

APPROVED
Ordinance
of the Antimonopoly
Committee of Ukraine
No. 17-пн dated 31.08.2018

ANNUAL REPORT
on granting of state aid¹ to undertakings in Ukraine
for 2017

¹ Information on the state support of undertakings granted by the state aid providers.

Contents

Introduction	3
1. System of Monitoring and Control over State Aid to Undertakings in Ukraine	4
1.1. Notion of state aid to undertakings	4
1.2. International obligations of Ukraine. Law-drafting and rule-making activity	5
1.3. Activity of the Committee as an Authorized Body in the field of state aid	7
1.4. Raising awareness in the field of state aid.....	8
1.5. Function of the monitoring of state aid	10
2. State support for 2017 (according to the information supplied by providers).....	12
2.1. General indicators of state support (according to the information supplied by providers)	12
2.2. Indicators of state support by types of support (according to the information supplied by providers).....	14
2.3. Indicators of state support by forms of support (according to the information supplied by providers).....	16
2.4. Indicators of state support by types of economic activity (according to the information supplied by providers).....	18
2.5. Indicators of state support by sources of financing (according to the information supplied by providers).....	20
2.6. Indicators of state support broken down by regions (according to the information supplied by providers).....	21
3. Conclusions	22
List of Annexes.....	23

Introduction

Annual report on granting of state aid² to undertakings is prepared by the Antimonopoly Committee of Ukraine (hereinafter the Committee) being the Authorized Body³ in the field of state aid, in pursuance of part seven of Article 16 of the Law of Ukraine “On State Aid to Undertakings”, according to which the Authorized Body shall on annual basis, by September 01 of the following year, prepare the annual report on granting of state aid in Ukraine for the previous financial year and shall submit it to the Cabinet of Ministers of Ukraine.

The Law of Ukraine “On State Aid to Undertakings” (hereinafter the Law), effective as of August 02, 2017, was adopted by the Verkhovna Rada of Ukraine on 01.07.2014 in pursuance of the international obligations of Ukraine arising out, in particular, of signing of the Association Agreement between Ukraine, on the one part, and the European Union, European Atomic Energy Community and their member-states, on the other part, and the Treaty on the Functioning of the European Union.

The Law established the legal framework of the monitoring of state aid to undertakings, the exercise of control over the compatibility of such with competition, established the obligation of state aid providers to provide information on the new and existing state aid and set out the mechanism of return of any state aid incompatible with competition.

It should be taken into account that the Committee did not make in 2017 any decisions on state aid, as set forth by Articles 10 and 11 of the Law due to the entry of the Law into force with effect from 02.08.2017 and the procedural terms for making such decisions prescribed by Law. Since the Law regulates the relations arising after it entered into legal force, in particular between the Committee as an Authorized Body and state aid providers⁴, so the obligations of state aid providers arose from the effective date of the Law:

to notify the Committee of the new state aid;

to notify the Committee, by 02.08.2018 of the schemes of support of undertakings at the expense of state resources or local resources, that existed as of 02.08.2017⁵;

to provide the Committee on annual basis, by the 1st of April of the following year, information on the existing state aid or information on the fact that no state aid was granted during the reporting year⁶.

²Information on granting of state support to undertakings is provided by the state aid providers.

³ Pursuant to part one of Article 8 of the Law, the Antimonopoly Committee of Ukraine is the Authorized Body.

⁴ State aid providers shall mean authorities, local self-government bodies, administrative and regulatory bodies, as well as legal entities acting on behalf thereof, authorized to dispose of the state budget or local budgets and initiating and/or granting state aid;

⁵ Pursuant to part two of Section 9 of the Law.

⁶ Pursuant to part three of Article 16 of the Law.

According to the Accounting Chamber⁷, in 2017 the Committee has been exercising the function of the Authorized Body in the field of state aid to undertakings during 4 months from the effective date of the Law. The Committee must speed the work in this area.

Hence, the Report presents information on the state support of undertakings in 2017, obtained by the Committee from state aid providers.

This Report is the first approximation to the comprehensive analysis of state aid granting in Ukraine, taking into account incomplete information obtained from central and local executive authorities, as well as local self-government bodies - state aid providers, and the lack of systematization of data on state support before the Law entered into force. Data on state support of undertakings in 2017 presented in the Report are only based on information supplied by state aid providers.

1. System of Monitoring and Control over State Aid to Undertakings in Ukraine

1.1. Notion of state aid to undertakings

According to part one of Article 3 of the Law, this Law is applicable to any support granted to undertakings by state aid providers at the expense of public funds or local funds for the production of goods or conduct of certain types of economic activity, except to the extent set forth by part two of Article 3 of the Law.

According to the definition provided in paragraph 1 of part one of Article 1 of the Law, state aid to undertakings (hereinafter state aid) shall mean any form of support to undertakings at the expense of the state budget or local budgets, that distorts or threatens to distort economic competition by creating advantages for the production of certain types of goods or conduct of certain types of economic activity.

Therefore, state support shall be considered state aid, if all of the following conditions are satisfied:

- support is provided to an undertaking;
- state support is funded at the expense of the state budget or local budgets;
- support creates advantages for the production of certain goods or conduct of certain types of economic activity;
- support distorts or threatens to distort economic competition.

Hence, the measure of support shall only constitute state aid, if the above 4 cumulative criteria is met, as set forth by the definition of state aid (see Fig. 1).

⁷ Act of the Accounting Chamber dated 02.05.2018 No. 10-10/39 (page 44).

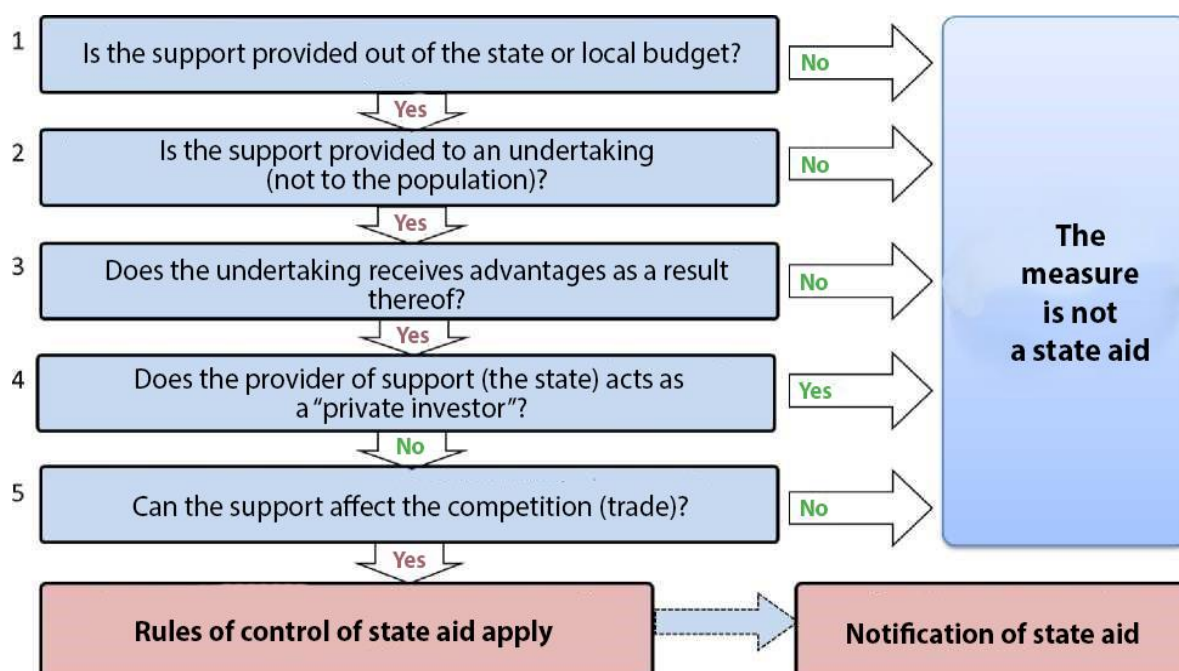


Fig. 1. The diagram for defining a measure of support as a state aid

1.2. International obligations of Ukraine. Law-drafting and rule-making activity

According to the Association Agreement between Ukraine, on the one part, and the European Union, European Atomic Energy Community and their Member-States, on the other part, and to the Treaty Establishing the Energy Community, Ukraine shall take the following steps:

- | | |
|---------|---|
| by 2019 | to adopt the national legislation on state aid and ensure the functioning of the Authorized Body; |
| by 2021 | to create the complete register of state aid schemes; |
| by 2021 | any state aid granted by Ukraine must be assessed according to the rules identical to the EU rules for the countries with the difficult socio-economic situation; |
| by 2023 | to align state aid schemes with the criteria set out in the Association Agreement. |

On July 04, 2017 the Cabinet of Ministers of Ukraine adopted the Decree No. 468 “On Approval of the Procedure of returning illegal state aid incompatible with competition”, which was developed by the Committee.

