives of local authority agencies and extractive companies. Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" |
| Date | Event | Commentary |
| February 26 | Boryslav (Lviv oblast) Seminar | Participants: NGOs, |

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| | "Cooperation of State Agencies, Agencies of Local Self-Government and Extractive Companies to Promote EITI in Lviv Oblast" | representatives of local authority agencies and extractive companies. Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" More details at the link . |
| March 10 | Kharkiv, Round table "The Hydrocarbon Extractive Industry in Kharkiv Oblast: Economic Development or Decline for Local Communities" | Participants: CSOs, representatives of local authority agencies and extractive companies. Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" More details at the link . |
| March 10 | Kharkiv Competition for the best analytical material on implementation of EITI and its value for the communities | Participants: journalists of local editions Organized by the CSO "New Energy" Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation. More details at the link |
| March 13 | Ivano-Frankivsk Competition for the best analytical material amongst mass media of Ivano-Frankivsk oblast | Participants: journalists of local editions of Ivano-Frankivsk oblast Organized by the CSO "BRIT" Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation. |

| Date | Event | Commentary |
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| March 16 | Sumy and Okhtyrka (Sumy oblast) Round tables "Oil and gas complex of Sumy Oblast: economic development or decline for local communities" | <p>More details at the link</p> <p>Participants: CSOs, representatives of local authority agencies and extractive companies Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" More details at the link</p> |
| March 21 | Meeting of the MSG | <p>Issues discussed: New EITI Standard 2016, TOR for the Independent Administrator, Draft Law on Disclosure of Information in Extractive Industries, Changes in MSG. More details at the link</p> |
| March 23 | Meeting with journalists of Chernihiv oblast | <p>Participants: journalists from local mass media, CSOs representatives, industry experts. Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" More details at the link</p> |
| March 24 | Gadyach (Poltava oblast) Round table "The Benefits of EITI for Civil Society, Business, Government". | <p>Participants: CSOs, representatives of local authority agencies and extractive companies Funded by the USAID (United States Agency for International Development). More details at the link</p> |
| March 28 | Seminar with the Institute of Budget and Social and Economic Research | <p>Participants: local NGOs that received a subgrant from the Institute to promote EITI in regions, EITI National Secretariat, Dixi Group, International Renaissance Foundation. Funded by the USAID (United States Agency for International Development) that gives grant for CSO to develop EITI in regions.</p> |

| Date | Event | Commentary |
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| March 30 | Lokhvytsia (Poltava oblast) Round table "The Benefits of EITI for Civil Society, Business, Government". | Participants: CSOs, representatives of local authority agencies and extractive companies Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation. More details at the link |
| April 5 | Poltava, meeting with CSOs of Poltava oblast | Participants: CSOs of Poltava oblast, EITI National Secretariat, Dixi Group, GIZ experts. Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation. More details at the link |
| April 6 | Poltava, round table as part of the Transparency Days in Poltava oblast | Participants: CSOs, oil and gas extractive companies of Poltava oblast, representatives of local authority agencies, EITI National Secretariat, Dixi Group, GIZ experts. Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation. |
| April 6 | Poltava, meeting with students and lecturers of Poltava National Technical Yuriy Kondratyuk University | Participants: students and lecturers of the University, CSOs of Poltava oblast, EITI National Secretariat, Dixi Group, GIZ experts. |

| | | Funded by GIZ More details at the link |
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| Date | Event | Commentary |
| April 7 | Myrhorod (Poltava oblast), Meeting with Deputy Head of Myrhorod District State Administration | Participants: CSOs of Poltava oblast, EITI National Secretariat, Dixi Group, GIZ experts. More details at the link |
| April 7 | Myrhorod, round table as part of the Transparency Days in Poltava oblast | Participants: CSOs, oil and gas extractive companies of Poltava oblast, representatives of local authority agencies, EITI National Secretariat, Dixi Group, GIZ experts. Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation. More details at the link |
| April 7 | Chuhuiv and Borova (Kharkiv oblast), Round table "Transparency of Hydrocarbon Extraction - a Path to the Wealth of Local Communities" | Participants: CSOs, oil and gas extractive companies of Kharkiv oblast, representatives of local authority agencies. Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). More details at the link |
| April 7-8 | Ivano-Frankivsk, International seminar "Mutual Cooperation - a Path to the Energy Independence" | Participants: representatives of leading oil and gas companies of Poland and Ukraine. Organized by the CSO "BRIT" Funded by the USAID (United States Agency for International Development). More details at the link |
| April 8 | Romny (Sumy oblast), round table "Transparency of hydrocarbon | Participants: agencies of local self-government, the public and mass |

