

## Cyprus: Statement by the High Representative on the developments



The EU is deeply concerned about today's announcements and developments related to Varosha.

These will cause greater tensions and may complicate efforts for the resumption of Cyprus settlement talks.

What is urgent now is to rebuild trust and not to create greater divisions. The EU will continue to support such efforts, as stressed by the Heads of State and Government in the European Council conclusions on 1-2 October.

The EU is in close contact with the United Nations and following closely the situation on the ground.

Full respect of relevant UN Security Council Resolutions remains essential.

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## Remarks by President Charles Michel after the EU-Ukraine summit on 6 October 2020



It was a pleasure to welcome President Zelenskyy to Brussels for our 22<sup>nd</sup> EU-Ukraine summit. This was the first physical EU Summit in Brussels since the COVID-19 crisis. That highlights the importance the European Union attaches to our relationship with Ukraine.

The EU is – and will remain – Ukraine's biggest and most reliable partner.

Since 2014, the EU has mobilised more than 15 billion euros through grants and loans to assist Ukraine in its reform efforts. And we want to deepen our relationship with Ukraine even further. Our cooperation in combatting COVID-19 has reconfirmed the solidarity and close partnership between the EU and Ukraine.

Today we discussed 3 key areas of our relationship:

1. Covid-19
2. EU-Ukraine Association Agreement & Reform Agenda
3. Foreign and Security Policy

We need to fight COVID together, as one global community. That's why the EU mobilised a 190 million euro support package in addition to the 1,2 billion euros in macro-financial assistance.

This represents the biggest support for an eastern neighbour of the EU. And today President Zelenskyy also suggested cooperation on the production of a future vaccine. We appreciate this proposal as part of double efforts to fight the pandemic and we are ready to explore in more concrete terms how we can achieve more goals together.

Our EU-Ukraine Association Agreement provides the framework for our continuing political association. It aims to establish conditions for enhanced economic and trade relations leading towards Ukraine's gradual integration in the EU Internal Market.

In fact, this Agreement is the most ambitious that the EU has with any country. And we are fully committed to driving it forward, including in important areas like green and digital. Ukraine has made substantial progress in implementing this agreement, and we welcome the impressive efforts under President Zelenskyy's leadership.

Today we discussed the next steps to implement the Agreement, including the Deep and Comprehensive Free Trade Area (AA/DCFTA). We discussed how to deepen our cooperation within its framework. We will review our progress in 2021. These have enormous potential to benefit the citizens and businesses.

Today at the summit, we have also signed three more financial agreements on support to the east of Ukraine, civil society and climate.

The EU and Ukraine share the values of democracy, which are being translated into concrete structural reforms. Ukraine's decentralisation, electoral reform, and land and banking reforms represent important recent achievements. We agreed that strengthening the rule of law and fighting corruption and vested interests was essential for investment and economic growth.

The European Union will continue to support Ukrainian sovereignty and territorial integrity. We condemn the illegal annexation by Russia of the Crimean Peninsula. The EU's support to the full implementation of the Minsk Agreements and the non-recognition of the illegal annexation of Crimea and Sevastopol by Russia remains steadfast.

Sanctions in support of these policies have been extended through 2021. On

October 1st, the Council listed two individuals and four entities for their role in the construction of the Kerch Bridge and rail.

President Zelenskyy is working hard to resolve the conflict and has made significant steps. We call on Russia to reciprocate.

We support the diplomatic efforts in the Normandy Format and the Trilateral Contact Group to find a peaceful solution that respects Ukraine's territorial integrity and sovereignty. We call on Russia to do its part of the bargain.

We also discussed the importance of next year's Eastern Partnership Summit, and other key events of our common neighbourhood.

COVID has taught us one important lesson that will outlive the virus itself: the importance of relationships and working together.

That's why today's physical meeting is such a potent symbol – it shows our steadfast commitment to deepening our relationship with Ukraine. And it sends a clear signal to our citizens – both in the EU and Ukraine – of the importance of our relationship in these challenging times. Thank you.

[Visit the meeting page](#)

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## **Article – Rule of law: MEPs demand protection of EU budget and values**



MEPs warned in two plenary debates on 5 October 2020 that European values are in danger and said EU funds from the [long-term budget](#) and the [recovery plan](#) should not be put into the hands of those working against democracy and fundamental rights in Europe.

MEPs called for reinforcement of the rule of law across Europe through a new mechanism as well as effective sanctions on EU countries found to be in violation. They also called on the EU institutions to agree on clear rules linking receipt of EU funds by a member state to respect for the rule of law. They criticised a proposal by the German Council presidency as insufficient.

## What is rule of law?

Rule of law is [laid down in the EU treaties](#) as one of the values on which the Union is based. It means that governments should be bound by law, that they should not take arbitrary decisions and that citizens should be able to challenge their actions in independent courts.