For the purpose of preparing and submitting to the Cabinet of Ministers of Ukraine of draft legal acts and regulations on establishment of criteria for assessing

the admissibility of certain categories of state aid to undertakings, the Committee has formed the Working Groups for the development of the relevant assessment criteria for each of the areas.

The working groups involved representatives of government authorities, legal firms, civil society, European experts. In view of the results of activity of the said working groups, the Committee has developed 6 Draft Criteria for Assessing the Admissibility of Certain Categories of State Aid.

As of the date of submission of this Report, the Cabinet of Minister of Ukraine has approved:

1) Decree of the Cabinet of Ministers of Ukraine “On Approval of Criteria for Assessing the Admissibility of State Aid to Undertakings for Research, Development and Innovations” No. 118 dated 07.02.2018;

2) Decree of the Cabinet of Ministers of Ukraine “On Approval of Criteria for Assessing the Admissibility of State Aid to Undertakings for Employment of Certain Categories of Employees and Job Creation” No. 33 dated 31.01.2018;

3) Decree of the Cabinet of Ministers of Ukraine “On Approval of Criteria for Assessing the Admissibility of State Aid to Undertakings for Professional Training of Employees” No. 11 dated 11.01.2018;

4) Decree of the Cabinet of Ministers of Ukraine “On Approval of Criteria for Assessing the Admissibility of State Aid for Restoring Solvency and Restructuring of Undertakings” No. 36 dated 31.01.2018;

5) Decree of the Cabinet of Ministers of Ukraine “On Approval of Criteria for Assessing the Admissibility of State Aid to Undertakings to Ensure Regional Development and Support Small and Medium-Sized Enterprises” No. 57 dated 07.02.2018.

The Draft Decree of the Cabinet of Ministers of Ukraine “On Approval of Criteria for Assessing the Admissibility of State Aid to Undertakings for the Protection of Environment” has been elaborated considering the comments received from the authorities concerned, public consultation and trilateral consultations of the Committee with representatives of the EU Delegation to Ukraine and of the Ministry of Ecology and Natural Resources of Ukraine, as well as the comments of the Ministry of Justice of Ukraine set out in the opinion based on results of the legal expert examination. The Draft Decree was finalized considering the comments received, and submitted to the Ministry of Justice of Ukraine.

The Committee has developed the Draft Law of Ukraine “On Amending Certain Laws of Ukraine in Order to Align them with the Legislation on State Aid to Undertakings”; on 26.12.2017 it was sent to the Secretariat of the CMU for further submission to the Government, and approved at the session of the Government on

21.03.2018, registered with the Verkhovna Rada of Ukraine on 23.03.2018 under No. 8191.

1.3. Activity of the Committee as an Authorized Body in the field of state aid

Powers of the Antimonopoly Committee of Ukraine as an Authorized Body include, without limitation:

- receipt and consideration of notifications on a new state aid from providers of such aid in the manner prescribed by this Law;
- establishment, whether the state aid includes measures to support undertakings at the expense of state or local funds, assessment of compatibility of state aid with competition, adoption of resolutions provided for by this Law;
- collection and analysis of information on measures to support undertakings at the expense of the state budget or local budgets;
- issue of clarification on the issues of application of laws in the field of state aid;
- adoption of resolutions on suspension of granting of illegal state aid pursuant to the Law and on termination and return of illegal state aid declared incompatible with competition;
- monitoring of state aid;
- establishment of the procedure for keeping of and access to the register of state aid;
- development and submission to the Cabinet of Ministers of Ukraine, in accordance with the established procedure, of proposals regarding the adoption of legal acts and regulations on state aid.

In order to ensure the effective exercise of powers conferred to the Committee as an Authorized Body, in July 2017 the Department of Monitoring and Control of State Aid was formed by the Committee on the basis of the Unit of Monitoring of State Aid of the Competition Policy Department. Staff size of the Department as of the date of submission of the Report is 30 persons. The Department consists of four units with their own industry specialization and working towards the exercise of powers of the Committee in the field of monitoring and control of state aid, and the analytical sector.

The Committee has adopted the Ordinance No. 43-pn dated 28.12.2015 “Certain Issues of Implementation of the Law of Ukraine “On State Aid to Undertakings”, by which it, in particular, approved the Procedure for keeping of and access to the register of state aid to undertakings. In addition, the Committee runs the information analysis system “Portal of State Aid”, which includes the function of the

register of state aid and the function of electronic document flow between the state aid providers and the Authorized Body.

As part of the monitoring and expert examination of draft acts, on the basis of which the granting of state support is provided for certain categories of undertakings, during 2017 the Committee has analysed over 800 acts, and gave reservations to one in 10 of them regarding the need for compliance with the state aid laws (see Fig. 2).

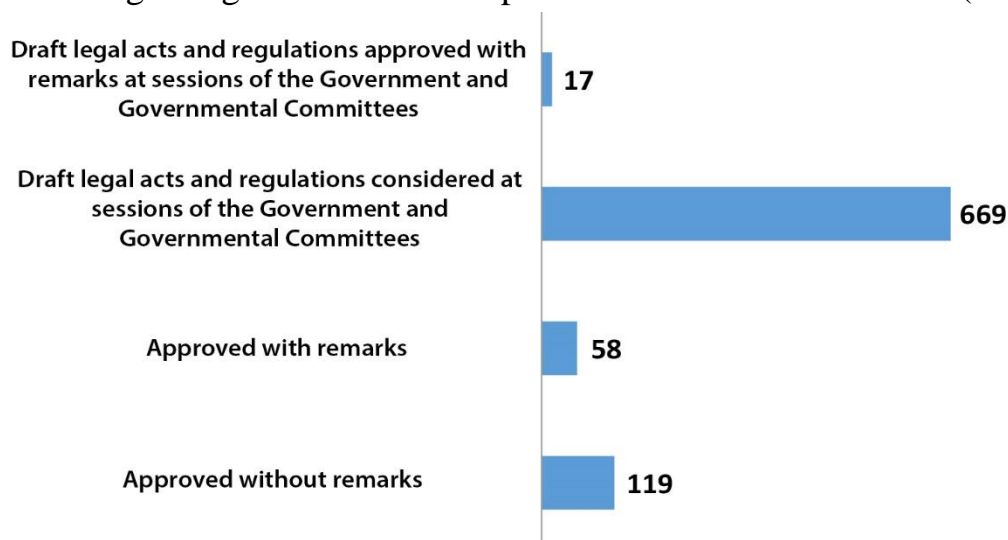


Fig. 2. Approval of draft legal acts and regulations

1.4. Raising awareness in the field of state aid

One of the main tasks of the Department was to raise awareness in the field of state aid among the providers and recipients of state aid. According to the results of the survey conducted by the Centre of Integrated Research on Antimonopoly Policy in 2017, awareness of entrepreneurs on the issues of control over state aid is quite low (see Fig. 3).