| | extraction in the Romny and Lypovodolynsky districts" | media of Sumy oblast Organized by CSO "New Energy" Funded by the USAID (United States Agency for International Development). More details at the link |
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| Date | Event | Commentary |
| April 14 | Chornukhy (Poltava oblast), round table "Hydrocarbon extraction in Poltava oblast: economic development or decline of communities". | Participants: oil and gas extractive companies of Kharkiv oblast, representatives of local authority agencies. Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development). More details at the link |
| April 15 | Sencha (Poltava oblast) Meeting with the local community | Participants: the public and representatives of the agencies of local self-government. Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development). More details at the link |
| April 25 | Valky (Kharkiv oblast), Round table "Extractive industry in the region and prosperity of local community" | Participants: oil and gas extractive companies of Kharkiv oblast, representatives of local authority agencies and local community. Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). More details at the link . |
| April 27 | Talalaivka (Chernihiv oblast) | Participants: oil and gas extractive companies "Chernihiv Naftogaz" and "Ukrnafta", representatives of local authority agencies and local community. Organized by the CSO "New |

| | | <p>Energy"</p> <p>Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation.</p> <p>More details at the link</p> |
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| Date | Event | Commentary |
| April 27 | Boryslav (Lviv oblast) Public discussion | <p>Participants: local community and representatives of the agencies of local self-government.</p> <p>As a result of discussion, it was decided to create the "Fund of Development of Boryslav Community".</p> <p>Organized by the Association "EnergoTransparency"</p> <p>Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation.</p> <p>More details at the link</p> |
| April 27 | Mashivka (Poltava oblast), public discussion | <p>Participants: local community and representatives of the agencies of local self-government.</p> <p>Organized by the CSO "Poltava Branch of Public Service of Ukraine"</p> <p>Funded by the USAID (United States Agency for International Development).</p> <p>More details at the link</p> |
| April 27 | Karlivka (Poltava oblast), round table "The Extractive Industry of Poltava Oblast - Economic Development or Disappearing | <p>Participants: community, representatives of local authority agencies, local entrepreneurs.</p> <p>Organized by the CSO "Poltava</p> |

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| | Communities" | Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development). More details at the link . |
| April 28 | Varva (Chernihiv oblast), round table | Participants: the community and representatives of the agencies of local self-government. Organized by the CSO "New Energy" Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation. More details at the link |
| Date | Event | Commentary |
| April 28 | Pryluky (Chernihiv oblast), round table | Participants: the community and representatives of the agencies of local self-government "Chernihiv Naftogaz". Organized by the CSO "New Energy" Funded by the Federal Government of Germany as part of the project "Development of a Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine" with the support of the International Renaissance Foundation. More details at the link . |
| May 12 | Novi Sanzhary (Poltava oblast), round table for the community and local authorities. | Participants: the community and representatives of the agencies of local self-government. Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development). More details at the link |

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| May 17 | Ivano-Frankivsk, International scientific conference | Participants: scientists, lecturers of university, representatives of oil and gas companies. The first Report of EITI in Ukraine was presented by CSO "BRIT" With the support of GIZ and USAID More details at the link |
| May 17 | Bakaliia (Kharkiv oblast), round table "Transparency in the Extractive Industry of Bakaliia District: Prospects of the community". | Participants: the community, representatives of the agencies of local self-government and experts. Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). More details at the link . |
| May 19 | Lebedyn (Sumy oblast), round table "Transparency in Extractive Industry in Lebedyn District and its Value to the Community". | Participants: the community, representatives of the agencies of local self-government and experts. Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). More details at the link |
| Date | Event | Commentary |
| May 24 | Kyiv, meeting of MSG | Participants: members of MSG, representatives of GIZ and IBSER (Institute of Budget and Social and Economic Research). More details at the link |
| May 24 | Khorosheve (Kharkiv oblast), round table "From Transparency of Extractive Companies to Understanding by the Community" | Participants: the public, representatives of the agencies of local self-government, civil society organizations, mass media and project experts. Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). More details at the link . |
| June 15 | Poltava | Participants: director of EITI |

