

SUMMARY

Special Measure 2016 for Anti-Corruption and Support to Key Reforms in favour of Ukraine to be financed from the general budget of the European Union

1. Identification

Budget heading	22 04 02 01 22 04 02 02
EU contribution	EUR 43.5 million
Basic act	Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument

2. Country background

Two years ago the fight against corruption was declared to be one of the key political priorities of the newly elected authorities but has so far produced only limited results. Since 2014, a comprehensive legal framework in line with European Standards has been adopted which notably foresees the creation of new anti-corruption institutions. However, the actual implementation of that framework and the establishment of the new institutions proved to be more difficult than expected due to resistance from vested interests, scarce financial allocations from the Central Government and limited experience.

The continued pervasiveness of corruption is detrimental to the investment climate, hinders the economic recovery of the country and erodes public trust in the state institutions and the political leadership.

3. Summary of the Special Measure

Background

A comprehensive new legal framework largely complying with European standards was adopted between October 2014 and October 2015. It provided for the establishment of new anti-corruption bodies such as the National Anti-Corruption Bureau, the Specialised Anti-Corruption Prosecution Office and the National Agency for Prevention of Corruption as well as for new mechanisms to fight corruption, such as an electronic system for asset declarations.

In order to help Ukraine translate its political priorities into tangible results, it is important to maintain and intensify the EU's support to Ukraine's advancing but still nascent anti-corruption reforms.

The implementation of the EU-Ukraine AA and its DCFTA entails an enhanced reform agenda, and opens up the scope for a number of significant additional gains for Ukraine, not only in its external trade, but also in the improvement of its investment climate.

The Special Measure contains two actions for a total EU budget contribution of EUR 43.5 million.

Neighbourhood related policy of beneficiary country

In October 2014 an Anti-Corruption legislative package, including a national strategy (2014-2017), was adopted in close cooperation with civil society. An action plan (state programme) to implement the anti-corruption strategy followed in April 2015.

The Special Measure confirms the EU efforts in contributing to the stabilisation and transition process in Ukraine.

Coherence with the programming documents

Due to the persisting fragile situation in Ukraine it was not possible to finalise the multi-annual programming exercise. In order to face the urgent needs related to the transition process in the country the Commission opted for implementing a Special Measure in 2016.

Identified action

Action 1: “EU Anti-corruption Initiative in Ukraine”.

The overall objective of the action is to improve the implementation of anti-corruption policy in Ukraine, thereby ultimately contributing to a reduction in corruption.

The specific objectives are:

- 1) Strengthen the operational and policy-making capacities of state institutions dealing with prevention and the fight against corruption;
- 2) Strengthen Parliament's oversight of reform implementation and its capacity to scrutinise and improve the strategic and legislative framework;
- 3) Enhance the capacity of civil society and media to contribute in fighting against corruption.

Action 2: “Technical Cooperation Facility 2016”

The overall objective of the action is to effectively raise Ukrainian public authorities' capacities in designing and implementing key reforms stemming from the Association Agreement and the Association Agenda, including capacity to carry out legal approximation process with the EU.

Expected results:

Action 1: “EU Anti-corruption Initiative in Ukraine”.

1.1 Newly created institutions function effectively, professionally and independently with trained personnel on best European practices; staff integrity of other relevant institutions improved;

- 1.2 Improved capacity of the judiciary to adjudicate corruption cases;
- 2.1 Improved legal and regulatory framework;
- 2.2 An efficient oversight mechanism of the Parliament over Anti-corruption reform implementation;
- 3.1 Improved capacities of civil society and media in exposing and investigating specific corruption cases;
- 3.2 Increased awareness of citizens on corruption mechanisms and anti-corruption activities;
- 3.3 Showcase of successful examples of fight against corruption at local level.

Action 2: “Technical Cooperation Facility 2016”

The main priority areas of this action are:

- Media freedom, including public broadcasting;
- Economic governance including financial services;
- Transport, including transport master plan and aviation;
- Social reforms, including labour inspection;
- Key sector reforms supported through the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA) linked primarily to high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman;
- Participation of Ukraine in the Danube Transnational Programme.

Past EU assistance and lessons learnt

The EU contributed significantly to the adoption of new anti-corruption legislation and establishment of new anti-corruption bodies. The most important impulse to this process was given by the Visa Liberalisation Process which established stringent benchmarks, notably in the area of anti-corruption, to obtain a visa-free regime for Ukrainian citizens. The EU's financial support – the third Macro-Financial Support Programme and the State Building Contract – reinforced the political pressure by establishing similar corruption-related conditions. A major technical assistance project targeting judicial reforms including anti-corruption ensured that the necessary expertise was provided to the nascent institutions and the legislator.

Complementary actions/donor coordination

Donors active in the area of anti-corruption meet regularly and have a good level of awareness of what the others are doing. This initiative is expected to take donor coordination to a further level and work together with each institution based on its capacity building plan and turn the current supply driven approach into one which better responds to the demands and requirements of respective institutions.

The proposed action will closely coordinate with the anti-corruption experts of the EU Advisory Mission. Equally close coordination will need to be ensured with the EU funded projects implemented by Council of Europe.

4. Communication and visibility

The action shall contain communication and visibility measures based on a specific Communication and Visibility Plan to be elaborated at the start of the implementation phase.

In addition, the EU Delegation to Ukraine implements a local information and communication strategy.

5. Cost and financing

EU Anti-corruption Initiative in Ukraine	EUR 15 million
Technical Cooperation Facility 2016	EUR 28.5 million
Total EU contribution to the measure	EUR 43.5 million

The Committee is invited to give its opinion on the attached Special Measure 2016 for Anti-corruption and Support to Key Reforms in favour of Ukraine.



ANNEX 1

of the Commission Implementing Decision on the Special Measure 2016 for Anti-Corruption and Support to Key Reforms in favour of Ukraine

Action Document for EU Anti-Corruption Initiative in Ukraine

1. Title/basic act/ CRIS number	<u>EU Anti-Corruption Initiative in Ukraine</u> CRIS number: ENI/2016/039-504 financed under European Neighbourhood Instrument			
2. Zone benefiting from the action/location	Ukraine The action shall be carried out at the following location: Ukraine – nationwide, the project team will be based in Kyiv			
3. Programming document	Not applicable (It is a Special Measure)			
4. Sector of concentration/ thematic area	Good Governance, Rule of Law, Fight against Corruption	DEV. Aid: NO		
5. Amounts concerned	Total estimated cost: EUR 16.34 million Total amount of EU budget contribution EUR 15 million This action is co-financed in joint co-financing by Denmark for an amount of EUR 1.34 million			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with the Ministry of Foreign Affairs of Denmark (DANIDA) Direct management – procurement of services			
7 a) DAC code(s)	15113, 25010			
b) Main Delivery Channel	1.10000 PUBLIC SECTOR INSTITUTIONS			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	x
	Aid to environment	x	<input type="checkbox"/>	<input type="checkbox"/>

	Gender equality (including Women In Development)	x	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	x	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	N/A			

SUMMARY

Two years ago the fight against corruption was declared to be one of the key political priorities of the new Ukrainian Government but has so far produced only limited tangible results. Since 2014, a comprehensive legal framework in line with European Standards has been adopted which notably foresees the creation of new anti-corruption institutions. However, the actual implementation of that framework and the establishment of the new institutions proved to be more difficult than expected due to resistance from vested interests, scarce financial allocations from the Central Government and limited experience. Parliamentary oversight is weak. Civil Society and the media play an important role but have limited resources.

The continued pervasiveness of corruption is detrimental to the investment climate, hinders the economic recovery of the country and erodes public trust in the state institutions and the political leadership. Moreover, the Ukrainian population is increasingly frustrated because it perceives that the fundamentals facets of the corrupt old system have not changed. In order to help translate the political priorities into tangible results, it is necessary to provide substantial technical and financial support to empower the new anti-corruption institutions and other relevant stakeholders to effectively carry out their work and to strengthen the external oversight over the reform process by Parliament, civil society and the media.

The proposed initiative will build on the successful features of the EU’s existing support while significantly stepping up EU assistance to anti-corruption reforms. It intends to establish a visible “one stop shop” support centre for a wide range of stakeholders involved in the fight against corruption in Ukraine. It will be able to provide a large variety of support – expertise, training, testing of personnel, IT supplies and equipment as well as additional funding opportunities for civil society – from a single source in a flexible and speedy manner. It will enhance donor coordination in the sector and increase synergies within the international donor community. Such increased EU support will not only contribute to the fight against corruption but also be an important signal to civil society and the Ukrainian public at large that the EU stands behind its demands for real reforms in this area.

Three areas of support are envisaged:

- **strengthening capacity to prevent and fight corruption** and bring corruption cases to justice. Direct beneficiaries are the newly created anti-corruption bodies (National Anti-Corruption Bureau, Specialised Anti-Corruption Prosecution Office, National Agency for Corruption Prevention, Asset Recovery and Management Office) and other relevant stakeholders;
- **enhancing parliamentary oversight** over reform implementation and parliamentary capacity to scrutinise and improve the strategic and legislative framework, including, as appropriate, the creation of an international advisory council to the Rada's Anti-Corruption Committee;
- **strengthening the involvement of civil society and the media in anti-corruption initiatives**, in particular by supporting awareness-raising and advocacy campaigns, analysis and research, monitoring of anti-corruption policies, media scrutiny into corruption cases, and investigative journalism. The programme will also implement, ideally with Civil Society Organisations, a number of anti-corruption pilot projects at local level (“Clean city projects”). These pilot projects would implement a broad range of anti-corruption tools and measures in a concentrated fashion and in a limited geographical area – towns or cities where local authorities are politically backing real change, thereby demonstrating that change is possible if conditions are right. Successful elements of these pilot projects could then be rolled out across the country.

This initiative will be implemented by the Ministry of Foreign Affairs of Denmark (DANIDA), which is already present in the country with an anti-corruption initiative together with UNDP, and will avail itself of the experience and expertise of EU Member States to deliver prompt solutions for multiple beneficiaries.

1 CONTEXT

Ever since the change of government in spring 2014, combatting corruption has become a top priority in the Ukrainian reform programme. A comprehensive new legal framework largely complying with European standards was adopted between October 2014 and October 2015. It provided for the establishment of new anti-corruption bodies such as the National Anti-Corruption Bureau, the Specialised Anti-Corruption Prosecution Office and the National Agency for Prevention of Corruption as well as for new mechanisms to fight corruption, such as an electronic system for asset declarations. A substantial contribution to this achievement was made by the pressure of an active civil society and strong international engagement. In particular the policy dialogue conducted with the EU in the framework of the Visa Liberalisation Action Plan (VLAP) has been highly instrumental.

Despite unprecedented efforts, there is still little progress when it comes to the actual repression of corruption and none of the serious criminal acts conducted under the former leadership have so far been successfully brought to justice. Recruitment for the new anti-corruption institutions was carried out transparently and successfully and resulted in the selection of competent staff, but also suffered from significant delays. The e-asset declaration system is not yet operational. Vested interests of the old and often corrupt bureaucracy in the judicial institutions in connivance with political forces linked to the monopolistic power structures in industry and business are a major source of resistance to these changes and persistently attempt to backslide the legislative framework. The continued pervasiveness of

corruption in Ukraine imposes significant economic costs on businesses, discourages domestic and foreign investment and stifles the much needed economic recovery of the country. The lack of real progress in the fight against corruption also leads to growing frustration and cynicism in the Ukrainian public which perceives that the fundamentals of the old corrupt system remain unchanged. This undermines public trust in the democratic institutions and weakens the legitimacy of the political leadership.

In order to help Ukraine translate its political priorities into tangible results, it is important to maintain and intensify the EU's support to Ukraine's advancing but still nascent anti-corruption reforms. As the different anti-corruption institutions are becoming operational there is an urgent need for enhanced support to capacity building that will allow them to quickly deliver concrete results. It is also necessary to strengthen the capacity of the Parliament to monitor the reforms as well as to reinforce the key role which civil society and the media are playing in this area. At the same time, the reform commitments requested from Ukraine in exchange for EU support, visa liberalisation and preferential access to EU markets, remain a powerful instrument to foster progress in the fight against corruption.