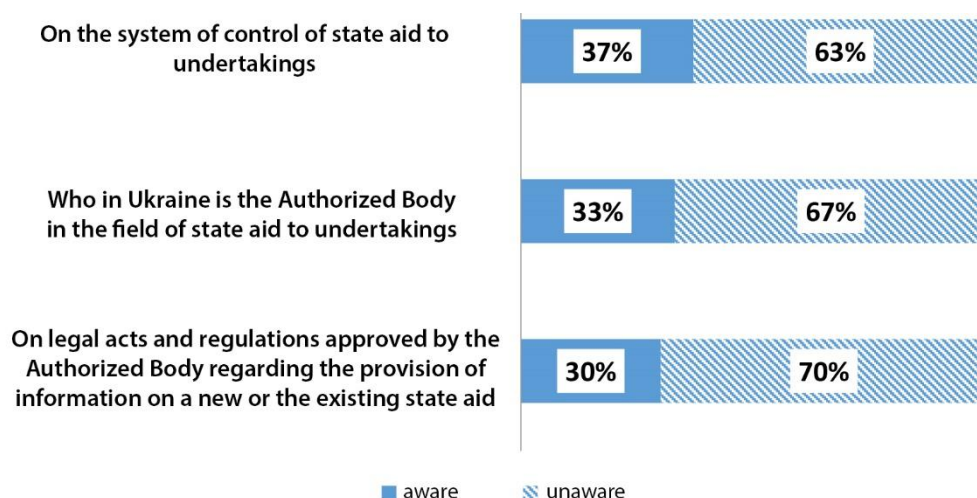


Fig. 3. Awareness of respondents on the Authorized Body in the field of state aid to undertakings and its activity

Hence, in the period July - December 2017 (period of work of the Department of Monitoring and Control of State Aid):

- ✓ provided more than 155 clarifications on the issues of application of the legislation in the field of state aid, including:
 - summary clarification No. 35-pp/дд dated 06.10.2017 on the issues that are the most frequently raised by government authorities and local self-government bodies;
 - clarification No. 36-pp/дд dated 19.10.2017 on the provisions of paragraph 1 of part one of Article 3 of the Law of Ukraine “On State Aid to Undertakings” in the field of production, repair, upgrade, maintenance of weapons, military and special equipment (munitions).
- ✓ received notifications on:
 - new state aid - 100;
 - programs of support to undertakings at the expense of the state budget or local budget that existed as of the date of entry of the Law into legal force - 33.
- ✓ held more than 2600 phone consultations with state aid providers;
- ✓ held more than 200 events devoted to state aid with participation of central and local authorities, European experts, civil society, etc.;
- ✓ held more than 80 working meetings with representatives of state aid providers, during which the consultation exercise was performed on the issues of concern in the field of state aid.

For the purpose of raising awareness of state aid providers and recipients, the Committee has also been holding events aimed at establishment of close and efficient cooperation with authorities in the field of state aid, in particular:

1) the Committee initiated the formation of the inter-departmental working group on the introduction of the system of monitoring and control of state aid chaired by S.I. Kubiv, the First Vice-Prime-Minister of Ukraine and the Minister of Economic Development and Trade of Ukraine;

2) the meeting of the Round Table “Formation of competitive conditions for the operation of the electricity market in the period of transformation” was held, during which the issues of state aid to undertakings was discussed, both in the context of the existing model of operation of the electricity market, and in the context of reforming thereof in connection with the adoption of the Law of Ukraine “On the Electricity Market”;

3) the Committee has arranged the meeting on implementation of the state aid rules in the coal industry with participation of representatives of the Directorate-General for Competition of the European Commission, EU Delegation to Ukraine, Ministry of Energy and Coal Industry of Ukraine and Antimonopoly Committee of Ukraine;

4) representatives of the Committee participated in the work of the Coordination Centre for Ensuring the Introduction of the New Electricity Market;

5) on the initiative of the Committee, the working meeting was held with representatives of the General Staff of the Armed Forces of Ukraine for the purpose of unambiguous application of the Law in the field of manufacture of weapon and ammunition for the needs of the Armed Forces of Ukraine, other military formations established in accordance with the laws of Ukraine, as well as special-purpose law enforcement bodies, State Special Transport Service, State Service for Special Communication and Information Protection of Ukraine;

6) the working meeting was arranged for the purpose of forming unambiguous application of the Law in terms of the agricultural production and fishing;

7) the working meeting was held on the issues of granting state support in the form of preferential rental rate for premises leased by PJSC “Ukrposhta” for the production needs;

8) the conference was arranged on the issues of application of the legislation on state aid with the participation of enterprises subordinated to the Ministry of Infrastructure of Ukraine.

In addition, the Committee on regular basis holds working meetings with the relevant ministries on the issues of state aid to undertakings, including: Ministry of Ecology and Natural Resources of Ukraine, Ministry of Social Policy of Ukraine, Ministry of Finance of Ukraine, Ministry of Education and Science of Ukraine, Ministry of Energy and Coal Industry of Ukraine, Ministry of Justice of Ukraine, Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine.

Also, for the purpose of improving the cooperation with local self-government bodies and raising their awareness of state aid, in July 2017 the Committee, with the support of the EU Project of Technical Assistance, has held 5 regional seminars on the issues of state aid in Dnipro, Kyiv, Lviv, Odesa and Kharkiv, which involved about 800 participants.

1.5. Function of the monitoring of state aid

The Law assigned to the Committee the function of monitoring of state aid. Paragraph 5 of part one of Article 1 of the Law provides that state aid monitoring means collection and analysis of information on state aid in order to monitor compliance with the requirements of this Law and resolutions of the Authorized Body on State Aid, as defined by this Law, as well as preparation and submission of reports on state aid.

For the purpose of exercising the function of monitoring and control of state aid, territorial units of the Committee are also involved in monitoring of state aid on the regional level by analysing:

- draft legal acts and regulations to be submitted to the territorial units for approval;
- draft legal acts and regulations submitted to the territorial units for approval for the year 2017 to date;
- effective legal acts and regulations and executive orders, information on which is freely available (in particular on the official web-sites of the relevant government authorities and local self-government bodies), for the presence of any measures of support of undertakings therein in whatever form at the expense of local budgets.

In addition, the Committee introduced the system of interaction on the issues of state aid in the regions by holding web-conferences at the premises of territorial units of the Committee involving representatives of local self-government bodies. In particular, in 2017 the representatives of the Department have held 10 web-conferences.

At the same time, the provisions of the Law provide for the obligation of all state aid providers to submit, within one year from the effective date of this Law (by 02.08.2018), to the Authorized Body a notification of the scheme of support of undertakings at the expense of public funds or local funds, that existed as of the effective date of this Law.

Therefore, the Law provides for the obligation of state aid providers to notify the Committee, within one year (by 02.08.2018), of the schemes of support of undertakings at the expense of state or local budgets, that existed as of the effective date of this Law, to enable the Committee to take an inventory of the state aid that existed at the effective date of the Law.

However, for the purpose of exercising the function of monitoring of state aid, as well as for raising awareness on the application of the legislation on state aid among the state aid providers, the Committee has sent initiative letters to the government authorities related to the implementation of the legislation on state aid, including, but not limited to: State Property Fund of Ukraine, Verkhovna Rada of Ukraine, Ministry of Social Policy, Ministry of Finance of Ukraine, Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine, regional state administrations, Cabinet of Ministers of Ukraine, Ministry of Energy and Coal Industry of Ukraine.

In particular, for the purpose of preparing the annual report on granting of state aid to undertakings, the Committee has sent Letter No. 500-29/05-2536 dated 28.02.2018 to the central executive authorities and local self-government bodies

requiring the provision by state support providers of information on the legal grounds of the granted support, name of the scheme, purposes, for which the support is granted, forms⁸, type, duration, industry, region, source of financing, etc.

2. State support for 2017 (according to the information supplied by providers)

2.1. General indicators of state support (according to the information supplied by providers)

It should be taken into account that the Law shall not apply to a support⁹:

1) in the field of agricultural production and fishing, production of weapons and military equipment for the needs of the Armed Forces of Ukraine, other military formations established in accordance with the laws of Ukraine, as well as special-purpose law enforcement bodies, State Special Transport Service, State Service for Special Communication and Information Protection of Ukraine;

2) of economic activity related to:

investments in infrastructure using the public procurement procedures;

provision of services of general economic interest, in terms of compensation of reasonable costs of the provision of such services. The List of Services of General Economic Interest shall be established by the Cabinet of Ministers of Ukraine;

3) projects that are implemented by the Ukrainian Cultural Fund in the manner prescribed by Law of Ukraine “On the Ukrainian Cultural Fund”¹⁰.