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| | Seminar on implementation of EITI in Ukraine for lecturers of Poltava Technical University | National Secretariat, communication expert of EITI, lecturers of the university. Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development). More details at the link |
| June 17 | Kyiv Round table in the Verkhovna Rada of Ukraine Committee on Fuel and Energy Complex in order to support the Draft Law "On Disclosure of Data in Extractive Industries". | Participants: People's Deputies, journalists, members of CSOs, representatives of the government. Hosted by AC (Analytical Center) Dixi Group, EITI National Secretariat with the support of GIZ and International Renaissance Foundation. More details at the link |
| June 17 | Sumy Seminar for local community "Strengthening of Municipal Financial Initiative" | Participants: public activists, representatives of local authorities agencies, mass media. Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). More details at the link |
| June 21 | Kotelevka, Poltava oblast Seminar "Implementation of EITI in Ukraine" | Participants: local community and representatives of the agencies of local self-government. Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development). More details at the link . |
| Date | Event | Commentary |
| June 24 | Izium, Kharkiv oblast Round table "EITI - Method of Strengthening the Community" | Participants: representatives of the agencies of local self-government, the public, CSOs and mass media Organized by the CSO "New Energy" Funded by the Federal Government of Germany as part of the project "Development of a |

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| | | <p>Network of Partner Organizations for Implementation of Tasks of EITI Communication Strategy 2015 in the Extractive Regions of Ukraine"</p> <p>More details at the link</p> |
| June 29 | Dolyna, Ivano-Frankivsk oblast Conference "Regional Problems of Extractive Industry and Implementation of EITI" | <p>Participants: representatives of the agencies of local self-government and extractive companies, the public. Organized by the CSO "BRIT"</p> <p>Funded by the USAID (United States Agency for International Development). More details at the link</p> |
| July 19 | Kopyly, Poltava oblast Public discussion "Worldwide Experience in Implementation of the Extractive Industries Transparency Initiative (EITI) and Management of Revenues of Extractive Industry" | <p>Participants: representatives of the agencies of local self-government and local CSOs Organized by the CSO "Poltava Branch of Public Service of Ukraine"</p> <p>Funded by the USAID (United States Agency for International Development). More details at the link</p> |
| August 16 | Myrhorod, Poltava oblast Seminar "Civil Representation. Local Budgets and Revenues from Extraction of Mineral Resources". | <p>Participants: representatives of the agencies of local self-government and local CSOs Organized by the CSO "Poltava Branch of Public Service of Ukraine"</p> <p>Funded by the USAID (United States Agency for International Development). More details at the link</p> |
| August 17 | Novi Sanzhary, Poltava oblast Seminar "Civil Representation. Local Budgets and Revenues from Extraction of Mineral Resources". | <p>Participants: representatives of the agencies of local self-government and local CSOs Organized by the CSO "Poltava Branch of Public Service of Ukraine"</p> <p>Funded by the USAID (United States Agency for International Development). More details at the link</p> |
| Date | Event | Commentary |
| August 30 | Poltava | Participants: People's Deputies |

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| | Round table | Olha Bielkova and Yuriy Bublyk, representatives of Association of Gas Producers in Ukraine, members of the Board of Ukgazvydobuvannya PJSC, representatives of the agencies of local self-government and the public. Organized by the Ukgazvydobuvannya PJSC in cooperation with EITI National Secretariat More details at the link |
| September 6 | Kyiv Meeting of the MSG | Participants: members of the MSG, representatives of the Ministry of energy, representatives of GIZ and EITI National Secretariat Organized by EITI National Secretariat More details at the link |
| September 9 | Shebelynka, Kharkiv oblast Offsite meeting on the occasion of the 60th anniversary of the Shebelynska field | Participants: the Prime Minister of Ukraine, People's Deputies, the Minister of Energy, representatives of Association of Gas Producers in Ukraine, members of the Board of Ukgazvydobuvannya PJSC and representatives of Naftogaz NJSC During the event the Prime Minister of Ukraine has declared willingness to make decisions on EITI at the state level, so that all extractive companies would report. More details at the link |
| September 15 | Poltava Seminar on EITI for lecturers of Poltava Oil and Gas College. | Participants: lecturers of Poltava Oil and Gas College. Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development). More details at the link |
| September 18 | Kharkiv oblast Seminar "EITI - Effective Cooperation at Local Level". | Participants: local activists Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). |