1.1.1 Public Policy Assessment and EU Policy Framework

For many years, Ukraine failed to implement effective measures and policies to curb corruption which is reflected in low scores for Ukraine in the key international corruption-related ratings¹.

Ukraine became member of the GRECO (Council of Europe's Group of States against Corruption) in 2006 after the Council of Europe Civil Law Convention on Corruption was ratified in 2005. In 2006 the Ukrainian parliament ratified the UN Convention against Corruption and the Council of Europe Criminal Law Convention on Corruption which came into force only in 2009 when the so-called first "anti-corruption package of laws" was adopted: the Law on Principles for Preventing and Counteracting Corruption, the Law on the Liability of Legal Persons for Corruption Offences and the Law on Amendments to Certain Legislative Acts of Ukraine regarding the Liability for Corruption Offences. Entering into force of this package was postponed twice and, finally, all three laws were revoked on 21 December 2010.

The EU-Ukraine cooperation Council noted slow progress in the implementation of the international recommendations until 2010. In reaction to the abolition of a package of anti-corruption laws in 2010, the EU introduced in 2011 objectives dealing with anti-corruption legislation and anti-corruption bodies in the **Visa Liberalisation Action Plan (VLAP)**.

After the events of Maidan, Ukraine's vibrant civil society successfully pushed for change. This process was supported by the international community who made financial assistance, closer association and visa-liberalisation conditional upon the adoption and implementation of reforms in this area.

In October 2014 an **Anti-Corruption legislative package**, including a **national strategy** (2014-2017), was adopted in close cooperation with civil society. **An action plan** (state programme) to implement the anti-corruption strategy followed in April 2015. The strategy

¹ In Transparency International's 2015 Corruption Perception Index Ukraine ranked 130 out of 168 countries and scored only one point better than in 2014.

identifies the main problems and required direction of anti-corruption policy in Ukraine, including: creating an effective institutional framework for anti-corruption policy; prevention of corruption in the elected bodies; ensuring integrity in the public service; prevention of corruption in the executive bodies and state owned enterprises, judiciary and law-enforcement bodies; prevention of corruption in public procurement and in the private sector; ensuring public access to information; effective criminalisation of corruption and law-enforcement; and public awareness raising.

The strategy foresees the creation of three new institutions which presents a major breakthrough in the reform of anti-corruption institutions in Ukraine to be checked against further implementation: 1) the National Anti-Corruption Bureau (NABU) in charge of investigating high-level corruption cases 2) the Specialised Anti-Corruption Prosecution Office in charge of prosecuting NABU cases and 3) the National Agency for the Prevention of Corruption (NAPC) in charge of anti-corruption policy development and implementation, anti-corruption screening of draft legal acts, research and training, verifying asset declarations and conflicts of interests of public officials, control of political party finances, whistle-blower protection.

Following the signature of the Association Agreement in 2014, the 2015 EU-Ukraine Association Agenda listed more precise short term priorities, in particular the implementation of the anti-corruption legal package adopted on 14 October 2014 and the setting up and effective functioning of both the National Anti-Corruption Bureau and the National Agency for the Prevention of Corruption:

- *It is important to engage in a comprehensive anti-corruption reform process with tangible results in the prevention and fight against corruption with clear responsibilities allocated to specialised bodies and allocated budget for the implementation of particular actions.*
- *It is equally important to address the prevention and fight against corruption at all levels of society, especially high-level corruption, in law enforcement bodies, customs, and tax-systems, and the transparency of funding through the development of ethical codes and specialised training.*
- *In order to ensure transparency and accountability at all levels, necessary conditions for civil society actors and independent media to monitor corruption should be created.*

In relation to its **international commitments**, Ukraine was recommended to implement its declared intention to fight corruption through following steps: 1) necessary legal changes 2) improved policy co-ordination 3) strengthening of law-enforcement anti-corruption efforts. From the three areas mentioned, significant progress was achieved in the legislative reform while some progress was achieved in policy coordination since the National Reforms Council and the National Council for Anti-Corruption Policy were set up and held first meetings. At the same time anti-corruption efforts in the area of law enforcement are yet to bring results since new institutions were only set up recently, while the old ones still need to complete their reorganisation.

Progress in implementing anti-corruption reforms is monitored by the **National Reform Council** (NRC) which publishes a track-record of reform tasks achieved per any given year. The NRC concluded that in 2015, progress was made on 59% of the tasks foreseen for that year but that significant delays had been encountered with the establishment of the National Agency for the Prevention of Corruption and related tasks, notably the system of e-asset declaration. The NRC also publishes the '**Anti-corruption Reform passport**', a brief annual

review based on a number of key strategic documents, including the Association Agreement between the EU and Ukraine and the Ukraine–IMF Memorandum. The passport was elaborated by the Anti-Corruption Reforms Task Force, a working group consisting of Government and donor representatives and focuses on the following goals: Effective mechanisms for prevention of corruption are established in public and private sectors; inevitability of responsibility and punishment for corruption is ensured; and the society professes "zero tolerance" to corruption.

Following five years of VLAP implementation, the significant legislative and institutional changes that took place allowed the European Commission to issue a positive assessment of the fulfilment by Ukraine of VLAP benchmarks fulfilment in April 2016.

Priorities 3 and 7 of the EU Roadmap for Engagement with Civil Society focus on support to CSOs for their engagement in anti-corruption work.

1.1.2 Stakeholder analysis

Following the main international commitments and the adoption of the national anti-corruption strategy, the institutional renewal started with the formation of a number of new bodies. Most of these institutions are in the process of being established and becoming operational, thus their capacities are as yet under-developed. The **National Anti-Corruption Bureau (NABU)** is a law enforcement body created in April 2015 following international recommendations to set up an independent law-enforcement agency dealing with high-level corruption cases. NABU started to be fully operational in December 2015 following the appointment of the head of the specialised anti-corruption prosecution office that is in charge of formally opening investigations and bringing high-level corruption cases to court. The NABU is tasked with investigating corruption involving high-ranking public or local government officials. The Bureau is managed by a Director appointed by the President of Ukraine upon the recommendation of the selection board for a seven-year period. Around 170 detectives will do investigative work. Two regional offices will be created in Lviv and Odessa. The NABU is formally a state law enforcement authority, not subordinated to the Government. A number of guarantees are included in the law to secure its independent functioning.

The **Specialised Anti-Corruption Prosecution Office, (SACPO)** was established in November 2015 with the appointment of its head and his deputy. The SACPO is responsible for opening investigations by NABU into high level corruption cases and for bringing these cases to court. The SACPO is formally part of the Public Prosecutor's Office but a number of safeguards ensuring its independence, especially its protection against arbitrary dismissal by the Prosecutor General, were introduced following the latest VLAP recommendations. So far, more than 50 investigations into high-level corruption have been initiated.

According to the Law that entered into force in April 2015, the **National Agency for the Prevention of Corruption (NAPC)** will take over from the Ministry of Justice the function of co-ordinator of the anti-corruption policy in Ukraine. The NAPC is responsible for the development and the implementation of the anti-corruption policy, monitoring the lifestyle of public officials, verifying declarations of assets and conflicts of interest of all public officials Ukraine-wide and for managing a system for electronic asset declarations, which is currently being developed under the auspices of the Ministry of Justice, albeit with significant delay. The Agency is also in charge of controlling political party funding and ensuring whistle

blower protection. The Agency will have about 300 staff located predominantly in Kyiv as well as four regional offices. The NACP has a collegiate leadership of 5 members –the selection of the last member is yet to be finalised. Preparatory work for setting up the Agency is ongoing and it is expected that NACP will become operational, with 1/3 of staff recruited, by July 2016.

The National Asset Recovery and Management Office (ARMO). The Law establishing the ARMO will come into force on June 11, 2016. The law sets up mechanisms for identifying, tracing and managing of tracing of assets derived from corruption and other crime, and provides for the establishment of an independent authority to carry out such activities. The adoption of the ARMO legislation is one of the crucial indicators of implementation by Ukraine of the VLAP. In addition, laws passed in December 2015 provide for respective amendments to the Criminal Procedure Code, Criminal Code and Civil Code with respect to streamlining seizure and special confiscation mechanisms. In addition, an electronic register for assets seized in criminal proceedings will need to be created and cooperation of the Ukrainian ARMO with its counterparts in other countries be established.

The State Bureau of Investigations (SBI) is a law enforcement agency expected to be established with the aim of preventing, detecting, combatting and solving crimes. Its remit includes investigating corruption-related offences committed by officials holding positions of high responsibility, certain categories of civil servants, judges and law enforcement officers, NABU officials and SACPO prosecutors with the exception of cases falling within the competence of the NABU.

Possible specialised anti-corruption courts– the new law on the judiciary and the status of judges adopted on 2 June 2016 foresees the possibility of creating specialised anti-corruption courts. The law reflects discussions between the Ukrainian authorities, civil society representatives and international donors. The necessity to guarantee a fair trial of corruption cases is key for the success of bringing offenders to justice.

The anti-corruption policy oversight, coordination and monitoring bodies include:

The Verkhovna Rada's Anti-Corruption Committee. In addition to its responsibility over the legislation on certain aspects of corruption and on the anti-corruption institutions, the committee is tasked with monitoring the overall implementation of anti-corruption reforms by the government as well as the anti-corruption “screening” of draft laws. The Committee’s leadership plans to establish an advisory council, composed of international experts, which would assist the Committee in its monitoring work and check compliance of proposed legislation and/or amendments tabled in the Rada with European and international standards and best practices.

The National Council for Anti-Corruption Policy is an advisory body under the President of Ukraine created in the context of the VLAP policy dialogue. Its duties consist of updating and improving the Anti-Corruption Strategy, monitoring of the corruption prevention and counteraction situation within Ukraine and improving coordination and cooperation among entities engaged in the implementation of anti-corruption reform. The Council is made up of government officials, community leaders and representatives of businesses.

The National Reforms Council (NRC) was established as a high-level reform coordination and monitoring body determining government reform priorities, making political decisions on

the content of reforms and coordinate the reform process. Members of the Council are national key policy makers: the President, the Prime Minister, the Chairman of the Verkhovna Rada, Ministers, Chairs of Parliamentary Committees, and four civil society representatives. In addition, NRC meetings are regularly attended by leaders of parliamentary coalition's factions, representatives of business associations and heads of other government authorities who are invited depending on the meeting agenda.

Other relevant bodies:

The State Financial Monitoring Service of Ukraine (SFMS) is Ukraine's Financial Intelligence Unit responsible for collecting, analysing and disseminating information regarding potential money laundering and suspected proceeds of crime. The SFMS therefore plays an important role in identifying possible financial crimes, including corruption.

The Public Prosecutor's Office (PPO) is responsible for opening criminal investigations and bringing cases to court. The 2014 Law on the PPO creates the legal framework for turning the old "procuratura" into a prosecution office compliant with European standards. However, the re-evaluation and renewal of the prosecutorial corps has so far not moved beyond the local level. It remains to be seen how the plans of the new Prosecutor General, appointed in May 2016, to reform the institution will be translated into action. As of April 2017, the selection, promotion and disciplinary sanctioning of prosecutors will be the responsibility of newly created self-governance bodies, notably the Qualification and Disciplinary Commission. The **Ministry of Economy, Development and Trade** is inter alia responsible for policy development and implementation in the area of public procurement. The public procurement process is particularly prone to corruption and the Ministry strives to put in place a system which will eliminate or at least significantly reduce the possibilities for corruption in the process. While the department is already supported by an existing EU project, this project may not cover all the needs in this area. **Investigative journalists/media** play an important role in uncovering corruption schemes, thereby compensating to some extent the lack of investigation into high-level corruption by law enforcement bodies. Print media also regularly publish reports by investigative journalists. However, journalists face significant obstacles in their investigative work, including financial, considering that proper research takes a long time and requires significant effort and expertise.