It should also be taken into account that in 2017 no decisions on state aid, as set forth by Articles 10 and 11 of the Law, were made due to the entry of the Law into force with effect from 02.08.2017 and the procedural terms for making such decisions prescribed by Law.

⁸ According to Article 4 of the Law, state aid can be implemented, in particular, in the following forms:

- 1) granting of subsidies and grants;
- 2) granting of donations;
- 3) granting of tax benefits, deferral or a permit to pay taxes, levies or other statutory charges by instalments;
- 4) write-off of debts, including the indebtedness for the rendered public services, write-off of penalties, compensation of damages incurred by undertakings;
- 5) provision of guarantees, concessionary loans, servicing of loans at preferential rates;
- 6) reduction of financial liabilities of undertakings to funds of obligatory state social insurance;
- 7) provision, directly or indirectly, to undertakings of goods or services at below-market prices or purchase of goods or services of undertakings at above-market prices;
- 8) sale of state property at below-market prices;
- 9) increase of the state share in the authorized capital of undertakings or increase of the value of the state share on conditions unacceptable for private investors.

⁹ Pursuant to Article 3 of the Law.

¹⁰ Part two of Article 3 is supplemented by paragraph 3 according to the Law No. 2481-VIII dated 03.07.2018.

Information on state support in 2017 amounting to **3,439.16 million Hryvnias**¹¹ was provided by central executive authorities (see information in Annex 1)¹².

Information on state support in 2017 amounting to **2,169.79 million Hryvnias** was provided by local government authorities and local self-government bodies (see information in Annex 2).

Therefore, the state support granted in 2017 in Ukraine, according to the central executive authorities, local government authorities and local self-government bodies, amounted to **5,608.95 million Hryvnias**, which is equivalent to **186.94 million Euro** according to the average rate of the National Bank of Ukraine for the year 2017 (EUR 1.00 = UAH 30.004158).

GDP of Ukraine (nominal) in 2017 amounted to **2,982.9 billion Hryvnias**¹³

The state support in 2017, according to the data supplied by the providers, can be evaluated as **0.19%** of the GDP.

The number of employed working-age population of Ukraine¹⁴ for the year 2017 was **15,495,900 persons**¹⁵.

According to the provided data, the estimated state support per employed working-age person in 2017 amounted to **UAH 361.96/person**.

The population of Ukraine in 2017 was **42,584,500 persons**¹⁶.

According to the provided data, the estimated state support per citizen of Ukraine in 2017 amounted to **UAH 131.71/person**.

During the analysis of this data, it should be taken into account that the information on the amounts of state support in 2017 is incomplete¹⁷, since it was not

¹¹ Without taking into account the information of the Ministry of Finance of Ukraine regarding the investment projects that are implemented at the expense of international financial organizations amounting to 1,437.52 million Euro and 130.2 million Hryvnias and six state guarantees issued in 2017, with the total amount of the guaranteed loan being 8.029 billion Hryvnias, since this data did not contain the assessment of the amount of state support.

¹² According to the information provided by the Ministry of Economy, Ministry of Energy and Coal Industry, Ministry of Social Policy, Ministry of Youth and Sports, Ministry of Infrastructure to the Letter of the Committee.

¹³ The official web-site of the State Statistics Service of Ukraine

http://www.ukrstat.gov.ua/operativ/infografika/2018/soes/ukr/sed/ser_02_2018.zip

¹⁴ The lower limit of working age (16 years old) was established according to paragraph 13 of part one of Article 1 of the Law of Ukraine "On Employment of Population" (<http://zakon3.rada.gov.ua/laws/show/5067-17>). The upper limit is established pursuant to Article 26 of the Law of Ukraine "On Obligatory State Pension Insurance" (<http://zakon5.rada.gov.ua/laws/show/1058-15/page3>)

¹⁵ Official web-site of the State Statistics Service of Ukraine [Key indicators of the labour market for 2017]

http://www.ukrstat.gov.ua/operativ/operativ2007/rp/ean/ean_u/osp_rik_b_07u.htm

¹⁶ The official web-site of the State Statistics Service of Ukraine [Population of Ukraine]

http://www.ukrstat.gov.ua/operativ/operativ2007/ds/nas_rik/nas_u/nas_rik_u.html

¹⁷ For example, the analysis of certain articles of the Law of Ukraine "On the State Budget of Ukraine for 2017" indicates that the amount of the state support actually granted is several times higher than the support in the information supplied by the providers to the Committee. This confirms the incompleteness of the information supplied by the providers. However, according to Article 35 of the Budget Code of Ukraine, starting with the Budget for 2019, the main spending units must add to their budget request a copy of the resolution of the Authorized Body on State Aid or notify

supplied by all providers. The list of government authorities and local self-government bodies, who informed that no state aid was granted by them in 2017 or that they are not the state aid providers, is provided in Annex 3.

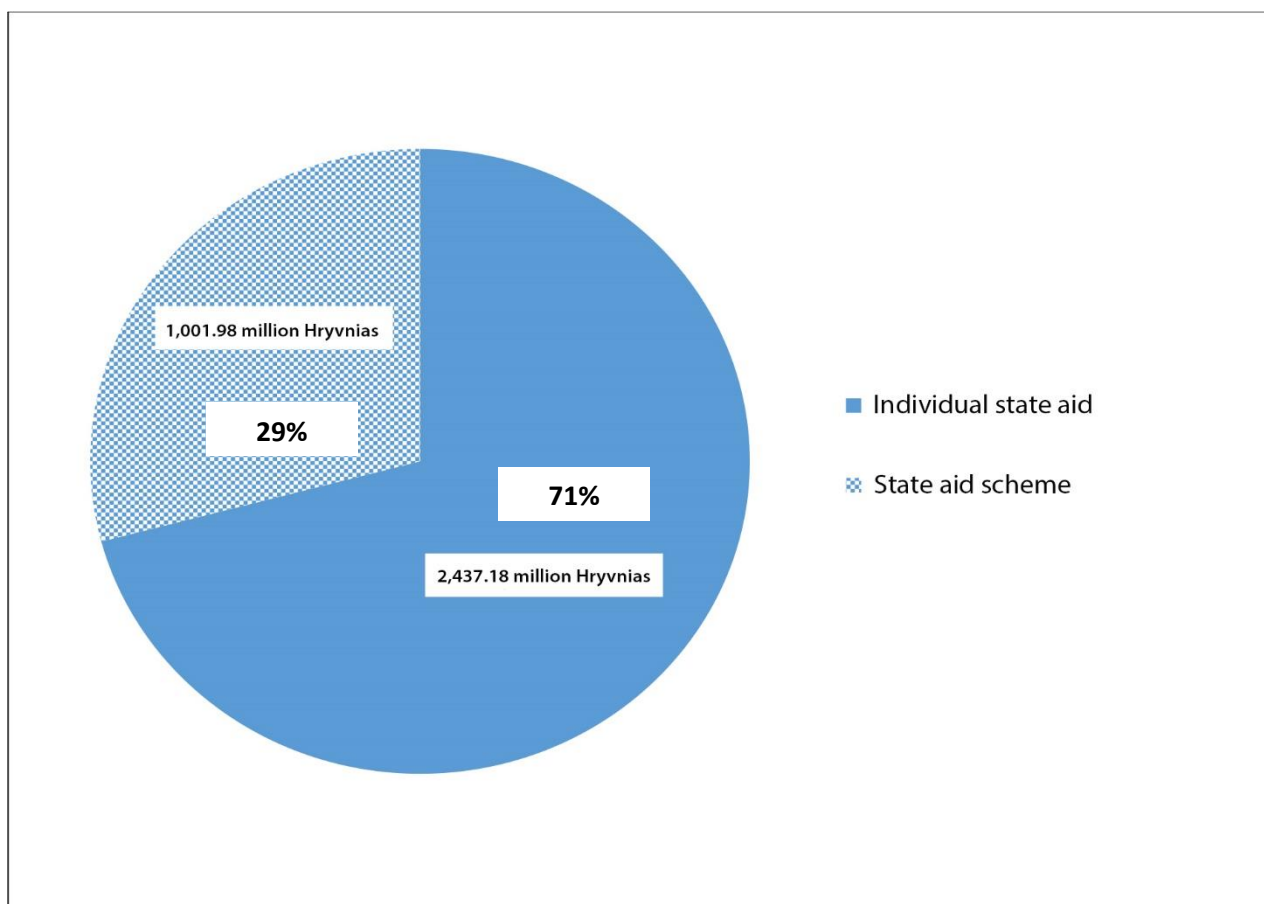
2.2. Indicators of state support by types of support (according to the information supplied by providers)

Information from central executive authorities on the state support granted in 2017 by types of support is provided on Diagram 1.