| Date | Event | Commentary |
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| September 21 | Chervonohrad, Lviv oblast Round table on EITI | <p>More details at the link</p> <p>Participants: representatives of local authorities agencies, coal extractive companies, local trade union of miners, representatives of Association "EnergoTransparency" and representatives of local community. Organized by the CSO "BRIT" Funded by the USAID (United States Agency for International Development). More details at the link</p> |
| September 22 | Kyiv The first training on reporting as part of EITI | <p>Participants: representatives of gas extractive companies of Ukraine. Organized by experts of the EY Ukraine with the support of EITI National Secretariat and Association of gas extractive companies of Ukraine. Funded by the World Bank. More details at the link</p> |
| September 22 | Poltava Seminar on EITI for mass media | <p>Participants: representatives of 19 local mass media Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development) More details at the link</p> |
| September 26-27 | Kryvyi Rih Training on EITI reporting for mining and metals companies | <p>Participants: representatives of ArcelorMittal Kryvyi Rih PJSC and Metinvest Holding LLC Organized by the experts of the EY Ukraine with the support of EITI National Secretariat in Ukraine. Funded by the World Bank. More details at the link</p> |
| September 28-29 | Kyiv Training on the reporting preparation as part of EITI for CEA and state enterprises | <p>Participants: representatives of CEA and state enterprises. Organized by the experts of the EY Ukraine with the support of EITI National Secretariat in Ukraine. Funded by the World Bank. More details at the link</p> |

| Date | Event | Commentary |
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| September 30 | Kyiv Trainings on the reporting preparation as part of EITI for representatives of DTEK coal extractive sector company | Participants: for representatives of DTEK coal extractive sector company Organized by the experts of the EY Ukraine with the support of EITI National Secretariat in Ukraine. Funded by the World Bank. More details at the link |
| September 26-30 | Lviv Meeting with representatives of Eurasian region as part of EITI implementation | Participants: representatives of public coalitions in Azerbaijan, Mongolia, Armenia, Georgia, Ukraine, Kazakhstan, Kyrgyzstan and Tadjikistan. Organizers: PWYP Initiative, Institute of Management of Natural Resources and International Renaissance Foundation, with the support of EITI International Secretariat. Funded by the PWYP and the International Renaissance Foundation More details at the link |
| October 7 | Boryslav (Lviv oblast) Forum "Practices and Challenges of Participation of the Public in the Budgeted Process" | Participants: the community of Boryslav, representatives of Boryslav Agency of Regional Development. The key provisions of EITI and the results of influence of the Initiative were presented. More details at the link |
| October 11 | Horishni Plavni, Poltava oblast Trainings on the reporting preparation as part of EITI for the companies mining iron ore | Participants: representatives of the Poltava Oxidized Ore Plant of Ferrexpo Mining Company Organized by the experts of the EY Ukraine with the support of EITI National Secretariat in Ukraine. Funded by the World Bank. More details at the link |
| October 11, 12 | Zinkiv, Reshetylivka Poltava oblast Round tables "Opportunities that arise due to the implementation of EITI Standard" | Participants: representatives of the local authorities and the community Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID More details at the link |

| Date | Event | Commentary |
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| October 12 | Kharkiv Lecture on EITI for students of V.N. Karazin Kharkiv National University | Participants: students of the faculty of ecology of V.N. Karazin Kharkiv National University Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). More details at the link |
| October 17 | Ivano-Frankivsk Scientific forum, where the EITI was presented | Participants: local scientists, representatives of oil and gas enterprises More details at the link |
| October 17 | Kyiv Round table on the Draft Law No.4840 "On Disclosure of Information in Extractive Industries" | Participants: Deputies of the VRU Specialized Committees, representatives of energy companies, CSOs, experts, high-ranking officials Organized by the Analytical Center Dixi Group with the support of EITI National Secretariat and International Renaissance Foundation More details at the link |
| October 21 | Poltava Seminar on EITI for students of Poltava Oil and Gas College. | Participants: students of Poltava Oil and Gas College, Poltava National Technical Yuriy Kondratyuk University Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID (United States Agency for International Development), as part of the project "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" within the scope of providing help for implementation of the component "Extractive Industries Transparency Initiative in Ukraine" More details at the link |
| October 24 | Zinkiv, Poltava oblast Discussion on "Benefits for Communities from Introduction of the Extractive Industries | Participants: local inhabitants, public activists and representatives of the local authorities. |