Civil Society Organisations (CSOs) play a key role in the reform process. Many of the laws adopted as part of the anti-corruption package in October 2014, were prepared with contribution of non-governmental organisations (NGOs), supported by donor funding. CSOs are also very active in advocating anti-corruption reforms in the country and monitoring how the adopted legislation is implemented in practice.

1.1.3 Priority areas for support/problem analysis

The dramatic events of the winter of 2013-2014 in Ukraine significantly affected the country's anti-corruption policy. The widespread corruption was one of the main reasons that instigated the mass demonstrations leading to the change of the government of the country. All political leaders pledged to eradicate corruption. However, although there are promising signs, notably with regard to the renewal of the anti-corruption institutional landscape, the implementation of the legislation is yet to bring results. The setup of new anti-corruption institutions in line with European and international norms and best practices may pave the way to a success story in the fight against corruption. It is crucial to fill all gaps in this course

by providing the necessary expertise, technical and political support to the main stakeholders such as the anti-corruption institutions, the Parliament, civil society and the media.

Issues to be addressed were identified as follows:

a) Weak operational capacities of anti-corruption institutions

Most of the anti-corruption institutions are yet to become fully operational. There is a lack of expertise, experience, exposure to international best practices, financial means and technical equipment which hampered the quick building-up of efficient operational capacities of those bodies. It is of utmost importance to support these new bodies so that they become new, effective and independent institutions which are trusted by the public and following the best EU and international standards and practices. Capacity of existing institutions to prevent and fight corruption also needs to be strengthened. Moreover, given the number of new actors in the sector, particular attention will need to be given to the proper coordination of their activities and the effective delineation of their respective competences.

b) Insufficient use of modern technologies and IT solutions by public bodies

Administrative processes in Ukraine institutions tend to be bureaucratic and paper-based. Modernisation of hardware and software is needed. The use of e-governance principles and methods is yet to be explored and implemented. In addition, the investigation of complex corruption cases or the verification of asset declarations cannot be efficiently carried out without the use of modern IT solutions and equipment. It is therefore essential to be able to provide stakeholders with the necessary expertise and supplies in order to allow them to effectively carry out their work.

c) Attempts to hamper reforms by antireformist forces/vested interests

Initiatives in creating necessary legal, regulatory and institutional framework as well as its enforcement face fierce resistance from anti-reformist forces. In order to facilitate progress, constant attention and pressure from civil society, media and international stakeholders is needed. The technical character of some of the issues at stake requires provision of experts’ analysis within a short-time frame. It is therefore essential to strengthen stakeholders that are monitoring the Government's reform progress and can exert political pressure to continue the reform process. Support to monitoring, awareness raising and investigation activities by civil society and independent media will play an important role in this respect. Strengthening over parliamentary oversight over of the implementation of anti-corruption reforms would also help addressing this issue.

d) Dispersed and ineffective public communication on reform implementation

There is no effective mechanism in place to ensure that actual progress on the implementation of reforms can be properly communicated to the general public, thereby reassuring the population that things are moving forward. Currently, the (limited) results are only communicated in a dispersed manner by the institutions themselves. Government institutions need support with the development of a public communication strategy on anti-corruption and the design of specific communication campaigns to help individual stakeholders to report about reform implementation in a more effective and coordinated manner.

2 RISKS AND ASSUMPTIONS

Risks	Risk	Mitigating measures
--------------	-------------	----------------------------

	level (H/M/L)	
Lack of cooperation from the side of the beneficiaries	L	Continued policy dialogue, involvement of the beneficiaries in the preparation of the support to be provided by the initiative.
Potential decreased in the funding of the Government to the institutions supported by donors	M	Ensure that the programme does not fund recurrent costs, e.g. salaries of institution staff, but only one-time expenses.
Political resistances to the overall progress in anti-corruption reforms	H	Use of political dialogue in the framework of the Association Agreement and post-VLAP monitoring, reinforcing political pressure by formulating appropriate conditions under future Macro-Financial Assistance and possible sector budget support programmes; enhanced coordination of anti-corruption related conditionalities with the IMF; Coordination of common approaches with civil society, pro-reformist Ukrainian stakeholders and international donors.
Discrediting of project's initiatives/instrumentalisation of expertise/reputational risk	M-H	Focus on communication and proper visibility of the initiative; ensure close follow-up of project activities by the Steering committee to allow for adequate consequences if support is politically instrumentalised.
Assumptions		
<ul style="list-style-type: none"> ✓ The Government of Ukraine remains committed to support the action and the overall anti-corruption reform. ✓ The Government of Ukraine creates the remaining agencies to be supported (ARO/AMO) and ensures that the existing ones remain operational, notably by continuing to allocate them an appropriate budget, premises and sufficient staff (NAPC, NABU, SAPO). ✓ The Verkhovna Rada formally establishes the Parliamentary Advisory Council. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The EU contributed significantly to the adoption of new anti-corruption legislation and establishment of new anti-corruption bodies. The most important impulse to this process was given by the Visa-Liberalisation Process which established stringent benchmarks, notably in the area of anti-corruption, to obtain a visa-free regime for Ukrainian citizens. The EU's financial assistance – the third Macro-Financial Assistance programme and the State Building Contract – reinforced the political pressure by establishing similar corruption-related conditions. A major technical assistance project targeting judicial reforms including anti-corruption ensured that the necessary expertise was provided to the nascent institutions and

the legislator. The proposed action should build on the successful features of existing initiatives while avoiding their shortcomings.

a) Need for a substantial, more comprehensive and flexible support programme

Existing support programmes, both of the EU and of other donors, in the area of anti-corruption created both the risk of overlap and of support gaps. Beneficiaries were sometimes overwhelmed by the plethora of assistance offers but often disenchanted by the complexity of the establishment of support programmes which make it impossible or excessively cumbersome to cover certain needs at a short notice, notably as regards the provision of IT solutions and equipment. As a result, beneficiaries often multiplied the same requests for support to the entire donor community, leading to a loss of efficiency, potential "competition" among donors as well as unnecessary resources spent on organising the same support in parallel with other donors and on intensive coordination among donors to avoid overlaps. Consequently, there is a need for a "one-stop-shop" support centre which is able to provide a wide variety of support modalities to a wide range of beneficiaries, and which is both sufficiently present and flexible to allow organising support quickly, thus diminishing the incentive for beneficiaries to apply simultaneously to various donors. Moreover, where the fight against corruption was only a component of a larger programme, resources allocated to this component were limited, thereby limiting the projects' ability to support several more large-scale initiatives simultaneously, such as expert-intensive mentoring programmes or larger-scale training programmes abroad. A new substantial programme, exclusively dedicated to anti-corruption, would not suffer from these constraints. Thirdly, although donor coordination has already improved a lot since 2014, there is still room for further enhancing it and reducing overlap. The size and one-stop-shop approach of the project would not only allow to offer a very wide range of expertise but also make it an ideal candidate for enhancing donor coordination and cooperation in this area. Finally, it is likely to attract smaller donors to closely cooperate with the one-stop-shop support centre.

b) Need for continued political pressure to ensure continued progress of reforms

The Visa-Liberalisation Process has been acknowledged as a very powerful tool to bring about change in the area of anti-corruption despite strong resistance from vested interests. Since this process is coming to an end, it will be crucial to ensure that the proposed action is flanked and accompanied by appropriate political pressure to ensure that reforms continue to move in the right direction and prevent a possible backslide. It will be important to include appropriate anti-corruption conditionalities in a possible future EU assistance programme. Improved coordination with other IFIs, in particular the IMF and the World Bank, would increase the political leverage of the EU.

3.2 Complementarity, synergy and donor coordination

Donors active in the area of anti-corruption meet regularly and have a good level of awareness of what the others are doing. This initiative is expected to take donor coordination to a further level and work together with each institution based on its capacity building plan and turn the current supply driven approach into one which better responds to the demands and requirements of respective institutions.

In order to ensure a unified EU approach to providing assistance to anti-corruption, the proposed action will closely coordinate with the anti-corruption experts of the EU Advisory Mission as well as with the EU funded projects implemented by Council of Europe.

3.1.1 EU Support

The current EU support to anti-corruption reforms consists of both, budget support and technical assistance projects. The EU's main vehicle to provide technical assistance to the institutions involved in fighting corruption is running out by the end of 2016. In addition to the measures listed below, the EU supports anti-corruption reform through sectoral initiatives such as with the European Union Border Assistance Mission and the Twinning with the State Fiscal Service addressing integrity in the customs/State Fiscal Service, as well as specific initiatives on deregulation, public procurement, decentralisation (U-LEAD), financial services and energy. Anti-corruption activities are also supported via grants for civil society organisations.

The State Building Contract (EUR 355 million) was developed immediately in early 2014 and provided a framework for policy dialogue between the EU and the Ukrainian authorities on key reform areas, in particular anti-corruption. It comprised EUR 355 million non-reimbursable financial support subject to achievement of specific benchmarks including the creation of an anti-corruption investigative bureau, a mechanism for checking e-declarations in order to prevent potential corruption, actions to be taken against 'illicit enrichment', improved competition and transparency in public procurement and increased access to public information. Given delays in implementation the implementation period was extended for a year until autumn 2016.

Support to Justice Sector Reforms Project, EUR 8.6 million, (2013-2016). Implemented by a consortium of EU Member States led by Justice Coopération Internationale (France). The project helped to develop the Justice Sector Reform Strategy and Action Plan 2015-2020 and provides expert assistance needed for the plans' timely implementation. One out of six components consists in provision of support to anti-corruption activities. Organizational support is being provided, as well as embedded long term expertise and short term experts for ad hoc needs. The project had an important role in the preparation of the anti-corruption legislation, the setup of the new agencies and the trainings provided to the Anti-corruption Bureau.

EU Advisory Mission (EUAM): Established in July 2014 with the mandate to provide strategic advice to Ukraine's civilian security sector; the Mission's current mandate runs until November 2017. EUAM's main focus is on the reform of the law enforcement agencies, notably the police. As a cross-cutting issue, support to anti-corruption reform is part of EUAM's activities with experts providing strategic advice and capacity building activities, notably training, to Anti-corruption Institutions (NABU, SAPO, NAPC) as well as the Prosecution Office and the judiciary.

Council of Europe Programmatic Cooperation Framework (PCF) – Fight against corruption component (EUR 1 million, 2015-2017): The PCF programme is a regional programme of a total of EUR 30 million which provides assistance to the Eastern Partnership countries in the field of human rights, justice, rule of law, information society and democratic governance. A specific component on the Fight against Corruption of EUR 1 million, is

included supporting NABU, SACPO and NACP through trainings, experience exchange, expert advice and review of legislation.

Macro Financial assistance, EUR 1.8 billion, disbursable in three tranches, the first of which was released on 22 July 2015. The disbursement of the remaining two tranches is conditional on the implementation of a number of reforms, including in the anti-corruption field.

3.1.2 Other donors' support

United States of America: several projects to support rule of law reform (total 52 million for the period 2015-2020), The USA are providing support (capacity building and equipment) to NABU, SACPO and the Public Prosecutor's office, support to civil society, to rule of law reforms and the introduction of e-governance.

United Kingdom's Department for International Development (DFID); EUR 10 million in the area of rule of law): In the scope of a large Rule of Law Programme, the UK provides support to NABU (support to setting up NABU, its setting up training and capacity building (embedded financial investigator), communication strategy and IT solutions).

Denmark/United Nations Development Programme (UNDP), EUR 3.7 million – until 2018): Denmark provides support to establishing the NACP (development of regulations, SOPs, guidelines, capacity building of staff); asset declaration database set-up (software development).

The World Bank – supported the development of Terms of Reference for the establishment of the asset-declaration database.

Canada: The Canadian EDGE project assisted the establishment of NABU, notably through the secondment (until end 2015) of a resident advisor on capacity and institution building as well as by providing office furniture.

The Organisation for Economic Cooperation and Development (OECD), total EUR 1.2 million): This country-specific project aims to strengthen the legal and institutional capacity to effectively detect, investigate and prosecute high-profile and complex corruption in Ukraine. Support is provided to NABU and SACPO through training and capacity building as well as the future ARO/AMO through assistance in establishing unified database of confiscated assets.