Individual state aid¹⁸ means a measure of state aid that is effected outside the state aid scheme, as well as certain state aid measures effected within the framework of the state aid scheme, but are subject to notification in accordance with the terms of such scheme and this Law.

State aid scheme¹⁹ means a legal act or regulation or a set of acts, on the basis of which state aid shall be granted to certain categories of undertakings during the defined or indefinite period of time in the fixed or undefined amount.

Diagram 1



in writing of their exemption from the obligation to notify of a new state aid with reference to the provision of the said Law and legal acts and regulations establishing the relevant conditions for exemption.

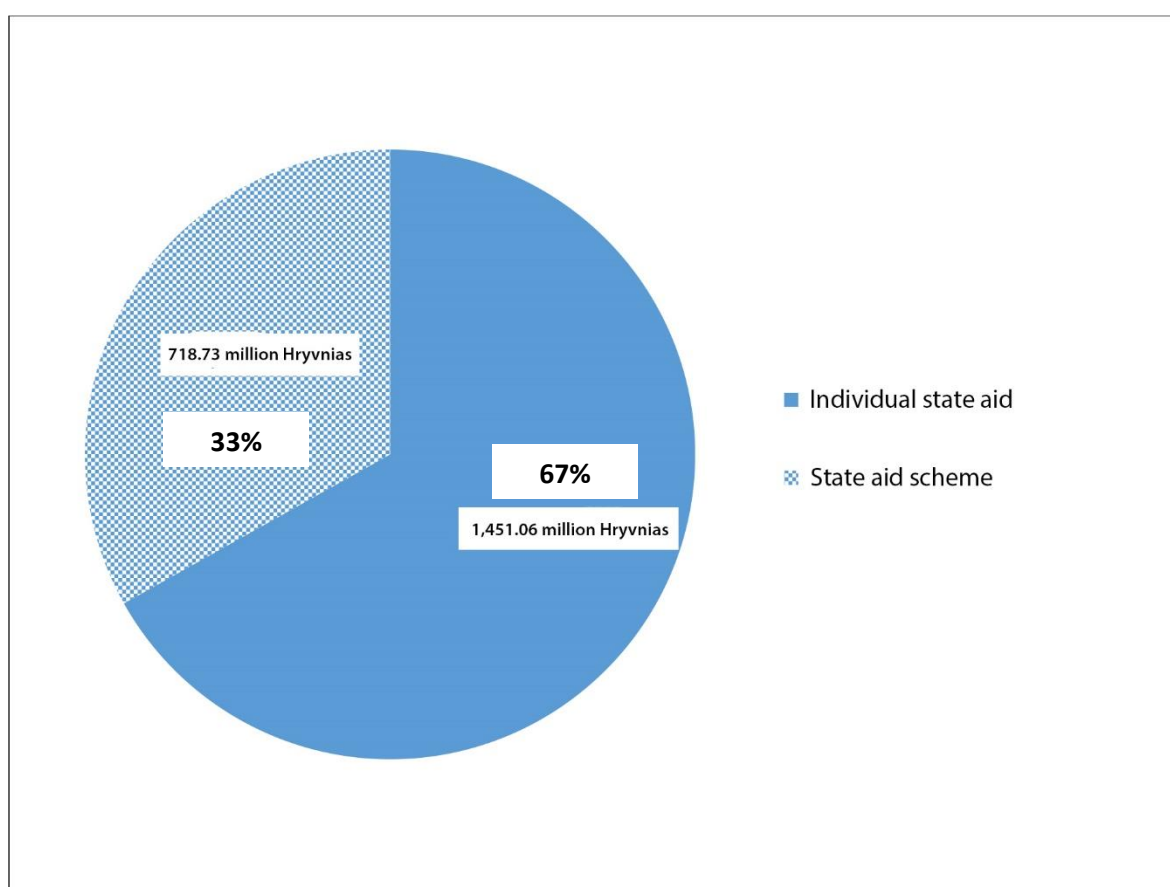
¹⁸ Pursuant to paragraph 3 of part one of Article 1 of the Law.

¹⁹ Pursuant to paragraph 15 of part one of Article 1 of the Law.

During 2017 the amount of individual support exceeded the amount of support under the support schemes and represented 71% of the total amount of state support according to the information received from central executive authorities.

Information from local government authorities and local self-government bodies on the state support granted in 2017 by types of state support is provided on Diagram 2.

Diagram 2

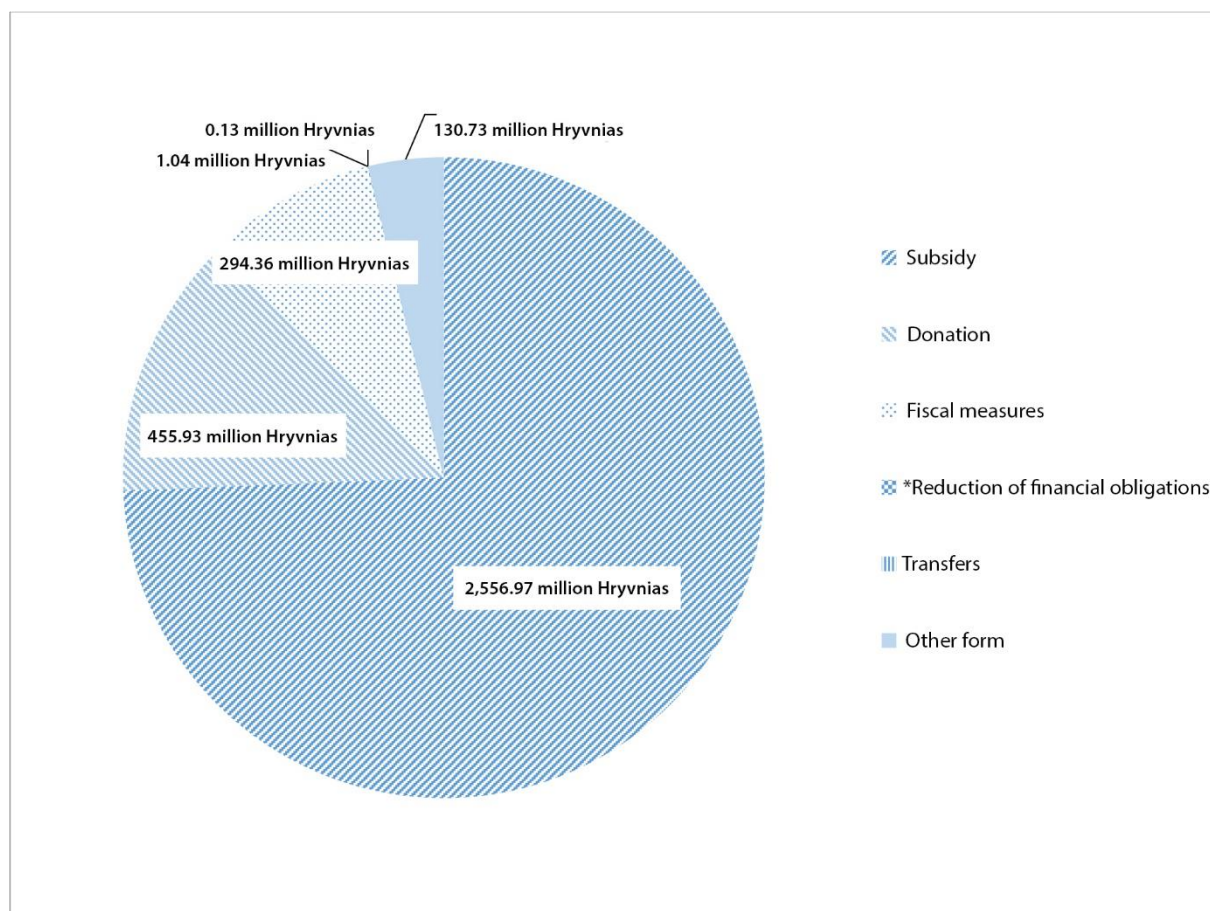


Individual support also prevails and represents 67%. The structure of state support, according to the information received from central executive authorities, local government authorities and local self-government bodies indicates that individual support is the most common in Ukraine.