| Date | Event | Commentary |
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| | Transparency Initiative (EITI)" | Organized by the CSO "Poltava Branch of Public Service of Ukraine" Funded by the USAID More about the event at the link |
| October 27 | Sievierodonetsk, Luhansk oblast Round table on the EITI for local activists | Participants: local public activists, representatives of extractive enterprises of the region, local authorities, mass media Organized by the CSO "Chamber of Tax Advisors" Funded by the USAID (United States Agency for International Development), as part of the project "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" within the scope of providing help for implementation of the component "Extractive Industries Transparency Initiative in Ukraine" More about the event at the link Video from the seminar at the link |
| October 28 | Novovolynsk, Volyn oblast Round table "Regional Problems of Extractive Industry and Implementation of EITI in Volyn Oblast" | Participants: representatives of authority agencies of Novovolynsk, representatives of coal extractive companies of Volyn Oblast, mass media, representatives of public, ecological and trade union organizations. Organized by the Association "EnergoTransparency" Funded by the USAID (United States Agency for International Development). More about the event at the link |
| October 30 | Zarichchia, (Lviv oblast) Seminar "Implementation of Extractive Industries Transparency Initiative in Lviv oblast. How This Initiative May Contribute to the Development Of Village Communities" | Participants: representatives of Zarichchia community, representatives of Zahidnadraseris oil and gas company and representatives of agencies of local and district authorities of Zhydachiv district Lviv oblast Organized by the Association "EnergoTransparency" Funded by the USAID (United States Agency for International |

| Date | Event | Commentary |
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| November 3 | Konstantynivka, Donetsk oblast Regional seminar "Implementation of EITI: the Step to the Strengthening of Local Finance Initiative" | <p>Development), as part of the project "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" within the scope of providing help for implementation of the component "Extractive Industries Transparency Initiative in Ukraine"</p> <p>Participants: public activists from different oblast localities, representatives of regional mass media, local authorities agencies Organized by the CSO "New Energy"</p> <p>Funded by the USAID (United States Agency for International Development). More details at the link</p> |
| November 3 | uts. Chutove, Poltava oblast Round table "EITI and Arrangement of the System of Revenues and Use of Rent Payments" | <p>Participants: representatives of the local authorities and the community Organized by the CSO "Poltava Branch of Public Service of Ukraine"</p> <p>Funded by the USAID (United States Agency for International Development), as part of the project "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" within the scope of providing help for implementation of the component "Extractive Industries Transparency Initiative in Ukraine"</p> <p>More details at the link</p> |
| November 9 | uts. Dykanka, Poltava oblast Round table "EITI and Arrangement of the System of Revenues and Use of Rent Payments" | <p>Participants: representatives of the local authorities and the community Organized by the CSO "Poltava Branch of Public Service of Ukraine"</p> <p>Funded by the USAID (United States Agency for International Development). More details at the link</p> |
| November 15 | Kyiv | Participants: members of the MSG, |

| | <p>Meeting of the MSG</p> <ul style="list-style-type: none"> - consideration and approval of a draft of the second EITI Report - presentation of results of the meeting of the EITI Board in Astana | <p>representatives of the Ministry of energy, EITI National Secretariat team</p> <p>Organized by EITI National Secretariat</p> <p>More details at the link</p> |
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| November 17-18 | <p>Dykanka, Poltava oblast</p> <p>Seminars "Budgets of the Local Communities. Role and opportunities for Civil Society Organizations Regarding Budgets Monitoring"</p> | <p>Participants: public activists and representatives of local self-government</p> <p>Organized by the CSO "Poltava Branch of Public Service of Ukraine"</p> <p>Funded by the USAID, as part of the project "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" within the scope of providing help for implementation of the EITI component.</p> |
| Date | Event | Commentary |
| November 21 | <p>Zhydachiv, Lviv oblast</p> <p>Round table on the Draft Law No.3830</p> | <p>Participants: deputies of the district council</p> <p>Organized by the Association "EnergOTransparency"</p> <p>Funded by the USAID (United States Agency for International Development), as part of the project "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" within the scope of providing help for implementation of the component "Extractive Industries Transparency Initiative in Ukraine"</p> <p>More about the event at the link</p> |
| November 28 | <p>Sievierodonetsk, Luhansk oblast</p> <p>Seminar on EITI for the city community</p> | <p>Participants: representatives of extractive companies, non-government organizations, local and oblast authorities, institutions of higher education, mass media and the public</p> <p>Organized by the CSO "Chamber of Tax Advisors"</p> <p>Funded by the USAID (United States Agency for International Development), as part of the project "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" within the</p> |