It also enshrines the fight against corruption, which unfairly favours some to the detriment of others, and the safeguarding of media freedom, thus ensuring the public is properly informed about the work of government.

Rule of law is a common concern among Europeans. In a [2019 Eurobarometer survey](#), at least 85% of respondents across the EU considered each of the different aspects of the rule of law as essential or important.

# EU mechanisms for the protection of rule of law

The EU has [existing tools](#) at its disposal to protect the rule of law. On 30 September 2020, the European Commission published the first [annual rule of law](#) report that monitors both positive and negative developments relating to the rule of law in all member states. It has been [monitoring Romania and Bulgaria](#) since they joined the EU in 2007.

There is also [dialogue on the rule of law in the Council](#) and the current German presidency plans to have country-specific discussions in November starting with five EU countries.

If the Commission is of the view that a member state is violating EU law, it can start infringement proceedings that may lead to financial sanctions determined by the European Court of Justice. Another procedure, under [Article 7 of the Treaty on European Union](#), allows the Council to make recommendations or decide by unanimity on sanctions against a member state, including the suspension of membership rights.

## The case for further measures

MEPs argue that existing tools are insufficient. While there are ongoing hearings in the Council under Article 7 regarding Poland and Hungary, Parliament has [expressed its regret about the lack of significant progress](#) by the two member states in addressing the issues.

In the 5 October plenary debate, MEPs welcomed the annual rule of law report launched by the Commission, but called for more action on enforcement. "Monitoring alone will not bring back judicial independence in Poland, nor will it save the Index media [outlet] in Hungary," said [Michal Šimečka](#) (Renew Europe, Slovakia).

Mr Šimečka has drafted a [report](#), to be voted on on 7 October, calling for a mechanism that consolidates existing instruments and establishes an Annual Monitoring Cycle, with country-specific recommendations, timelines and targets for implementation. The cycle should serve as the basis for triggering Article 7 or suspending budget funds for a member state.

## Protecting EU financial interests

Corruption or dependent courts may mean there is no protection against misuse of EU money allocated to a member state. The Commission put forward a legislative proposal in 2018 that aims to defend the Union's financial interests, should deficiencies in the rule of law be detected.

The proposal envisages that the Commission may suspend or reduce payments from the EU budget to a member state in breach of the rule of law. The Council would be able to veto the Commission's ruling by a qualified majority.

Parliament [adopted its position](#) on the proposal in early 2019, demanding that it be placed on equal footing with the Council in terms of the decision-making. The file is linked to the outcome of the negotiations on the [EU long-term budget](#) and Parliament has insisted that an agreement on the 2021-2027 budget is only possible if there is sufficient progress on this legislation.

EU leaders agreed in July 2020 to introduce rule of law conditionality, i.e. to make receipt of EU funds by a member state dependent on its respect for the rule of law. The German Council presidency has put forward a compromise proposal, which MEPs criticised as weak during the 5 October plenary debate.

“A mechanism that cannot ever be triggered in practice due to backdoors or indecisive processes serves only the interests of those who do not wish to see any measures taken,” said [Petri Sarvamaa](#) (EPP, Finland).

[Daniel Freund](#) (Greens/EFA, Germany) said: “The barrier is so high for this mechanism that we know that there will never be consequences. Say you have a member state where a government gets rid of the judges it doesn’t like – it has happened in Poland – then the Commission has to prove how this is costing taxpayers before this can be imposed.”

Many MEPs underlined that more is at stake than just EU money. S&D leader [Iratxe García Pérez](#) (Spain) said: “Rule of law is about more than tackling corruption – it is about our shared values. Our values are the cornerstone of the EU. We need those values to make progress, to move forward and we will not budge an inch in our defence of those values.”

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## [Ukraine: EIB provides €30 million loan to modernise logistics network of national postal operator – Ukrposhta](#)



- Ukraine to modernise and digitalise the Ukrposhta postal service: as part of a large-scale upgrade of the logistics network of the national postal service provider, Ukrposhta is to expand its infrastructure with up to three sorting hubs, 20 depots and related IT infrastructure with a €30 million loan from the EU bank
- Investment will improve the level of service and reduce delivery times, especially for parcels
- The loan comes with a technical assistance package to modernise the logistics network at Ukrposhta

The European Investment Bank (EIB) and JSC [Ukrposhta](#), Ukraine’s national postal service provider, have signed a €30 million loan to continue the modernisation and digitalisation of the country’s postal services. The loan,

signed during the 22<sup>nd</sup> EU-Ukraine Summit, will allow Ukrposhta to start modernising its logistics network with three new sorting hubs, 20 postal depots and IT infrastructure.