2.3. Indicators of state support by forms of support (according to the information supplied by providers)

Information from central executive authorities on the state support granted in 2017 by forms of state support is provided on Diagram 3²⁰.

Diagram 3



*Reduction of financial liabilities of undertakings to funds of obligatory state social insurance

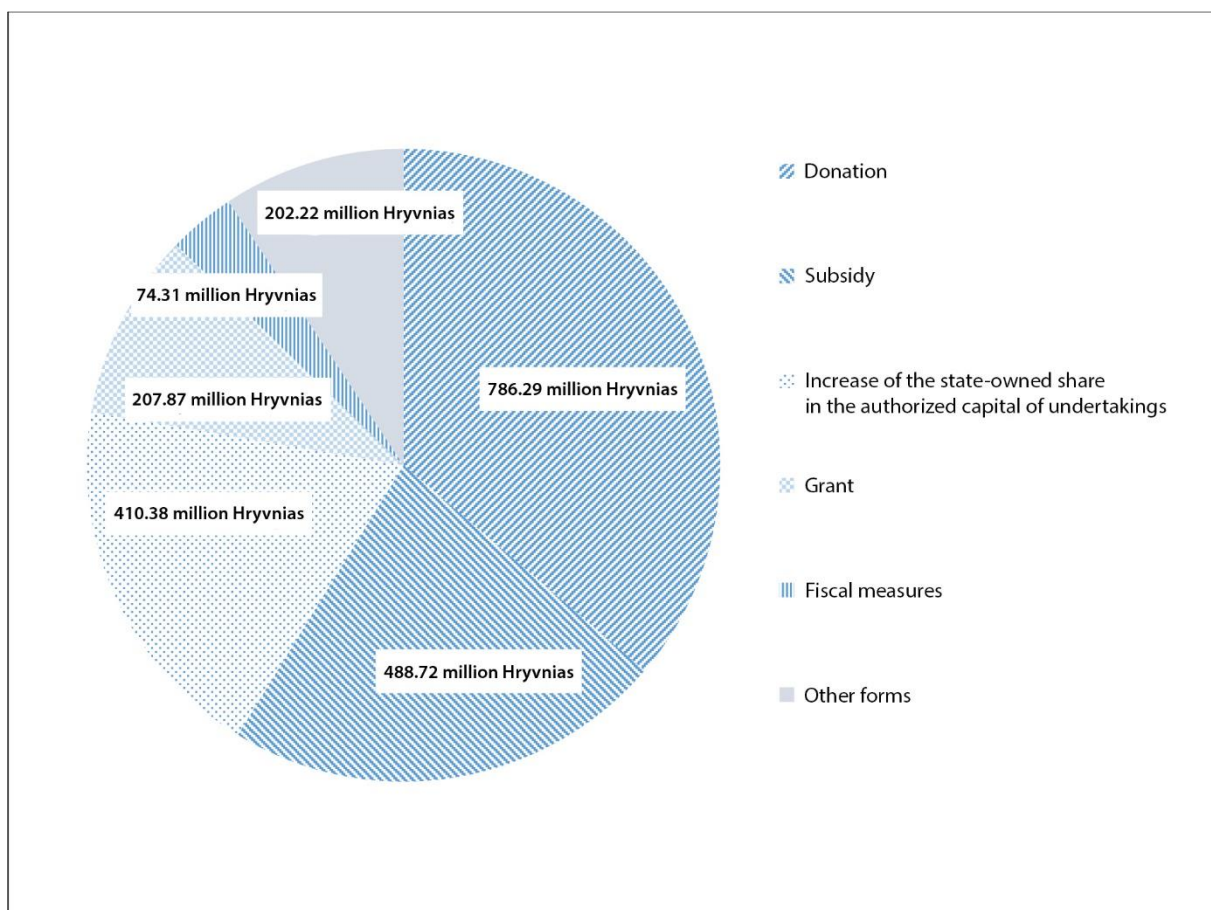
According to the information provided by the central executive authorities, the subsidy is granted in the most common form of state support and represents 74% of the total amount of state support granted, which was almost entirely allocated to the mining industry. Donations (13%) were provided to arts, sports, entertainment and recreation (351.9 million Hryvnias), processing industry (25.8 million Hryvnias), mining and quarrying industry (24.1 million Hryvnias) and other sectors (54.2 million Hryvnias). Fiscal measures (8%) are less represented.

²⁰ Information from the official web-site of the State Fiscal Service of Ukraine indicates that the amount of tax privileges is several times higher than the amount notified by state aid providers: <http://www.sfs.gov.ua/datasets.php?v=4874&w=p>
<http://www.sfs.gov.ua/datasets.php?d=DFS20180320174400>.

This confirms the incompleteness of the information supplied to the Committee by the providers.

Information from local government authorities and local self-government bodies on the state support granted in 2017 by forms of granting the state support is provided on Diagram 4.