| | | scope of providing help for implementation of the component "Extractive Industries Transparency Initiative in Ukraine" More about the event at the link |
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| November 30 | Varva, Chernihiv oblast Seminar "Extractive Industries Transparency Initiative" | Participants: representatives of civil society organizations, local and oblast authorities, and mass media of Chernihiv oblast Organized by the CSO "Chamber of Tax Advisors" Funded by the USAID (United States Agency for International Development), as part of the project "Municipal Finance Strengthening Initiative (MFSI-II) Implementation" within the scope of providing help for implementation of the component "Extractive Industries Transparency Initiative in Ukraine" More about the event at the link |
| Date | Event | Commentary |
| December 13 | Kyiv Meeting of the management of the State Service of Geology and Mineral Resources of Ukraine and representatives of the World Bank mission | Participants: representatives of the World Bank mission, EITI National Secretariat in Ukraine, management of the State Service of Geology and Mineral Resources of Ukraine Organized by the EITI National Secretariat in Ukraine More about the event at the link |
| December 14 | Kharkiv Announcement of the winners of competition for the best analytical material or material in mass media on the EITI subject-matter | Participants: journalists of Sumy, Donetsk, Kharkiv oblasts Organized by the CSO "New Energy" Funded by the USAID (United States Agency for International Development). More about the event at the link |
| December 20 | Starobilsk, Luhansk oblast Meeting with district librarians for a handover of the brochures on EITI to the local libraries | Participants: local librarians and mass media of Starobilsk district Organized by the CSO "Chamber of Tax Advisors" Funded by the USAID (United |

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| | | States Agency for International Development). More details at the link |
| December 21 | Lviv Presentation of the EITI to the lecturers and students of Lviv Trade and Economic University | Participants: lecturers and students of Lviv Trade and Economic University Organized by the Association "EnergoTransparency" Funded by the USAID (United States Agency for International Development). More details at the link . |
| December 22 | Chernihiv Discussion of the initiative group of deputies of the oblast council on implementation of the EITI in the oblast | Participants: deputies of the oblast council and mass media of Chernihiv oblast Organized by the CSO "Chamber of Tax Advisors" Funded by the USAID (United States Agency for International Development). More details at the link |

Annex 2. Recommendations to the Report and to the process of EITI implementation, and their completion status

| Recommendation | Commentary | Progress/position of the MSG |
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| <p>Improvement of the regulatory ensuring of the EITI:</p> <ul style="list-style-type: none"> • Amendments to the existing law or adoption of a new law in the sphere of transparency of extractive industries • Amendments to the regulations (Resolutions of the CMU) that would detail the procedure of the collection of information for the | <p>The existing legal framework is, first of all, oriented to the oil and gas industry and does not take into account special features of other extractive industries (extraction of coal, iron ore, titanium and manganese). In addition, the existing legal framework is written out in too general and short formulations, allowing the reporting organizations to reasonably refuse to disclose necessary</p> | <p>Taken into account. The aforesaid recommendation is taken into account in full through the development of the Draft Law of Ukraine "On Ensuring Transparency in Extractive Industries" that provides for submission of data by</p> |