The new programme would complement the existing donor landscape. It would come in after the end of the existing Justice Sector Reform Programme, thereby being the only major EU technical assistance initiative in the area of anti-corruption. It would also be one of the few donor programmes to provide not only expert advice but also supplies, notably IT solutions.

Considering the significant support provided by donors to the anti-corruption area, enhanced needs of donor coordination arise. Beneficiary-led donor coordination covering the whole anti-corruption spectrum is challenging considering the independent nature of many institutions as well as the involvement of civil society, media and Parliament. In this respect, it is proposed that this sizeable initiative will also provide a platform to coordinate donors in the anti-corruption area, and gather the various institutions together on a regular basis.

3.3 Cross-cutting issues

Good governance: this action will envisage specific measures aimed at improving the fight against corruption, minimising opportunities for misuse of power and public funds.

Human rights and the rule of law: increased knowledge of EU standards and practices will raise democratic standards, involvement of civil society organisations will be a guarantee for an efficient and stable surveillance of the reform progress in the area covered by this action.

Other issues: in implementation of this Action attention will be paid to ensure *equal opportunities* and *gender equality*. Given the links between gender inequality and corruption, the particular needs for technical assistance to establish or strengthen mechanisms to advance gender quality and women's empowerment in the fight against corruption will be identified during the programme's inception phase.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG targets Nr 16, 16.5, 16.6 and 16.a².

The **overall objective** of the programme is to improve the implementation of anti-corruption policy in Ukraine, thereby ultimately contributing to a reduction in corruption.

The **specific objectives** (SOs) are to:

- 1) Strengthen the operational and policy-making capacities of state institutions dealing with the prevention and the fight against corruption as well as the integrity of personnel of other justice sector institutions, in line with international norms and the best European practices;
- 2) Strengthen the Parliament's oversight of the reform implementation and its capacity to scrutinise and improve the strategic and legislative framework;
- 3) Enhance the capacity of civil society and media to contribute in fighting against corruption.

Results

Under SO1)

1.1 Newly created institutions function effectively, professionally and independently with trained personnel on best European practices; staff integrity of other relevant institutions improved;

1.2 Improved capacity of the judiciary to adjudicate corruption cases in an independent and impartial manner;

² Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Goal 16.5 Substantially reduce corruption and bribery in all their forms.

Goal 16.6 Develop effective, accountable and transparent institutions at all levels.

Goal 16.a Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime.

Under SO2)

2.1 Improved legal and regulatory framework;

2.2 An efficient oversight mechanism of the Parliament over the implementation of the anti-corruption reform and an enhanced ability to conduct anti-corruption assessments of draft legislation;

Under SO3)

3.1 Improved capacities of CSOs and media in exposing and investigating specific corruption cases;

3.2 Increased awareness of citizens on corruption mechanisms and anti-corruption activities;

3.3 Showcase of successful examples of fight against corruption at local level.

4.2 Main activities

Component 1: Strengthening Ukrainian institutional capacity in preventing and fighting corruption

1.1 Provision of expertise and European and international best practices through

- Trainings, in particular in the form of operational/investigative training ,mentoring and hands-on training including, as appropriate, by facilitating the creation of injoint investigative teams within existing bilateral or multilateral frameworks;

- Support to organisational development and human resources management;

- Analysis and recommendations on the strategic/legislative/regulatory framework, organisational structures and administrative processes, including on the interinstitutional communication and cooperation;

- Advice to the development and implementation of corruption risk analysis and integrity monitoring;

- Support to communication (including between the direct beneficiaries and other Ukrainian public institutions) and outreach activities.

1.2 Facilitation of international cooperation between the relevant Ukrainian anti-corruption/law enforcement authorities and relevant partners, in particular the relevant EU authorities/bodies (The European Anti-Fraud Office OLAF, Europol, Eurojust), authorities from EU Member States and/or neighbouring countries (e.g. Moldova, Georgia);

1.3 Needs analysis on information systems and procurement of agreed IT solutions and surveillance equipment;

1.4 Support of the anti-corruption reform measures in the judiciary, including by providing support to the creation of a new body responsibly for adjudicating corruption cases.

Component 2: Enhancing parliamentary oversight

2.1 Provision of expertise to the Parliament Anti-corruption Committee on the anti-corruption screening of legislative proposals as well as on structures and procedures of the Committee;

2.2. Support, as appropriate, the set up and functioning of an international advisory council for the Rada's Anti-corruption Committee.

Component 3: Strengthened oversight by civil society and the media

3.1 Support CSO activities in awareness raising campaigns, reforms monitoring, public perception and user satisfaction surveys, advocacy campaigns, policy dialogue, procurement/register monitoring, at central as well as at local level;

3.2 Support media activities to investigate specific corruption cases, programmes for investigative journalism, train journalists, provide appropriate analytical tools;

3.3 Launch regional pilot projects ("Clean city"), preferably carried out by Civil Society Organisations, to implement, in a concentrated fashion, a broad range of anti-corruption tools and measures in selected cities where there is strong local political backing for implementing reform in the area of anti-corruption. The pilot projects would support the development and implementation of anti-corruption programmes and innovative initiatives of civil society to visibly reduce corruption at local level (such as external monitoring activities, public procurement and service provision oversight, promotion of transparency and integrity). The exact geographical locations would need to be defined in coordination with the U-LEAD initiative in support of capacity building for decentralisation.

4.3 Intervention logic

This action is expected to contribute to scale up Ukraine's capacities to fight corruption. The programme is divided into three main components in line with the three specific objectives.

Component 1 will enhance the capacity of anti-corruption institutions.

Component 2 will strengthen the Rada's capacity to exercise parliamentary oversight and to hold the Government accountable for progress.

Component 3 will further increase the ability of civil society and the media to act as a watchdog over the reform process, raise public awareness about corruption and expose corruption cases through investigative journalism. Civil society will also be invited to develop innovative ideas for conducting regional/local pilot projects which visibly reduce corruption in a given location.

The proposed action builds on the successful elements of existing EU support in the fight against corruption in Ukraine and other countries in transition. It foresees the set-up of an innovative and flexible instrument that is able to respond on short notice to emerging demands of the new Ukrainian institutions bringing together resources from anti-corruption institutions in EU Member States.

The action intends to be a visible, one-stop support centre for the institutions aiming at fighting against corruption in Ukraine. It intends to be an anti-corruption initiative unprecedented in its comprehensiveness, involving a wide range of stakeholders, aiming to coordinate donors, enhance cooperation between Ukrainian institutions fighting corruption and EU Member States anti-corruption bodies and other international entities. Inputs to be delivered consist of specific short and long term expertise as well as equipment, exchange of experience events, training and analytical activities. Logistical support will contribute to the achievement of the results throughout. The action will take place mostly in Kyiv but also in the regions. It is based on the assumption that there is growing political will to fight against corruption, that institutions concerned will continue to receive the appropriate support from the Government, the Parliamentary advisory council will be supported by the Verhovna Rada

and that more than two years after Euromaidan there is increased awareness in wider society that only by fighting corruption can Ukraine develop further as a modern European state.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 42 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Indirect management with the Ministry of Foreign Affairs of Denmark (DANIDA)

This action will be implemented in indirect management with the Ministry of Foreign Affairs of Denmark (DANIDA) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the activities described in section 4.2 necessary to reach the objectives and results specified in the section 4.1. This implementation is justified because of:

- the good track record in preventing and fighting corruption of Denmark which scores as 1st in the Transparency International Corruption Perception Index 2015;
- long-standing experience in the successful implementation of EU-funded projects in third countries;
- proven expertise in the implementation of technical assistance projects in the area of good governance and anti-corruption projects,
- proven experience in Ukraine, in particular through its Good Governance program (2015-2018, DKK 60 million), which notably provides support to the establishment of the National Agency for the Prevention of Corruption (with UNDP), criminal justice reform (with the Council of Europe) and the Ombudsperson Office (with UNDP). DANIDA has also supported free media incl. investigative journalism in Ukraine since 2005 and civil society since 2009. Moreover, DANIDA co-finances the upcoming U-LEAD decentralisation programme (approximately DKK 40 million).

DANIDA would involve a number of other EU Member States, in the implementation of the programme and avail itself of their expertise and experience in the anti-corruption area.

The entrusted entity would carry out the following budget-implementation tasks: procurement procedures and conclusion of service and supply contracts, allocation of grants and execution of related payments.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR million)	Indicative third party contribution (amount in EUR million)
5.3.1. Indirect management with the Ministry of Foreign Affairs of Denmark (DANIDA)	14.5	1.34
5.8 Evaluation and 5.9 Audit	0.5	
Totals	15	1.34

5.6 Organisational set-up and responsibilities

In order to ensure co-ordination between the action components and the numerous stakeholders, a Steering Committee (SC) will be established to guide action implementation. EU guidance of the implementation will be very important given that the reform area is a particularly sensitive one. The SC will include representatives of the beneficiaries, the implementing partner and the relevant European Union services. The implementing partner will ensure the proper functioning of the SC, including preparation of the agenda in consultation with the European Union, sending the invitations, preparation and follow up of the minutes. The SC will meet quarterly but can also be convened on an extraordinary basis at the request of the implementer or the European Union.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as

reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.7 Evaluation

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants.

It will be carried out for problem solving, management- and learning purposes.

The Commission shall inform the implementing partner at least 15 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded in April 2018 and in October 2019.

5.8 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded in February 2018.

5.9 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or

entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources means and of verification	Assumptions
Overall objective: Impact	To improve the implementation of anti-corruption policy in Ukraine, thereby contributing to reducing the occurrence of corruption	<ul style="list-style-type: none"> - improved compliance with relevant GRECO and OECD recommendations - improved scoring/ranking of Ukraine in international anti-corruption rankings - reduced perception of and experience with corruption by citizens 	<ul style="list-style-type: none"> - 2015 Monitoring/Compliance reports by GRECO and OECD: recs outstanding - 2015 TI CPI (index 27 out of 100; place 130 out of 168) - 2015 KIIS/US funded study: 65% of citizens experience corruption 	<ul style="list-style-type: none"> - full compliance with relevant GRECO/OECD recommendations by 2019 - index in TI CPI increased to 33 by end 2019 - significant decrease in the number of citizens who had personal experience with corruption by 2019; - significant improvement in citizens' assessment of the effectiveness of anti-corruption measures 	<ul style="list-style-type: none"> OECD/GRECO reports International indices National surveys Media and civil society reports 	<ul style="list-style-type: none"> Overall political situation of the country remains stable Government continues to be at least nominally committed to reforms, including in the area of judiciary International donors continue to coordinate their support activities in the anti-corruption area

Specific objective(s): Outcome(s)	<p>1) Strengthen the operational capacities of state institutions dealing with prevention and fight against corruption as well as the integrity of judges and prosecutors following international norms and the best European practices</p>	<p>- increase in number of declarations on assets, conflict of interest, political party expenditure verified; - sanctions for non-compliance imposed</p>	0	From 0 to 100% in the period 2016-2019	Case statistics of anti-corruption institutions, notably NABU, courts, media and civil society reports	Same as for impact
		<p>- increase in number of high-level corruption cases investigated, brought to indictment and adjudicated - increase in number of assets seized and managed</p>	0	Significant number of sanctions (fines) imposed		
		<p>2) Strengthen parliamentary oversight over reform implementation and Parliament's capacity to scrutinise and improve the strategic and legislative framework</p>	<p>2/2016 NABU report: Investigated: 2 Indicted: 1 Sentenced: 0</p> <p>2015: about EUR 400</p>	Significant increase in investigations into high-level corruption, indictments, sentences and assets seized		
	<p>3) Enhance the capacity of civil society and media to fight corruption (including advocacy campaigns, awareness-raising, analysis and research, monitoring of anti-corruption policies, media scrutiny into corruption cases and others), including by demonstrating the feasibility of progress in the fight against corruption at local level through targeted pilot projects ("clean city")</p>	<p>number of recommendations of international advisory council and/or Anti-corruption committee followed by Rada or government</p>	2016: 0	At least 50%	Reports from the advisory council, media and civil society reports	
		<p>number of CSO activities supported and successfully implemented by the programme</p>	2016: 0	10-15 per year		
		<p>numbers of corruption cases investigative journalism reported to the governmental authorities</p>	2016:	2019:		
		<p>decrease in personal experience with corruption/increase in readiness to report corruption in the targeted municipality</p>	Survey to be conducted by project	Measurable decrease/increase	Surveys to be conducted, media and civil society reports	