Diagram 4

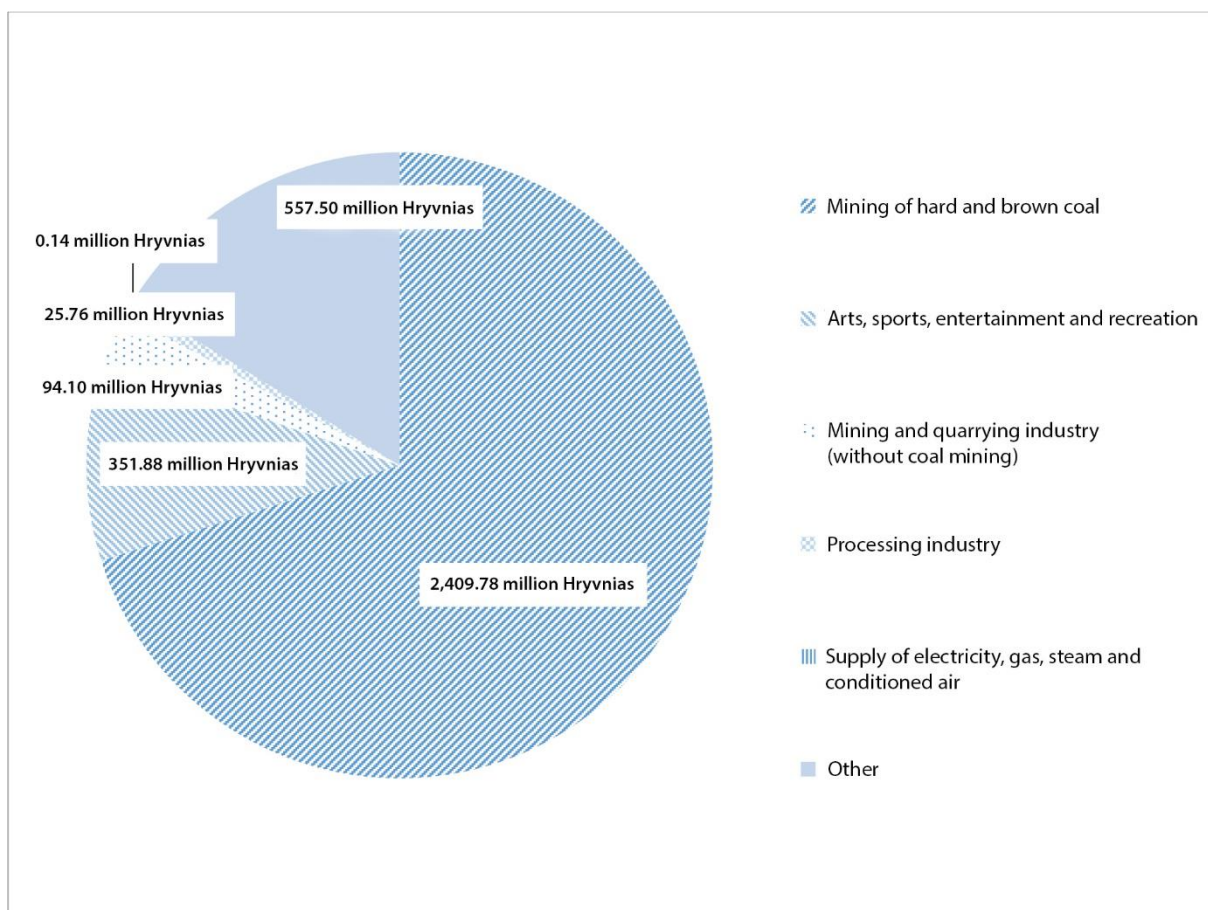


According to the information received from local government authorities and local self-government bodies, during 2017 the grants representing 36% of the total amount of state support, were provided for the following types of economic activity: arts, sports, entertainment and recreation (368.5 million Hryvnias), administrative and auxiliary services (314.7 million Hryvnias). Subsidizing (22%) and provision of grants (10%) was predominantly implemented in respect of activities in the field of administrative and auxiliary services (subsidies amounted to 314.7 million Hryvnias; grants amounted to 178.8 million Hryvnias).

2.4. Indicators of state support by types of economic activity (according to the information supplied by providers)

Information from central executive authorities on the state support granted in 2017 by types of economic activity is provided on Diagram 5.

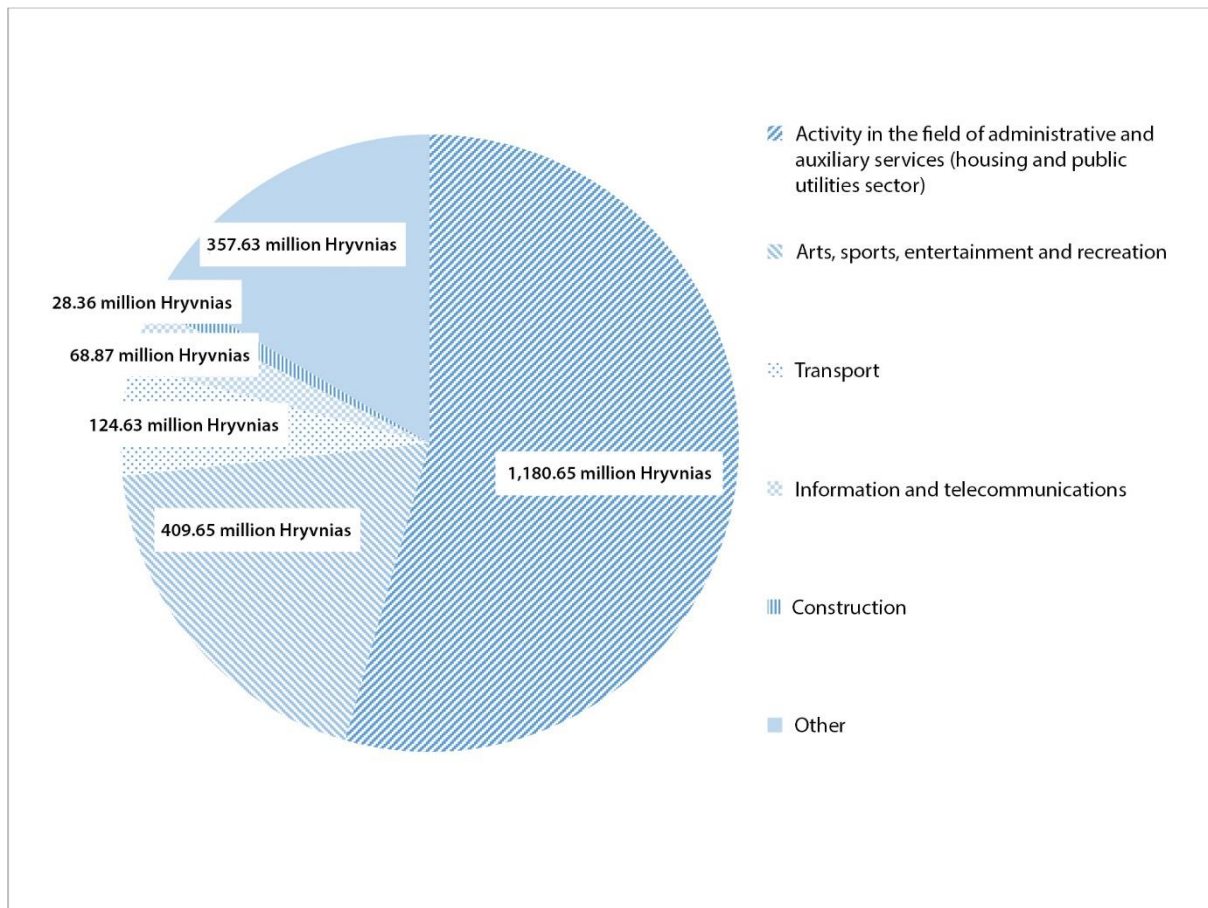
Diagram 5



Therefore, the state support by central executive authorities, on which they have provided information, was in the most cases allocated for mining of hard and brown coal (70%).

Information from local government authorities and local self-government bodies on the state support granted in 2017 by types of economic activity is provided on Diagram 6.

Diagram 6



Other types of economic activity include:

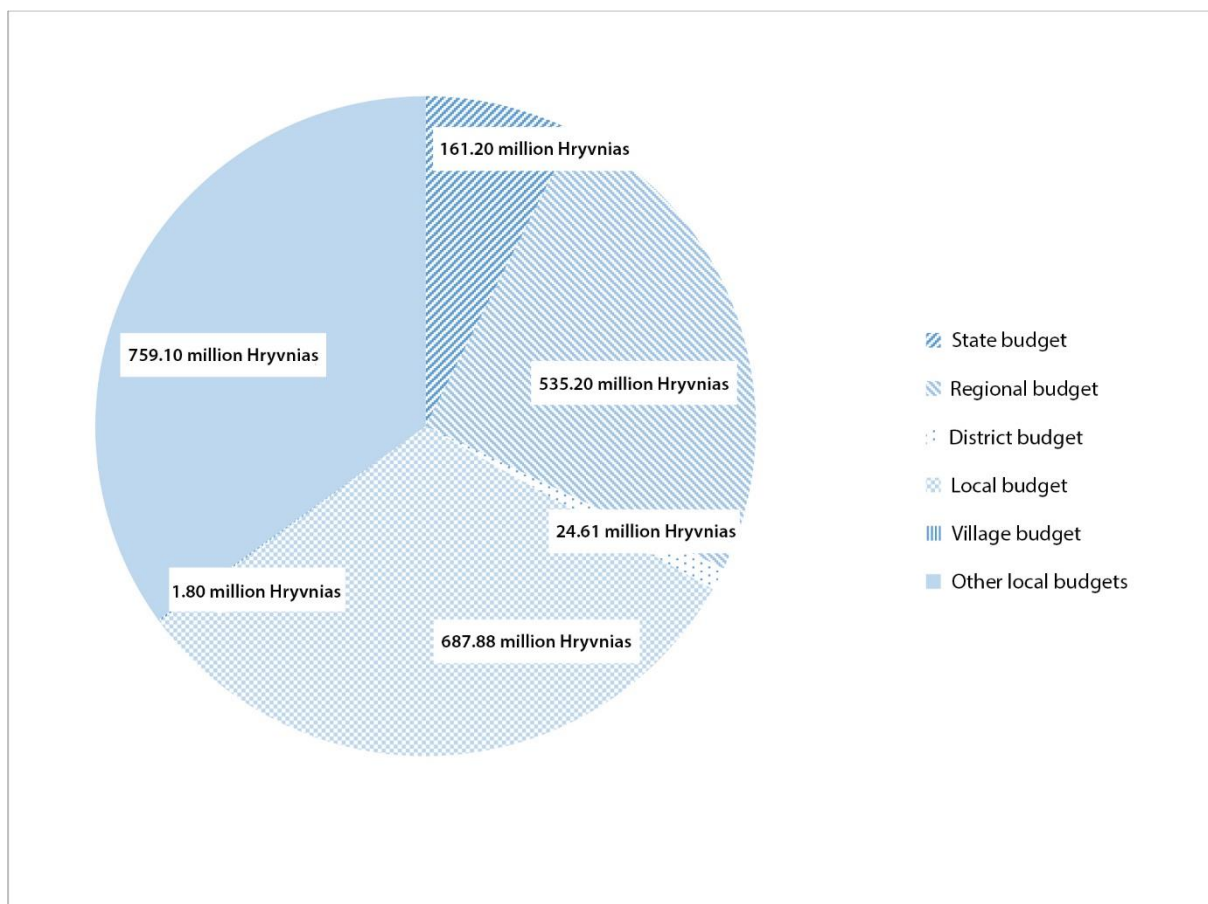
➤ Processing industry	9.28 million Hryvnias
➤ Temporary accommodation and catering	8.28 million Hryvnias
➤ Wholesale and retail trade; repair of motor vehicles and motorcycles	7.60 million Hryvnias
➤ Other types of economic activity	332.47 million Hryvnias