**EIB Vice-President Lilyana Pavlova** said: *"An efficient, affordable and modern postal service is crucial for faster, sustainable long-term economic development, as it unlocks new business opportunities, creates jobs and makes trade easier and more profitable. Together with our Ukrainian partners, the EIB will support the development of modern, digitalised postal infrastructure, benefiting the people and businesses of Ukraine alike. We are extremely proud of our continuing role in the economic and social development of Ukraine."*

**Ambassador of the European Union to Ukraine Matti Maasikas** commented: *"At a time in which it is key to move to world-class standards as regards logistics and digitalisation, we are happy that the European Investment Bank is partnering with key public service providers such as Ukrposhta to ensure that they have the resources and capacity to offer reliable, modern and affordable services to all Ukrainians."*

With the loan from the EU bank, Ukrposhta will design and roll out a new, state-of-the-art parcel logistics network, reduce delivery times and improve the overall quality of the postal service for millions of Ukrainians.

**General Director of JSC Ukrposhta Ihor Smilianskyi** said: *"The next few years will see the largest modernisation in the history of Ukrposhta. The EIB loan is a part of a major investment in postal infrastructure and a testament to the fact that Ukrposhta is a trusted and reliable partner. In total, as part of the strategy to upgrade the logistics network, we plan to attract about €100 million for the construction of eight sorting hubs and 62 regional depots. This will comprise loans from the EIB and the EBRD, as well as the company's own investments. The new logistics centres will be fully automated and moved out of the city, which will significantly speed up the shipping process and improve connections as well as the environment in cities. Capacity will increase to three to four times its current levels. We will also provide separate storage space for online stores. Thus, orders made in the evening will go directly to the sorting line and will be at the postal offices of the recipients in the morning. Modernisation of the postal infrastructure will significantly change working conditions for the company's employees: manual sorting will become a thing of the past, and the digitalisation of processes will attract employees to jobs with competitive salaries. In total, we plan to create more than 5 000 new jobs."*

An improved and affordable postal service with reduced delivery times will also improve conditions for doing business in the country (especially for small and medium enterprises), create infrastructure vital for faster development of e-commerce and pharmaceutical deliveries, and increase the efficiency of domestic and international supply chains.

It will also strengthen nationwide infrastructure critical for major emergencies such as the COVID-19 pandemic.



**Ukrainian Minister of Infrastructure Vladyslav Kryklii** commented: *"We continue to create qualitatively new infrastructure in Ukraine and cooperate in this area with our permanent international partners for the implementation of large-scale investment projects. The signing of this guarantee agreement with the European Investment Bank will provide us with the opportunity to qualitatively modernise the existing logistics network of Ukrposhta, namely to create new sorting centres and purchase the necessary modern equipment for faster and more convenient shipments. Despite the crisis and quarantine, Ukrposhta continues to grow steadily and proves that state-owned companies can be successful and modern. It became one of the first state companies to actively sell its non-core assets and channel the funds received for modernisation. We will continue doing our best and using all opportunities for the further development and improvement of the national postal service provider."*

The EIB has also provided a technical assistance package to Ukrposhta and assisted in the development of its investment programme, a crucial element for securing the EIB's affordable financing. The technical assistance included a market analysis, the development of a business plan and the investment needs for the new logistic network.

#### **Background information:**

As the largest multilateral [borrower](#) and lender by volume, the EIB provides finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives. More than 90% of EIB activity is focused on [Europe](#), but it also supports the [EU's external and development policies](#).

The EIB finances projects in [Ukraine](#) on the basis of the EU External Lending Mandate. This provides the EIB with a guarantee covered by the EU budget for projects of significant interest to the EU and its [Eastern Neighbours](#) in the areas of social and economic infrastructure, local private sector development and climate action.

[The Ministry of Infrastructure of Ukraine](#) is the central body of executive power in the areas of transport, roads, postal service and infrastructure. It aims to formulate and implement state policy in the fields of air, road, rail, sea, river and urban electric transport, as well as on issues related to the use of Ukrainian airspace, subway systems, roads, postal services, transportation safety, merchant shipping and navigational/hydrographic support for vessels.

[JSC Ukrposhta](#) is the state-owned designated universal service provider for postal services in Ukraine and the market leader in the postal market with more than 200 million deliveries made annually. The nationwide branch network of Ukrposhta is comprised of more than 10 000 permanent post offices and approximately 1 000 mobile offices. The founder and shareholder of JSC Ukrposhta is the Ukrainian State, represented by the Ministry of Infrastructure of Ukraine. Ukrposhta's logistics network currently consists of 32 sorting centres, which are located in city centres near railway stations, and 53 regional depots.



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## Ukraine to increase energy efficiency of public buildings with €300 million loan from EIB



- Ukraine will increase the energy efficiency of some 1 000 public buildings and reduce energy consumption with a €300 million loan from the EIB.
- The loan will save 1 250 000 tonnes of CO<sub>2</sub> and benefit 2.5 million people.
- Substantial grant contributions from the E5P and the EU are expected to complement the loan.
- The EU bank's investment will improve the medium and long-term resilience to COVID-19 of the country's public buildings, especially hospitals.