Outputs	<p>Component 1 1.1 Newly created institutions function effectively, professionally and independently, personnel of all relevant institutions is recruited or, as appropriate, re-evaluated and appropriately trained with sufficient knowledge of best European practices</p>	<p>Percentage of operational capacity (number of staff hired)</p>	<p>2016: NABU 50% NAPC: 1% ARMO: 0%</p>	<p>2018: All agencies are 100% staffed</p>	<p>Project reports, Agencies activity reports, media and civil society reports</p>	<p>See above</p>
		<p>Number of beneficiary staff trained by the project, number of staff satisfied with the trainings provided</p>	<p>0</p>	<p>To be established during contracting</p>		
	<p>1.2 Improved capacity of the judiciary to adjudicate corruption cases in an independent and impartial manner</p>	<p>Level of trust of population in the judiciary with respect to the adjudication of anti-corruption cases</p>	<p>2016: 5% (for the judiciary in general)</p>	<p>If specialised chambers are created and operational, at least 35%</p>	<p>Surveys by civil society</p>	
	<p>Component 2</p>	<p>0</p>				
	<p>2.1 Improved legal and regulatory framework</p>	<p>Number of reports issued by AC advisory council;</p>	<p>2016: 0</p>	<p>15</p>		
	<p>2.2 An efficient oversight mechanism of the Parliament over Anti-corruption reform implementation, and an enhanced ability to conduct anti-corruption assessments of draft legislation.</p>	<p>Percentage of recommendations taken on board</p>	<p>2016: 0</p>	<p>50%</p>		
	<p>Component 3</p>	<p>Number of investigative journalists supported</p>	<p>2016: 0</p>	<p>By 2019: 15</p>		
	<p>3.1 Improved capacities of CSOs and media in exposing and investigating specific corruption cases;</p>	<p>Number of events, campaigns etc. supported</p>	<p>2016: 0</p>	<p>2019: 25</p>		
	<p>3.2 Increased awareness of citizens on corruption mechanisms and anti-corruption activities</p>	<p>2016: 0</p>	<p>2016: 0</p>	<p>By 2019: at least 3</p>		
	<p>3.3 Showcase of successful examples of fight against corruption at local level</p>	<p>Number of successful regional showcases</p>	<p>2016: 0</p>	<p>3</p>		



ANNEX 2

of the Commission Implementing Decision on the Special Measure 2016 for Anti-corruption and Support to Key Reforms in favour of Ukraine

Action Document for the Technical Cooperation Facility 2016

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning grants awarded directly without a call for proposals: 5.3.1 Grant: direct award "Support to the National Public Broadcaster of Ukraine" (direct management) and 5.3.2 Grant: direct award "Convergence of certification systems based on the Arrangement between the State Aviation Administration of Ukraine and the European Commission on convergence of Certification Systems" (direct management).

1. Title/basic act/ CRIS number	Technical Cooperation Facility 2016 CRIS number: ENI/2016/039-505, financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	Neighbourhood East The action shall be carried out at the following location: Ukraine
3. Programming document	Not available (programming process for 2014-2017 was halted due to the ongoing unrest and uncertainty in Ukraine)
4. Sector of concentration/ thematic area	Media/Audio-visual, Financial Services, Transport, Labour.
5. Amounts concerned	Total estimated cost: EUR 29.75 million Total amount of EU budget contribution: EUR 28.5 million This action is co-financed by potential grant beneficiaries for an

	indicative amount of EUR 1.25 million			
6. Aid modality(ies) and implementation modality(ies)	Project Modality <ul style="list-style-type: none"> – Direct management: <ul style="list-style-type: none"> ○ Grants – direct award ○ Procurement of services – Indirect management with the International Labour Organisation (ILO) – Indirect management with the European Bank for Reconstruction and Development (EBRD) – Shared management 			
7. DAC code(s)	15110 - Public Sector Policy and Administrative Management			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X		<input type="checkbox"/>
	Gender equality (including Women In Development)		X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X		<input type="checkbox"/>
	Climate change adaptation	X		<input type="checkbox"/>
	9. Global Public Goods and Challenges (GPGC) thematic flagships	n/a		

SUMMARY

This Action aims at supporting Ukraine in designing and implementing key reforms stemming from the EU-Ukraine Association Agreement (AA), including its Deep and Comprehensive Free Trade Area (DCFTA), as well as from other bilateral agreements.

The action will provide policy advice, advice on legal approximation process with the EU, and capacity building in priority areas covered by the EU-Ukraine Association Agreement and the Association Agenda. Particular attention will be paid to governance issues, especially ensuring evidence-based policy and legislative development, including Media/Audio-visual, Financial Services, Transport, and Labour inspections reforms, as well as key reforms supported through EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA) and linked primarily to high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman.

The action will also support the participation of Ukraine in the Danube Transnational

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

The EU-Ukraine Association Agreement (AA), which includes a Deep and Comprehensive Free Trade Area (DCFTA), was signed in March and June in Brussels. On 16 September 2014, the AA was simultaneously ratified by the European Parliament and the Verkhovna Rada of Ukraine.

As of 1 November 2014, AA provisions in areas including the respect for human rights, fundamental freedoms and rule of law; political dialogue and reform; justice, freedom and security; economic and financial cooperation are provisionally applied in parts. Since 1 January 2016, provisions related to trade and trade related matters (DCFTA) are provisionally applied in parts.

. Provisional application of the DCFTA part of the Agreement entered into force on 1 January 2016.

The Association Agreement will continue to be a key instrument for carrying out the much-needed reforms in Ukraine in the years to come, underpinned by the EU's support. Its implementation is being prepared and supported by the EU-Ukraine Association Agenda.

On 17 September 2014, the Government of Ukraine adopted the Action Plan on Implementation of the AA for the period of 2014-2017.

Furthermore the Government adopted in October 2014 the Ukraine 2020 Strategy, which sets out a vision for the development of the country and identifies ten priority areas for medium to long-term reform and development. To oversee the reform process, a National Reform Council - bringing together Parliament, Government and Civil Society- has been set up under the Presidential Administration. The Strategy provides the basis for the Coalition Agreement that orients to new Government in its annual work plans. It also provides a potential framework for streamlining dialogue with the international donor community to improve the coordination of the different flows of assistance.

1.1.2 Stakeholder analysis

The key stakeholders will be the concerned ministries and other central executive bodies, relevant civil society groups and also, though indirectly, the donor community. This action will primarily impact on the public authorities in the areas covered by the AA and the DCFTA.

Given indicative thematic priorities of this action the following Ukrainian stakeholders will play a major role in the action's implementation process:

Sector	Stakeholders
Media/Audio-visual	National Public Broadcaster of Ukraine (NPBU) (public joint stock company) <i>Interaction with:</i>

Sector	Stakeholders
	Ministry of Economic Development and Trade State TV and Radio Committee of Ukraine National Broadcasting Council of Ukraine (regulator) Verkhovna Rada of Ukraine (Parliamentary Committee on Freedom of Speech and Information)
Financial Services	Ministry of Economic Development and Trade Ministry of Finance The National Bank of Ukraine The National Commission for Securities and Stock Market The National Commission on State Regulation of Financial Services Market (or, in case, of reorganisation, another entity charged with the regulation and supervision of insurance market)
Transport	Ministry of Infrastructure of Ukraine State Aviation Administration of Ukraine
Social _ Labour market	Ministry of Social Policy State Labour Service Representative trade-unions and employers' organisations members of the “Tripartite Social and Economic Council”
Key sector reforms supported by the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account linked to the public administration reform, National Reform Council and Business Ombudsman.	Multi (public administration bodies subject to reform) National Reform Council Business Ombudsman
Danube Transnational Programme (2014-2020).	Ministry of Economic Development and Trade Ministry of Foreign Affairs

1.1.3 Priority areas for support/problem analysis

This action in particular will ensure further support with regard to policy development and, legal approximation process with the EU and capacity building measures in the following priority areas:

- Media freedom, including public broadcasting;
- Economic governance including financial services;
- Transport, including transport master plan and aviation;
- Social reforms, including labour inspection;
- Key sector reforms supported through the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA) linked primarily to high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman;
- Participation of Ukraine in the Danube Transnational Programme.

In order to ensure implementation and enforcement of adopted policies and legislation, specific attention will be paid on the quality of the legislative and policy-making process, i.e. draft proposals should be based on evidence, the cost of their implementation should be calculated and budgeted and they should be consulted at the right time of the process with internal and external stakeholders. The evidence based policy and legislative development is an integral part of public administration reform efforts and will need to be addressed in all sectors.

Background information and problem analysis related to the above mentioned priority areas are provided in the sub-sections below:

1.1.3.1 Media freedom, including public broadcasting

The implementation of Ukraine's commitments under the Association Agreement and the Association Agenda will require respect for freedom of expression and the media, including a stable, impartial media environment. In the present context of a distorted media environment, with a general lack of impartial and objective news reporting by the main TV and radio in the country, the development of a credible and independent Public Broadcaster is of utmost importance. The existence and proper functioning of an impartial, financially and politically independent public broadcaster is therefore both a condition for such a conducive media environment, and part of the implementation of the Association Agreement itself.

For the last 10 years the EU has been promoting the development of an independent public broadcasting in Ukraine, through political dialogue, technical assistance (together with Council of Europe) and civil society initiatives. While after the Orange revolution in 2005, the first attempts to set up such broadcaster had not reached any concrete results, in March 2014 a new law on public broadcaster (PBS) was adopted and signed by the President. This has set up the appropriate legal framework for the development of an independent service.

The newly established public broadcaster, the National Public Broadcaster of Ukraine (NPBU), is created on the basis of the previously State broadcasting services: with outdated equipment, outdated organisational structure and weak institutional capacity (similar to many State bodies).

Since the adoption of the law on PBS, tremendous steps towards reforms have been done, especially in management and editorial policy. The rating of the quality of the news produced by the National Public Broadcaster of Ukraine (NPBU) is quite emblematic: while it was considered until summer 2015, as a State television, it reached a degree of independence and impartiality in news reporting that ranks it above all other channels in the country.

Still, the sharp improvement of the quality of the news is hampered by systemic problems such as outdated equipment and inadequate newsroom facilities, doubled with a limited number of trained staff.

The setting up of a digital multiplatform Newshouse, backed with appropriate training capacities and mentoring of staff, will act as a flagship reform for a visible impact on the media environment. It will not only provide for independent, balanced and high quality news, but also set the standards for other media and thus secure a key pillar of democracy.

Backing the NewsHouse, the establishment of a permanent training centre for preparation, professional development and/or occupational retraining of the public service broadcaster's staff both at the central and regional levels, will ensure efficiency and sustainability for reforms in NPBU, and reaching the point of no return for the creation of a permanent basis of quality, objective, unbiased content for all population segments.

1.1.3.2 Economic governance including financial services

Since 2014 steady efforts have been made to clean up the financial sector and enhance its integrity, particularly on the banking side. A sound programme of reform has been developed by the regulatory authorities and adopted by the National Reform Council. Demonstrable progress has been achieved and there has been good cooperation among regulators and donors.

An efficient and well-regulated broader financial sector has a crucial role to play in providing access to capital and taking pressure off the banks. It also serves a basic need for sustainable insurance and pension provision. At present the financial sector is unable to perform these functions. It is extremely underdeveloped and is characterised by a lack of transparency and high levels of market abuse. The lack of adequate regulation puts investors and consumers at risk.

While the priority of donors has been on the recovery of the banking sector, few actions have so far been taken towards the development of alternative financial markets.

Investment and insurance firms have been established and are operating but they lack operational and financial capacity to assume reasonable risk-taking and provide effective intermediation services. Trading on regulated markets has moreover been fragmented due to the large number of trading venues available to handle small amounts of client orders. Therefore, overall market liquidity has been low whilst market volatility has been high.