According to the information provided by local government authorities and local self-government bodies, the state support in the field of administrative and auxiliary services represents 66% of the total amount of state support granted during 2017. State support to arts, sports, entertainment and recreation represented 12%.

2.5. Indicators of state support by sources of financing (according to the information supplied by providers)

Information from local government authorities and local self-government bodies on the state support granted in 2017 by sources of financing is provided on Diagram 7.

Diagram 7

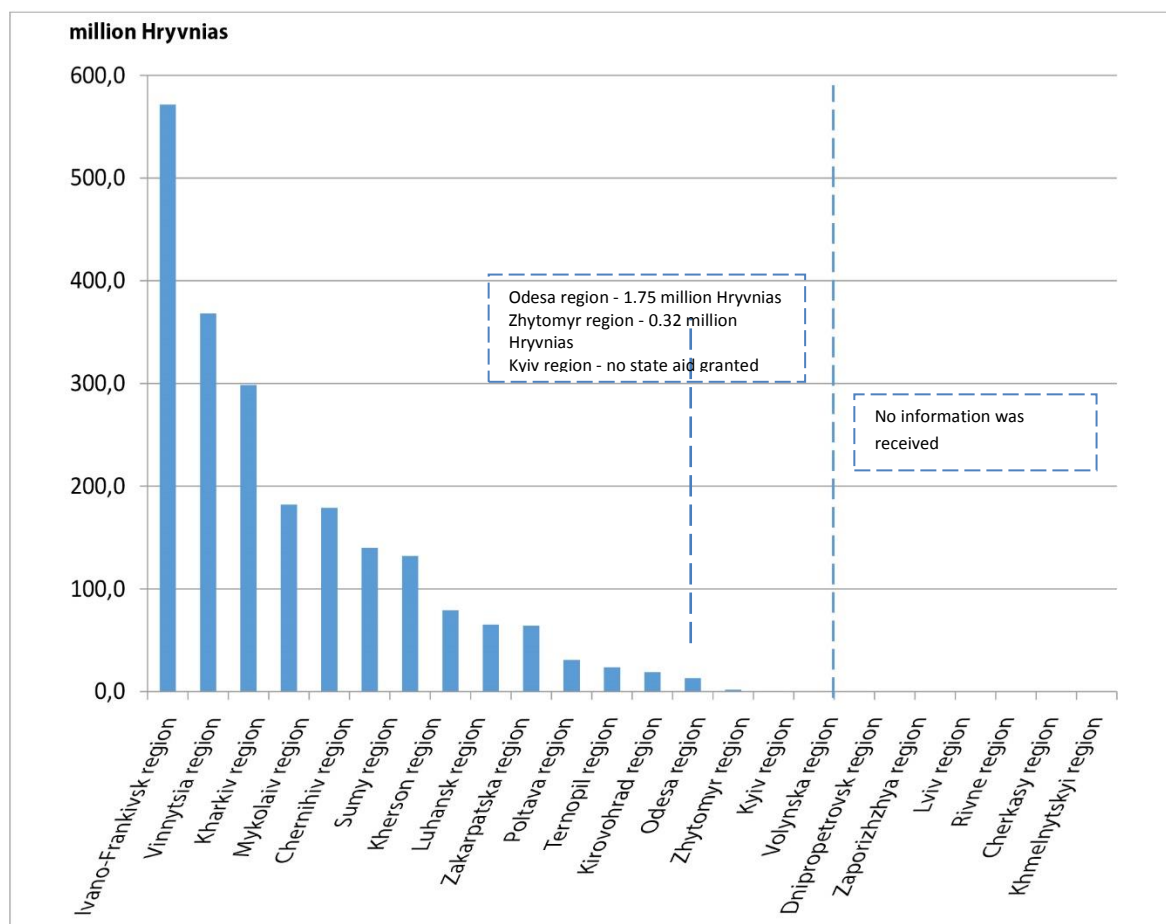


Hence, according to the information provided by local government authorities and local self-government bodies, the local support at the expense of local budgets represents 93%, and at the expense of the State Budget – 7%.

2.6. Indicators of state support broken down by regions (according to the information supplied by providers)

Information from local government authorities and local self-government bodies on the state support granted in 2017 broken down by regions is provided on Diagram 8.

Diagram 8



The information provided does not indicate that the amount of the state support granted in Ivano-Frankivsk region is higher than in other regions. The Diagram indicates that this region paid more attention to the issue of inventory of state aid, than the regions, which provided zero values or did not provide any information at all.

3. Conclusions

The annual report is prepared on the basis of the information on state support granted in 2017, which was received by the Committee from central executive authorities, local government authorities and local self-government bodies.

Taking into account the analysis, which has been conducted and the practical work of the Committee both before and after the entry of the Law into force in full, the following areas requiring improvement on the way to formation of the effective system of state aid can be highlighted:

1. Imperfections and gaps in the Law of Ukraine "On State Aid to Undertakings", in particular, incomplete compliance of its provisions with the EU acquis.

2. Imperfection of the processes of submission and processing of information about new and existing state aid, which requires further unification, simplification and automated processing.

3. Insufficient level of awareness of the providers, recipients of state aid on the institute of state aid. Despite the fact that the Committee provides informational and consulting support to the providers of state aid to undertakings, the level and quality of reporting on new and existing state aid is low.

4. The need to strengthen the cooperation of the Committee with state aid providers. The low activity of providers in the interaction with the Authorized Body is demonstrated, in particular, by the inadequate level of implementation by the providers of the Plan of Actions Towards the Institutional Reform in the Field of Monitoring and Control of State Aid to Undertakings and Implementation of the Provisions of the Law of Ukraine "On State Aid to Undertakings", approved by Resolutions of the Cabinet of Ministers of Ukraine No. 102 dated 04.03.2013 (as amended by Resolution of the Cabinet of Ministers of Ukraine No. 936-p dated 16.09.2015), in terms of the formation of structural units on the issues of state aid and designation of persons responsible for the fulfilment of tasks of the said Plan.

List of Annexes

(posted on the official web-site of the Antimonopoly Committee of Ukraine in the section “Reports and Publications / Annual Reports / 2017”)

Annex 1. Information from central executive authorities on the state support granted in 2017.

Annex 2. Information from local government authorities and local self-government bodies on the state support granted in 2017.

Annex 3. List of government authorities and local self-government bodies, who informed that no state aid was granted by them in 2017 or that they are not the state aid providers.