The European Investment Bank (EIB) and the Ministry of Communities and Territories Development of Ukraine signed a €300 million loan to improve the energy efficiency of some 1 000 public-owned buildings, including schools, cultural centres, kindergartens and hospitals. The loan was signed during the 22<sup>nd</sup> EU-Ukraine Summit to help the country limit the economic impact of COVID-19 by stimulating faster economic and social growth after the pandemic.

In its role as the EU's climate bank, the EIB will support Ukraine in implementing an ambitious energy efficiency programme. It will extend the operational life of key social, healthcare, administrative and cultural buildings by at least 20 years and reduce CO<sub>2</sub> emissions by 1 250 000 tonnes.

The loan will benefit a large number of small and medium-sized municipalities in Ukraine that have lacked the support and sustainable funding to carry out the necessary renovations. The loan will enable the installation of modern equipment in buildings, such as meters and energy consumption control systems, the modernisation of heating, ventilation and lighting systems, and upgrades to exterior surfaces (facades, roofs, slab insulation, basement ceilings, replacement of windows and doors). The Ukrainian healthcare sector will directly benefit from upgrades, with new cooling systems and the integration of renewable energy sources and other [COVID-19 response](#) measures.

**EIB Vice-President Teresa Czerwińska** said: *"As the EU's climate bank, we are very pleased to be supporting the increased energy efficiency of public buildings and Ukraine's greater energy independence. Projects like this one improve quality of life, protect the environment and significantly reduce building operating costs, making Ukraine an even better place to live and do business. With some 2.5 million people benefiting from the loan thanks to energy-efficient schools, hospitals, cultural centres and administrative buildings, as well as reduced energy costs, this investment will also*

contribute towards a climate neutral Europe, which is something the whole world will benefit from.”

**Ambassador of the European Union to Ukraine Matti Maasilta** said: “The EU is actively contributing to improving energy efficiency in Ukraine both in public and residential buildings. We can significantly increase Ukraine’s energy security through reduced energy consumption, and we are also helping Ukraine to diminish the impact of the COVID-19 crisis by expanding a new market and creating new jobs. We welcome the launch of this new project aiming at a large-scale renovation of some 1,000 public buildings all across Ukraine. We trust that it will contribute to further cooperation by the European Union and the European Investment Bank with municipalities, building their capacities in energy efficiency and energy management and reinforce local budgets’ sustainability.”

**Oleksiy Chernyshov, Minister for Communities and Territories Development of Ukraine**, said: “On behalf of the Ukrainian government, I would like to thank the EIB for its cooperation. This project is fully aligned with national policies and Ukraine’s current energy strategy. It aims to set up the necessary support that will allow municipalities to apply for and receive sustainable loans with long-term repayment deadlines. This, in turn, will help reduce energy consumption in public buildings, in particular for heating in kindergartens, hospitals and schools. In addition, it will significantly boost job creation, which is a priority for the development of the country’s regions. By supporting a clean energy transition, the project will contribute to Ukraine’s efforts to safeguard its economic stability.”

The Ukraine Public Buildings Energy Efficiency project was prepared with the support of a [€150 000 donation](#) from the Eastern Partnership Technical Assistance Trust Fund ([EPTATF](#)) awarded in June 2020. The project is also expected to be further financed by substantial grant contributions from [the E5P](#) and the EU.

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[The Eastern Europe Energy Efficiency and Environment Partnership \(E5P\)](#) is a multi-donor and multi-IFI support fund created thanks to an initiative of the Swedish Presidency of the European Union in 2009. The E5P fund for Ukraine totals €134 million representing pledges made by the European Union, as the largest contributor (€40 million), Sweden, Germany, Norway, Switzerland,

United States, Denmark, Poland, Finland, Estonia, Iceland, Latvia, Lithuania, Ireland and Slovakia. Ukraine is also a donor to the E5P with €20 million. The E5P grants are used alongside the IFI loans to support municipal infrastructure investments that will boost Ukraine's energy efficiency, while also having a beneficial impact on the environment and combating climate change.

[The Eastern Partnership Technical Assistance Trust Fund \(EPTATF\)](#) is a multi-purpose and multi-sector funding instrument for specific technical support in the Eastern Partnership countries. It provides these countries with know-how and resources to improve capacity in project preparation and implementation, which facilitates the mobilisation of financing for EIB-supported investments. The EPTATF provides high added value because better project preparation increases the bankability of projects and improves the development impact of investments in the beneficiary countries.

[The Ministry of Communities and Territories Development of Ukraine](#) is the Ukrainian government ministry responsible for public housing infrastructure development.