The severe lack of transparency in the capital market is a serious impediment to progress. The requirements for issuers of shares to prepare a prospectus - a formal legal document that provides details about an investment offering for sale to the public – are weak and do not facilitate informed investment decisions.

The legislative framework on collective investment funds is also weak and differs substantially from that of the EU in terms of investment funds classification, requirements and eligible assets. Venture funds are mostly used for tax optimization (avoidance) schemes. Less than 10% of the industry is represented by "public funds" which are the closest analogue to the EU's collective investment funds – UCITS (Undertakings for the collective investment in transferable securities). The quality of the assets of such funds and the approach to asset valuation is quite poor. There are no incentives for the development of innovative projects through investment funds and venture funds are not used for conventional venture capital activities. The public funds do not play their proper function of contributing to the distribution of capital on the market and do not provide resources for industry. Reform and better regulation is needed.

Historically insurance companies have not been viewed as potential sources of systemic crisis or as institutions that could have a major role in transmitting financial crises domestically or internationally. Concerns regarding the stability of insurance companies have not matched

those of banks, so that there has been somewhat less emphasis placed on the objective of financial stability in insurance regulation compared to banking regulation. However, failure of insurance companies has affected public confidence in financial institutions and the regulatory system, with negative repercussions on financial markets as a whole. Furthermore, the complex nature of insurance risks (both non-financial and financial), and the longer-term nature (long maturity) of some insurance contracts, has led to pronounced problems of asymmetric information between insurers and consumers in relation to product offerings.

Another peculiarity of the Ukrainian insurance market is the low development of mediation services. In developed markets insurance intermediation in distributing private insurance policies is preferred over direct sales undertaken by insurers for various reasons, including a more individual approach tailored to customer needs, qualified external advice and stronger incentives to represent and advocate clients' interests. In Ukraine, insurance brokers distribute less than 10 percent of total insurance policies sold annually, mainly focusing on real estate insurance rather than life and non-life insurance. Most of the brokers operate in the capital market only.

Against this background the Association Agreement includes extensive provisions to bring Ukraine into line with EU and international standards of financial services regulation and supervision. There are approximately fifty EU Directives and Regulations to be complied with and it will take a considerable number of years to achieve that goal. Extensive technical assistance will be required. The regulatory authorities have recognised this by putting in place their own donor coordination mechanisms guided by their comprehensive "2020 Plan". The authorities have already been working on the transposition of some of the legislation covered by the AA/DCFTA (conducting gap analyses and drafting legal acts); however progress so far has been rather fragmented and limited due to capacity constraints.

1.1.3.3 Transport, including aviation

Ukraine's economic revival depends on the presence of a high quality transport system. Effective transport is not only the prerequisite for personal mobility but it is also the backbone of the economy, thereby enabling development of trade and of people to people relations and thus for unleashing the full potential of the Association Agreement and of its Deep and Comprehensive Free Trade Agreement. Ukraine's transport system is in very poor shape. Its infrastructure is largely obsolete. This situation could not be solved easily having in mind the economic crisis and the lack of proper planning. The experience up to date has not been positive:

- The budget for maintenance of the infrastructure is extremely limited and no modern planning mechanism how to make a prioritisation between the transport modes, sections exists. Thus, the model and master plan will serve as a tool for prioritisation;
- The selection of priority infrastructure projects does not take place on the basis of transparent and objective criteria. Many projects take an unduly long time and construction costs are relatively high, which opens a room for a high corruption.

This situation is not only damaging because it hinders the development of an effective transport system and affects the revival of the economy; it also reflects the deficiencies of the "doing business" environment that reduce the credibility of Ukraine as an investment target and as a trade partner. Certainly at a time where the international community is preparing

itself for a collective effort to support Ukraine on its path to reform, it is crucial that these weaknesses are seen to be addressed.

This deficiency should be alleviated by a proper reform of planning mechanism and application of legislative, administrative, operational and organisational improvements. Such a step forward will assist the establishment of an accountable, transparent and effective system for infrastructure planning.

These problems are considered by the IFIs as an important obstacle for the effective project delivery and there is a common understanding that this is a priority need.

The assistance for improvement of public governance in the transport sector will contribute to the efforts of the Government in the Public administration reform activities on a sectoral basis, focussing on:

- modernising the infrastructure planning approach, including its multimodal component;
- efficient use of state resources through clear identification of priority projects;
- anticorruption;
- increased transparency and accountability in government decision making;
- wider public participation, responsiveness, consensus orientation, etc.;
- improved investment climate in the transport sector.

In this context, the Government of Ukraine, through the Minister of infrastructure of Ukraine requested the EU to support the reform process and finance the project for establishment of a national transport model and development of a national transport master plan and received a positive reply.

It is directly related to the obligations of Art. 367 b) of the AA to "promote efficient, safe and secure transport operations as well as inter-modality and interoperability of transport systems" and of Art. 369 2. on "removing administrative, technical, cross-border and other obstacles, improving transport networks and upgrading the infrastructure".

The Common Aviation Area Agreement (CAA) was initialled in the margins of the Vilnius Summit on 28-29 November 2013. Signature of the CAA Agreement was envisaged in the first half of 2014, but it is still pending. The then connected Memorandum of Understanding on Convergence of certification systems (MoU) and related Working Arrangements (WA) with the EASA were meant to be signed in the context of the EU-UA Common Aviation Area Agreement.

Because of the pending conclusion of CAA the work on the initially foreseen linked documents has been done separately. The new Working Arrangements were concluded between EASA and Ukraine in January 2016. The MoU was transferred into the text of the Arrangement between the State Aviation Administration of Ukraine (SAAU) and the European Commission on Convergence of Certification Systems. The latest version of the draft Arrangement on convergence of certification systems was modified by the SAAU in April 2015 to change from a signature by the Minister to signature by the SAAU. The Arrangement document serves as basis for the project in question and is expected to be signed between the Commission and the SAAU when the EU funds for this assistance are earmarked.

The EU-UA Common Aviation Area Agreement foresees consecutive recognition of Ukrainian certificates, licences and approvals in Air crew certificates (by the end of the first transitional period) and ATM/ Air navigation certificates (by the end of the second transitional period). No recognition of certificates in the field of initial and continuous airworthiness or flight operations, despite the strong initial demand by the Ukrainian side is foreseen. The EU and Ukraine keep their own certification methods and are working towards the Arrangement on convergence of certification systems.

1.1.3.4 Social reforms including labour inspections

In line with Articles 419 and 420 Chapter 21 of the AA both parties agreed to strengthen their dialogue and cooperation on promoting a decent work agenda, employment policy, health and safety at work, social dialogue, social protection, social inclusion, gender equality and anti-discrimination. In practical terms, cooperation will address the following goals: more and better jobs with decent work conditions; promoting social fairness and justice, while reforming labour markets, promoting conditions of labour markets that combine flexibility with security, reducing the informal economy by transforming undeclared work; improving the level of protection of health and safety at work, including by training on health and safety issues, promotion of preventive measures, prevention of major accident hazards, management of toxic chemicals, and exchange of practice and research in this area; promoting gender equality and ensure equal opportunities between women and men in employment, education, training, economy and society, and decision-making. Moreover, under the DCFTA part of the AA, chapter 13, Article 291, both parties agree to promote and implement in their laws and practices the internationally recognised core labour standards.

The Government of Ukraine has already started the process of reform and has set up a new State Labour Service responsible for achieving the above mentioned goals, including the elaboration of a revised legal basis to be in line with EU norm and standards including with 24 operational EU legal acts (directives). The State Labour Service will require substantial support for capacity building and training plus support to legislation approximation in all three pillars: safety at work place, sanitary norms, and controlling the implementation of labour legislation, including international labour standards by legal entities to exclude discrimination and violations of labour rights.

1.1.3.5 Participation in the Danube Transnational Programme

The Danube Transnational Programme (2014-20) is a financing instrument that supports the policy integration in the Danube region in selected fields. The programme is linked to the EU Strategy for the Danube Region from 2011. The strategic vision of the programme is policy integration below the EU-level, and above the national level in specific fields of action. The programme aims to act as a policy driver and pioneer to tackle common challenges and needs in specific policy fields where transnational cooperation is expected to deliver good results through the development and practical implementation of policy frameworks, tools and services and concrete pilot investments.

The western part of Ukraine¹ is part of the Danube Transnational Programme as well as of the EU Strategy for the Danube Region (EUSDR) and its participation is coordinated by the Ministry of Foreign Affairs and the Ministry of Economic Development and Trade.

Both the Danube Transnational Programme and the EU Strategy for the Danube Region contribute to the implementation to the Association Agreement Chapter 19 on the Danube River and Chapter 27 on cross-border and regional cooperation. The participation of Ukraine in the Danube Transnational Programme will contribute to further strengthen the policy making capabilities of the Government of Ukraine. Exchange of experiences, know-how and lessons learnt with neighbouring countries will contribute to deepen the professional knowledge and motivation of public employees involved in the programme.

1.1.3.6 EBRD-Ukraine Multi-Donor Account (MDA)

Key sector reforms supported through the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA) are linked primarily to high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Limited capacity of the Government to effectively perform functions of policy coordination, policy analysis (regulatory, fiscal, etc.) impact assessments, inter-ministerial coordination and public consultations.	M	Policy dialogue and assistance to ensure strengthening of policy coordination function and improve evidence-based policy and legislative development and organisation of public consultations.
Priorities of the Government (e.g. in public broadcasting, financial services, transport, labour inspection) are not supported by sufficient budget resources leading to inability of competent state bodies to implement relevant reforms.	H	Monitoring of key focal sectors by the EU and its partners. Intensive policy dialogue in the context of public finance management.
Non-adoption or inconsistent legislation, as well as deviation from the declared policy objectives during actual implementation.	H	Intensive policy dialogue, especially, in the area of democratic governance and economic policy.
Public policy making is undermined by conflicts of interest. Quality of the civil	H	Open and frank dialogue at all levels with Ukrainian counterparts, and

¹ Covering the following regions: Chernivetska Oblast, Ivano-Frankiviska Oblast, Zakarpatska Oblast and Odessa Oblast

<p>service and the degree of its independence from political pressures, the quality of policy formulation and implementation are weak and undermined by political influence.</p>		<p>indirectly through support to civil society and the media raising these issues.</p> <p>Advisory support to finalisation and adoption of the new law "On civil service" and law "On administrative procedure".</p>
<p>Assumptions</p>		
<ul style="list-style-type: none"> <input type="checkbox"/> Ukraine pursues its objective of effective implementation of the EU-Ukraine Association Agreement; <input type="checkbox"/> Ukraine pursues its efforts to improve its public administration based on Principles of Public Administration and is committed to ensuring evidence-based legislative and policy development; <input type="checkbox"/> Government enhances its donor coordination effort and supports improvement of decision-making processes in line with European principles; <input type="checkbox"/> Continued Government commitment to implement the National Transport Strategy; <input type="checkbox"/> Signature of the Arrangement between the State Aviation Administration of Ukraine and the European Commission on Convergence of Certification Systems. 		

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The past EU assistance to Ukraine was often characterised by limited capacity of the beneficiary institutions in terms of strategic management, instability of senior and middle level civil servant and strong dependence of the projects' outputs on the approval of new legislation/regulations by the Government or the Parliament. Consequently, political support at a high level is a crucial trust factor for the successful implementation of assistance projects.

With regard to reform formulation and implementation process, experience shows that a lack of coordination, unclear division of tasks and insufficient budget allocations to the sector may affect greatly the progress of reforms.

This action will therefore promote a strategic approach to providing assistance, meaning that each assistance project shall be directly linked to clearly identified reform strategy and well-designed and budgeted implementation plan.

A general lesson learnt, applying to all sectors, is that policy and legislative development needs be evidence-based, costed and subject to appropriate internal and external stakeholder consultations at the right time of the legislative and policy-making process. This is a key in ensuring implementation and enforcement of adopted policies and legislation.