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| <p>EITI Report and determine the responsible persons of state agencies and reporting organizations</p> | <p>information.</p> | <p>all extractive companies and procedure of collection of information, and responsible agencies.</p> |
| <p>Specific sanctions for failure to disclose or untimely submission of information for the EITI Report by reporting organizations are set forth.</p> | <p>Lack of any sanctions allows individual companies to ignore official letters requesting to provide information for preparation of the EITI Report. This takes place even if there is a law on implementation of EITI in Ukraine.</p> | <p>Taken into account. Art. 14 of the aforesaid Draft Law, namely "Responsibility for violation of law on ensuring transparency in extractive industries", provides for imposition of fines for non-disclosure of information as part of EITI.</p> |
| <p>Simplification of the access to information on key aspects of EITI (publication): Technical information on</p> <ul style="list-style-type: none"> • Technical information on reserves of mineral resources; • Information on actual cases of transfer or granting of special permits for subsoil use; • financial and technical criteria applied in this case; • information on the recipients of special permits, as well as on any aberration from legal and regulatory provisions that regulate the process of granting of special permits; • Information on the list of participants of auctions for obtaining the special permits for subsoil use and on the conditions of auctions mentioned; • Contracts, agreements and any other documents, the Government (directly or through the state agency or enterprise) and any legal entity entered into, if they deal with the extraction of mineral resources | <p>At the moment of preparation of the Report the information listed was confidential and was the subject to the state secrets, or other limitations existed, which did not allow disclosing it in the EITI Report. Such situation restrains the possibility to achieve transparency and disclosure of essential aspects, i.e. payments connected with the extraction of mineral resources in Ukraine.</p> | <ul style="list-style-type: none"> • The information on reserves was discussed at the MSG, resulting in the decision to address the institutions responsible for establishing of the corresponding security classification in order to discuss the ways of solving the problem. • It should be noted that the progress in obtaining of information on aberrations from regulatory and legal provisions that regulate the process of granting the special permits is significant. In 2017 the State Service of Geology and Mineral Resources of Ukraine provided an official letter with signature of the director on absence of |

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| | | <p>aforesaid violations.</p> <ul style="list-style-type: none"> • Likewise the progress in disclosure of information on the list of participants of the auctions for obtaining of special permits for subsoil use was achieved, and the indicated information is disclosed in the second EITI Report. • The issue of disclosure of contracts, agreements, etc. is regulated in the Draft Law of Ukraine "On Ensuring Transparency in Extractive Industries". |
| <p>Establishment of a reasonable level of materiality to choose companies and list of payments when determining the scope of the EITI Report.</p> | <p>It is proposed to establish the threshold of materiality at the level of 0.001% of total revenues to the Consolidated Budget of Ukraine. In 2013 in monetary equivalent this comprised approximately UAH 4,4 million or approximately EUR 400,000 at the average rate of euro to hryvnia in 2013.</p> | <p>To define the substantial sectors of extractive industry, as well as substantial payments for inclusion to the EITI Report, the Independent Administrator followed the requirements of the EITI Standard, and Instruction No.13 to the EITI Standard (concerning the definition of materiality, reporting thresholds and reporting subjects). For this purpose the request to the State Fiscal Service of Ukraine to provide information on the revenues to the Consolidated Budget from the companies of the extractive industry was prepared. On the basis of the received information, a</p> |

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| | | list of significant sectors of the extractive industry, which cover over 95% of revenues and a list of significant revenue streams, which cover over 95% of the industry revenues were identified |
| Establishment of the reasonable level of materiality during the investigation of discovered discrepancies. | <p>Adopted relative threshold of materiality of discrepancies (5% of the amount of payment) shall be supplemented with absolute limits, namely:</p> <ul style="list-style-type: none"> • Minimum absolute discrepancy amount that does not require any research on causes, for example, UAH 1,000. In other words, if the discrepancy exceeds 5% of the amount of payment, but does not exceed UAH 1,000 then the Independent Administrator does not investigate it. • Maximum absolute discrepancy amount that shall be investigated is, for example, UAH 1,000,000. In other words, if the discrepancy exceeds 5% of the amount of payment, but does not exceed UAH 1,000,000 then the Independent Administrator does not investigate it. <p>Establishment of proposed limits will allow increasing accuracy and completeness of reconciliation, and reducing the amount of unexplained discrepancies.</p> | Taking into account the requirements of the EITI Standard, members of MSG adopted the decision (Minutes of the MSG Meeting dated September 6, 2016) to define the threshold of materiality for reconciliation of payments at the rate of 5% of the amount of payment. If the discrepancy between the data of the company and the state agency does not exceed 5% of the amount of payment, such discrepancy is deemed as insignificant and will not be ascertained. |
| Submission by the companies of corresponding confirming documents during the submission of data to the EITI Report. | <p>It is proposed that the reporting companies on a mandatory basis shall provide the Independent Administrator/Ministry of Energy and Coal Industry of Ukraine with the corresponding confirming documents during the submission of data to the EITI Report. In particular:</p> <ul style="list-style-type: none"> • if the reporting company has a status of PJSC; than it is advisable to submit finance reporting confirmed by audit together with the reconciliation statements of the payments with the State | Taken into account. The reporting companies provide a separate letter with a signature of the CEO on correctness of submitted data. |