The Technical Cooperation Facility has proven to be a flexible and effective tool to address a wide range of reform priorities which is particularly important in Ukraine given the ambitious and comprehensive reform agenda of the country.

3.2 Complementarity, synergy and donor coordination

The action will complement actions in support of preparation for the implementation of the AA launched under 2011-2015 Annual Action Programmes and Special Measures.

On media/audio-visual - The action is also complementary to the programme on anti-corruption (AAP 2016) as support to an independent public service media will support anti-corruption measures. It is designed and will be implemented in synergy with other donors' activities, especially Member States.

On financial services - The action is complementary to:

- The **EU** funded project **FINSTAR** ("Technical Assistance in Financial Sector Priority Areas"; EUR 3.4 million) focussed mainly on banking and certain cross-cutting areas, including unified financial reporting; financial statistics; macro-prudential supervision; consolidated supervision and the supervisory review process for banks.
- On banking supervision, the **IMF** and the **World Bank** have provided a fair amount of assistance to promote banking sector reform and to tackle the longstanding problem of related party lending.
- In the non-bank financial sector the **EBRD** has provided support for the development of the derivatives (particularly foreign exchange) market and for clearing and settlement systems; and the **IMF** is assisting with anti-market abuse legislation. There is little other assistance at present though **USAID** is planning some assistance focussing on enforcement of stock exchange rules. None of these activities would be covered in the proposed project.

On transport - The action is complementary to:

- The **EU Transport Sector Budget Support** worth EUR 65 million, accompanied by the technical assistance project "Support the Implementation of the Transport Strategy of Ukraine" aimed at support in the implementation of the National transport strategy of Ukraine.
- **EU Twinning projects**: Since 2007 numerous twinning projects have been completed in the following fields: civil aviation, road safety, rail transport, transport policy design and development of multimodal transport. Road safety in commercial transport twinning project is on-going currently, and twinning projects in the area of civil aviation and transportation of dangerous goods are being contracted and expected to be launched in summer 2016. New twinning project in rail transport is being tendered.
- **The EU Technical Assistance** project "Support to the Implementation of the Association Agreement and of the National Strategy in Transport Sector in Ukraine" has started in 2016.
- **EU TRACECA** Projects: Transport Dialogue and Networks Interoperability II; and Maritime Safety and Maritime Security.
- **The EIB** financed project "Modernization and safety improvements of the road network in Ukraine" has been launched recently.

On donors' coordination - The existing Government-Donor coordination mechanism will be used for the overall coordination of this action. It will be led by the Ministry of Economic Development and Trade (for technical assistance). Donor coordination in specific thematic areas will be led by relevant state bodies.

3.3 Cross-cutting issues

The key cross-cutting issues covered by this action are presented below:

Human rights and the rule of law are essential elements of the AA. The following two main outcomes are expected in this regard: increased knowledge of EU standards and practices will raise democratic standards, involvement of civil society organisations will be a guarantee for an efficient and stable surveillance of the reform progress in main area covered by this action.

Policy development and coordination: this action will envisage that all legislation and policies are developed in an evidence-based and consultative process that ensures 'better regulation'.

Accountability and Integrity of public administration: this action will envisage specific measures aimed at improving transparency of public administration and at eliminating or minimising opportunities for corruption and misuse of public funds.

Other issues: in implementation of this Action attention will be paid to ensure equal opportunities, gender equality, and sustainable environment as appropriate.

Also the Danube Transnational Programme covers interventions to enhance the capacities of the beneficiary to participate in projects dealing with equity, social cohesion, gender equality, poverty and social inclusion.

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the **Agenda 2030**. It contributes primarily to the progressive achievement of Sustainable Development Goals (SDG) particularly for the following Goals:

- Goal 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- Goal 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels;
- Goal 9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

This does not imply a commitment by the country benefiting from this programme.

Overall objective:

To effectively raise Ukrainian public authorities' capacities in designing and implementing key reforms stemming from the Association Agreement and its DCFTA, including capacity to carry out legal approximation process with the EU, in the following priority areas: media freedom, including public broadcasting; economic governance, including financial services; transport, including aviation; social reforms, including labour inspections, and participation in the EBRD MDA and the Danube Transnational Programme.

Specific objectives:

SO1) **On media/audio-visual**: To improve the effectiveness of the Ukrainian public broadcaster including the functioning of a digital multiplatform Newsroom and a training centre, in order to create the permanent basis of quality, objective, and unbiased news content

for all population segments (television, radio, and new media both on the all-national and regional levels).

SO2) On financial services: To strengthen the regulation and supervision of the non-bank financial services sector and, in so doing, encourage the development of alternative sources of finance and investment opportunities.

SO3) On transport model and master plan: To create a strategic and clear basis of technical data, multimodal technical studies to identify projects in the transport sector in Ukraine for investment programming in the medium and long term.

SO4) On aviation: To promote confidence building and awareness in order to achieve convergence of the Ukrainian initial and continuing airworthiness and maintenance certification system with the applicable EU requirements.

SO5) On social-labour: To support the Government of Ukraine in setting up a fully functional and modern State Labour Service.

SO6) On the contribution to the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA): To support key reforms linked primarily to high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman.

S07) On the participation of Ukraine in the Danube Transnational Programme: To strengthen the administrative capacity of the Ukrainian administration both at central and local level to ensure their efficient participation in the Danube Transnational Programme.

Results

R1) On media/audio-visual:

- Improved ability of the public broadcaster to produce high quality news programme; up scaled independence, quality and rating of the Public Broadcaster; improved information environment in Ukraine;
- Existing and functioning NewsHouse, ensuring quality news and full synergy of work of the network of 24 regional and central office of NPBU;
- Existing and functioning Training Centre, including curricula, operational at central and regional levels.

R2) On financial services:

- In line with the evidence-based approach priority legislation is adopted by Ukraine after due consideration of the relevant EU financial services *acquis*; and the corresponding implementing regulations are developed and implemented;
- Tightened capital requirements, market entry rules and supervisory processes are introduced for non-bank financial intermediaries, including investment firms, asset management firms, investment funds, insurers, insurance brokers and agents, private pension funds, providers of leasing services;

- Market clean-up and consolidation process undertaken for non-bank financial institutions, reflected in the departure of weak institutions from the market and new investment opportunities;
- Clear messages developed and delivered to market participants and to the public, explaining the rationale and process of the reforms;
- The functioning of trade- and post-trade operations and capital markets infrastructure is strengthened;
- Strengthened institutional capacity of regulatory authorities.

R3) On transport model/master plan:

- Analysis of the existing transport system and identification of the shortcomings/weaknesses that should be corrected are prepared;
- Quantification of the existing supply and demand regarding transport sector is accomplished;
- Operational National Transport Model, allowing the national authorities to have better understanding of existing or future transport problems, thereby supporting infrastructure design and operational planning, is developed;
- Effective and deliverable National Transport Plan, applying multimodal approach and serving as a fundamental tool for the right planning decision and ensuring that limited resources are effectively targeted, is elaborated;
- Better qualified staff and institutionally enhanced structure of the relevant stakeholders for transport planning are available.

R4) On aviation transport:

- Actions required for convergence of the Ukrainian initial and continuing airworthiness system and maintenance certification system with the EU one are identified, elaborated and launched for implementation by the State Aviation Administration of Ukraine, following the internal approval of the Convergence document and being supported by EASA.
- Confidence building and awareness in order to achieve convergence is promoted between EU and Ukrainian stakeholders, ensuring an equivalent level of aviation safety and providing the basis for considering a Bilateral Aviation Safety Agreement (BASA) between the EU and Ukraine at a later stage.

R5) On social reforms and labour inspection:

- Improved ability of the Ministry of Social Policy and the State Labour Service to strengthen their dialogue and cooperation on promoting a decent work agenda, employment policy, health and safety at work, social dialogue, social protection, social inclusion, gender equality and anti-discrimination;
- The State Labour Service body operates as a modern Labour Inspectorate, in line with ILO Conventions (including controls and inspections, policy advice to the authorities and pedagogical functions to companies to better comply with labour and social legislation).

R6) On the contribution to the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA):

- Key urgent reforms needed to stabilise the economy and linked primarily to high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman are effectively supported in line with the principles governing this multi-donor fund.

R7) On the Danube Transnational Programme:

- The regional cooperation among the Public Administration of Ukraine and other participants to the EU Strategy for the Danube Region (EUSDR) is improved at sectorial level.
- Public Administration employees participate in the Danube Transnational Programme 2014-2020 and the capacities of public institutions and key actors involved in complex transnational project development to implement the EUSDR are enhanced.

4.2 Main activities

The main activities are presented through the main specific objectives:

Specific objective	Main activities
SO1) On media/audio-visual:	<ul style="list-style-type: none"> – Establishment of a digital multiplatform Newsroom to promote the production and dissemination of reliable information through the network of 24 regional and the central office of NPBU; – Establishment of a permanent training centre for preparation, professional development and/or occupational retraining of the public service broadcaster's staff both on the central and regional levels; – Capacity building, organisational development, expert support and mentoring by EU Public Broadcasting related organisations, including possibly partnership with EU Broadcasters on content development.
SO2) On financial services	<ul style="list-style-type: none"> – Strengthening the operation and integrity of investment firms and other financial intermediaries, including clarification of scope of business; development of prudential supervision and conduct of business rules (including market entry requirements); – Strengthening the transparency and credibility of issuers of securities, including prospectus requirements for public companies; simplification of the procedure for private placement; upgrading of disclosure requirements; – Establishment of rules for collective investment schemes (including issuance, governance and marketing);

Specific objective	Main activities
	<ul style="list-style-type: none"> <li data-bbox="608 159 1410 304">– Private pension funds: strengthening oversight of portfolio quality and interaction with clients, establishment of mechanisms for the transfer of portfolios in case of insolvency; <li data-bbox="608 344 1410 490">– In cooperation with other donors – review of Ukrainian pensions law, development of proposals for the establishment of a three-pillar pension system taking into account the EU legislation relevant for pensions; <li data-bbox="608 530 1410 819">– Establishing a risk-based capital requirements regime for insurers; development of a comprehensive Solvency II-type prudential supervision framework, including transparency and disclosure requirements in insurance selling and performance; development and enforcement of an adequate legal framework for insurance mediation services, motor vehicle insurance and an underwriters’ regulation; <li data-bbox="608 860 1410 1039">– Review of legislation governing credit unions; assistance in establishing a robust supervisory framework for credit unions consideration of any EU legislation that may apply to such entities (taking account of exemptions if appropriate); <li data-bbox="608 1079 1410 1225">– Capacity building for regulators, including training on enforcement and monitoring and assistance in design and delivery of communication campaigns for on-going reforms; <li data-bbox="608 1265 1410 1444">– Strengthening the functioning of trade- and post-trade operations and capital markets infrastructure: upgrading regulatory requirements for Exchanges, Clearing Houses, Settlement Agents, Securities & Transactions Registries; training on market surveillance; <li data-bbox="608 1485 1410 1630">– The above activities will include approximation of Ukrainian law in line with the evidence-based approach with the relevant EU legislation, including approximately 10 Directives.
SO3) On transport model and master plan	<ul style="list-style-type: none"> <li data-bbox="608 1637 1410 1816">– Detailed description and analysis of existing national transportation conditions by conducting also field-surveys for all transportation modes and by integrating available statistics needed for transportation modelling and plan; <li data-bbox="608 1856 1410 1968">– Establishment of a national multi-modal transport model to develop a sustainable, safe, secure, accessible, inclusive, fast and technologically innovative transport

Specific objective	Main activities
	<p>sector and transport infrastructure in Ukraine;</p> <ul style="list-style-type: none"> – Development of national transport master plan to define the priority measures towards the development of a modern transport sector and transport infrastructure of Ukraine and links with the within the EU’s transportation networks and SEA; – Assistance for the implementation of the plan concerning capacity building to establish a national system to deal with the new model and master plan – creation of legislation, formation of a competent administration to work with the model and manage the master plan implementation.
SO4) On aviation	<ol style="list-style-type: none"> 1. Development of the Convergence document, which will contain the: <ul style="list-style-type: none"> – Identification of regulatory requirements on both sides; – Provision of comparisons of both EU and Ukrainian certification systems (regulatory and procedural requirements) and identification of differences; – Determination of actions to be taken by Ukraine in order to achieve convergence of its certification system with the applicable EU requirements and to define implementation dates; – Identification of the current level of effective rule implementation in the Ukraine; – Establishment of the criteria and modalities of the review visits; – Identification of specific personnel training needs; – Development of a process for future information sharing. 2. Implementation of the Convergence document, which will encompass the conduct of: <ul style="list-style-type: none"> – Specific review visits in order to assess the level of rule implementation; – Workshops and on-site support to assist in awareness and understanding the applicable EU regulations and evidence-based legislative development so as to facilitate their incorporation into national legislation of Ukraine and its implementation; – Dedicated training activities in order to enhance the knowledge of personnel; – Additional consultations; – “Simulated” EASA standardisation visits; – Exchange programmes for personnel concerned; – Progress review activities.