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| | <p>Fiscal Service of Ukraine</p> <ul style="list-style-type: none"> the reporting companies having other legal form submit reconciliation statements and the Letter of Confirmation signed by the CEO. It is essential to develop a standard form of the Letter of Confirmation in advance <p>It is also worthy to consider the possibility of eventual introduction of the mandatory independent audit for reporting developed by the reporting companies as part of preparation of the following EITI Reports of Ukraine (by the example of some African countries).</p> | |
| <p>Preparation of the maximum actual EITI Report, namely in the current year for the last year.</p> | <p>The existence of a two-year lag between the reporting period and the actual period of preparation of the EITI Report was a rather significant problem. During this time the list of companies and their management were changed, the law underwent significant changes, there were difficulties in finding and updating data on the operation of companies for past periods.</p> | <p>Taken into account. The second EITI Report contains data for two years - 2014 and 2015.</p> |
| <p>Holding of specialized public events with involvement of representatives of business, state agencies and the public before the commencement of work on preparation of the EITI Report.</p> | <p>Such events will facilitate the awareness of society and business on EITI and increase the level of involvement of companies to the process of reporting.</p> | <p>Taken into account. 74 events on EITI were held, a detailed list is given in the Annex.</p> |
| <p>Additional obligatory sessions with representatives of reporting organizations to clarify the specificities of information submission as part of EITI were held. Preparation of detailed instructions.</p> | <p>The majority of the companies that responded to the request of the Independent Administrator submitted incomplete information, or ignored certain provisions of the instruction concerning completion of questionnaires. In particular, only few companies provided information regarding each legal entity they own or of each JAA (Joint Activity Agreement). Such situation with preparation of EITI Report of 2013 was due to the lack of time for the Independent Administrator to provide corresponding elucidative work and to prepare a detailed instruction on submission of information. It is essential to notice that EITI Report of 2013 is the first EITI Report of Ukraine. Similar problems to one extent or</p> | <p>Taken into account. In 2016, the Independent Administrator with the support of the National Secretariat held 6 trainings for extractive companies engaged in extraction of coal, iron ore, oil and gas extraction and transportation, as well as for corresponding government agencies. In particular, 62 attendees representing 22 extractive companies (amongst which 9 are the groups of companies) and 9 state agencies have visited the</p> |

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| | another occurred for the first time in other countries. | trainings. |
| The incentives for extractive companies to prepare public financial reporting and involve independent auditors to confirm it. | In the oil and gas industry only some companies prepare public financial reporting, of which only 23 companies have recruited independent auditors to confirm their financial statements in 2013. Such situation limits the possibility to achieve transparency and additional verification of information received. | The issue was discussed by MSG and it was noted that, for example, such reporting is mandatory for Joint-Stock Companies. |
| Reconciliation of amounts of accrued and paid taxes. | The Independent Administrator recommended to the management of the reporting companies to introduce procedures of regular reconciliation (at least towards the end of the year) of the amounts and types of accrued and declared taxes with the corresponding amounts and types of taxes presented according to the data of the state tax authorities. Such practice is quite common in business environment in Ukraine. | Some companies carry out the aforesaid reconciliations |
| Simplification of the structure and content of forms for information request taking into account the accepted thresholds of materiality | In preparation of the EITI Report of 2013, due to the lack of time and the fact that it was the first such report in Ukraine, it was not possible to apply the criteria of materiality when forming the scope of the Report. Thus, all existing payments to the state from oil and gas companies in Ukraine, among them for various administrative services, were included to the questionnaires. That's why data collection questionnaires were overloaded with additional information, the collection of which required unjustified time consumption from the companies. | Partly taken into account by conducting a technical and economic assessment and changing the reporting templates, as well as discussing these templates with representatives of the industry. |