Specific objective	Main activities
SO5) On social reforms - labour inspection	<ul style="list-style-type: none"> – Approximation of related legislation and in particular implementation of Directive 89/391/EEC and ILO Conventions 81 and 129 in line with evidence-based approach; – Capacity building activities through training, coaching.
SO6) On the EBRD MDA	<ul style="list-style-type: none"> – Provision of high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman.
S07) On participation in the Danube Transnational Programme	<ul style="list-style-type: none"> – Participation of Ukrainian partners in cooperation projects in the Danube Programme specific thematic areas with EUSDR partner countries, as well as enhancement of Ukraine`s participation in the EUSDR in general.

4.3 Intervention logic

The action is aimed at creating the necessary conditions for effective implementation of the EU-Ukraine Association Agreement, particularly, through targeted policy advice and assistance in legal approximation process in the selected priority areas, as well as provision of capacity building measures and infrastructural support, to relevant state authorities.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a Financing Agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **60 months** from the date of entry into force of the Financing Agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Grant: direct award "Support to the National Public Broadcaster of Ukraine" (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The objective of the grant is to help the National Public Broadcaster of Ukraine (NPBU) to become the leading newscaster, setting the agenda for Ukrainian public life, informing the public of the reforms and progress in implementation of the Association Agreement. The news broadcaster shall publish on all available platforms: TV, radio and online, in order to

serve the entire population. This should bring the public broadcaster to European standards over the coming years. Fields of intervention and expected results will be in line with the activities defined under SO1) in the section 4.2 and with the Result 1) in the section 4.1

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the multi-beneficiary grant may be awarded without a call for proposals to consortium of EU public broadcasting related institutions and organisations: Deutsche Welle Akademie (DWA), BBC Media Action and NIRAS.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because, in accordance with Article 190(1)(f) of Commission Delegated Regulation (EU) No 1268/2012, the action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation or administrative power.

The consortium, composed of DWA, BBC Media Action and NIRAS, has specific competences and specialisation in the field of supporting NPBU, striving towards a model of modern European Public Broadcaster, due to their unique expertise and implementation of on-going PBS reform programmes in Ukraine and other countries.

Deutsche Welle Akademie has been active for the last 3 years on support to trainings and training centre of NPBU. Since 2013, BBC Media Action and NIRAS have been providing through MyMedia programme constant technical support and policy advice to NPBU and participated in preparation of a Masterplan for a digital NewsHouse in Ukraine.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80% of the eligible costs of the action.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

Fourth trimester of 2016.

5.3.2 Grant: direct award "Convergence of certification systems based on the Arrangement between the State Aviation Administration of Ukraine and the European Commission on convergence of Certification Systems" (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The objective of the grant is to help the State Aviation Administration of Ukraine with the Convergence document that will need to be prepared according to Section 2 of the Arrangement between the State Aviation Administration of Ukraine and the European Commission on Convergence of Certification Systems.

The expected results are:

- Convergence actions identified and supported in the context of the above mentioned agreement.
- Confidence built to ensure an equivalent level of aviation safety. This will be the basis for considering a Bilateral Aviation Safety Agreement (BASA) between the EU and Ukraine at a later stage.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the EU Agency – European Aviation Safety Agency (EASA).

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because, in accordance with Article 190(1)(f) of Commission Delegated Regulation (EU) No 1268/2012, the action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation or administrative power in the area of aviation safety management and oversight, including certification of aircraft products and the oversight of approved organisations and EU Member States.

EASA, as Agency of the European Union, was given specific regulatory and executive tasks in the field of civil aviation safety and environmental protection. Its mission is to promote the highest common standards of safety and environmental protection in civil aviation. The Agency develops common safety and environmental rules at the European level. It monitors the implementation of standards through inspections in the Member States and provides the necessary technical expertise, training and research. The Agency works hand in hand with the national authorities who continue to carry out many operational tasks, such as certification of individual aircraft or licensing of pilots.

According to Article 20 of the Regulation (EC) No 216/2008 on common rules in the fields of civil aviation and establishing a European Aviation Safety Agency, EASA "*shall ...carry out on behalf of Member States the function and tasks of the state of design, manufacture or registry*" of aircraft products, parts and appliances, being a sole body responsible for initial airworthiness in the EU. This competence directly relates to the project in question on convergence of the certification systems.

EU Basic Regulation 216/2008 creates and sets the European Aviation Safety Agency at the core of the aviation safety system in Europe while the European national aviation authorities (NAA) continue to carry out many operational tasks, such as certification of individual

aircraft or licensing and work hand-in-hand with EASA. Hence, in order to reach out to all the components of the European Aviation Safety System, EASA will be encouraged to enter into a collaborative partnership with the European NAA and European public bodies making the fabric of the European aviation system.

The Common Aviation Area Agreement (CAA) was initialled in the margins of the Vilnius Summit on 28-29 November 2013. Signature of the CAA Agreement was envisaged in the first half of 2014, but it is still pending. The then connected Memorandum of Understanding on Convergence of certification systems (MoU) and related Working Arrangements (WA) with the EASA were meant to be signed in the context of the EU-UA Common Aviation Area Agreement.

Because of the pending conclusion of CAA the work on the initially foreseen linked documents has been done separately. The new Working Arrangements were concluded between EASA and Ukraine in January 2016. The MoU was transferred into the text of the Arrangement between the State Aviation Administration of Ukraine (SAAU) and the European Commission on Convergence of Certification Systems. The latest version of the draft Arrangement on convergence of certification systems was modified by the SAAU in April 2015 to change from a signature by the Minister to signature by the SAAU. The Arrangement document serves as basis for the project in question and is expected to be signed between the Commission and the SAAU when the EU funds for this assistance are earmarked.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, the maximum possible rate of co-financing may be up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

First trimester of 2017.

5.3.3 Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Financial Services, Transport Model and Master Plan	Services	2	First trimester of 2017
Evaluation/audit	Services	8	First trimester

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
			2018/Fourth Quarter 2020
Communication and visibility	Services	1	Second trimester of 2017

5.3.4 Indirect management with International Labour Organisation (ILO)

A part of this action may be implemented in indirect management with the **ILO** in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails **capacity building and institutional support for the State Labour Service (SO5 and related activities)**. This implementation is justified because setting up labour inspectorates is a rather sensitive work, requiring a partner who would be familiar with the national system and trusted by both Government and social partners. As the ILO has a tri-partite constituency and owns specific international labour conventions in the area, it is definitely best placed to carry out that work. Compliance with ILO labour standards is assessed by the ILO through a special committee on the application of standards and Governments are best advised by the organisation in charge of the standards - this is good practice in many countries around the world.

The entrusted entity would carry out the following budget-implementation tasks: procurement and grant award procedures and management of corresponding contracts and payments.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

5.3.5 Indirect management with European Bank for Reconstruction and Development (EBRD)

A part of this action may be implemented in indirect management with the **EBRD** in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails activities necessary for the achievement of SO6), mainly provision of high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman. This will be done through the contribution to the existing EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA). This implementation is justified because EBRD is the manager of the fund created in 2014 to provide support for policy reforms that are urgently needed to stabilise the economy.

The entrusted entity would carry out, *inter alia*, the following budget-implementation tasks: procurement and grant award procedures and management of corresponding contracts and payments.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission’s authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

Due to the specificity of EU contribution to the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA) and political importance for the EU to participate in MDA funded activities from the establishment date of the MDA at the same level as other donors, the eligibility of related costs may be authorised as of 9 July 2014.

5.3.6 Ukraine's participation in the Danube Transnational Programme (shared management)

Management of the sub-component "Ukraine's participation in the Danube Transnational Programme" will be delegated to Directorate General for Regional and Urban Policy of the European Commission (through a cross-sub delegation) and implemented under shared management by Hungarian Managing Authority.

Hungary is the Member State hosting the managing authority of the Danube Transnational Programme. The financing agreement shall be concluded between the Commission, the Government of Ukraine and Hungary. That agreement shall establish the applicable programme implementation conditions governing the financial management as well as the programming, monitoring, evaluation and control of the participation of Ukraine, through a contribution under this Special Measure to that programme.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)

	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
Specific objectives SO1,SO4		
Direct multi-beneficiary grant to consortium of DWA, BBC Media Action and NIRAS (SO1) (direct management)	5 000 000	1 250 000
Direct grant to EU Agency – European Aviation Safety Agency (EASA) (SO4) (direct management)	1 000 000	
Sub -Total 1	6 000 000	-
Specific objectives SO2,SO3		
Procurement concerning financial services (SO2), transport model and master plan (SO3) (direct management)	8 000 000	-
Sub -Total 2	8 000 000	-
Specific objective SO5, SO6		
Indirect management with ILO (SO5)	1 000 000	
Indirect management with EBRD (SO6)	8 000 000	-
Sub -Total 3	9 000 000	-
Specific objective SO7		
Ukraine's participation in the Danube Transnational Programme (shared management)	5 000 000	
Sub-Total 4	5 000 000	
Evaluation/Audits	200 000	-
Communication and visibility	300 000	-
TOTALS	28 500 000	1 250 000

5.6 Organisational set-up and responsibilities

On the Ukrainian side, this action will be coordinated by the Ministry of Economic Development and Trade acting as National Coordinating Unit for the EU assistance.

Steering Committees will be set up for each individual action when appropriated.

Ukraine's participation in the Danube Transnational Programme will follow the specific regulations of the Danube Transnational Programme and the specific Financing Agreement on its participation (as referred to in section 5.3.6).

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a final or ex-post evaluation will be carried out for this action or its components via independent consultants. The Commission may, during implementation, decide to undertake a mid-term evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

A final or ex-post evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision) taking into account in particular the fact that this action is a compilation of sub-actions under the over-arching objective to support the implementation of the EU-Ukraine Association Agreement.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, up to seven contracts for evaluation services (one per specific objective) shall be concluded, possibly under a framework contract, in the year following the end of the operational implementation period.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, 1 contract for audit services shall be concluded under a framework contract in the fourth quarter of 2020.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures for each individual action which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported by both the Communication and Visibility budget and the budget of each individual action.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To effectively raise Ukrainian public authorities' capacities in designing and implementing key reforms stemming from the Association Agreement and DCFTA, including capacity to carry out legal approximation process with the EU.	To be completed at a later stage for each individual action financed under this technical cooperation facility.				
Specific objectives	<p>SO1) On media/audio-visual: To improve the effectiveness of the Ukrainian public broadcaster including the functioning of a digital multiplatform Newsroom and a training centre, in order to create the permanent basis of quality, objective, and unbiased news content for all population segments (television, radio, and new media both on the all-national and regional levels).</p> <p>SO2) On financial services: To strengthen the regulation and supervision of the non-bank financial services sector and, in so doing, encourage the development of alternative sources of finance and investment opportunities.</p> <p>SO3) On transport model and master plan: To create a strategic and clear basis of technical data, multimodal</p>	To be completed at a later stage for each individual action financed under this technical cooperation facility.				

	<p>technical studies to identify projects in the transport sector in Ukraine for investment programming in the medium and long term.</p> <p>SO4) On aviation: To promote confidence building and awareness in order to achieve convergence of the Ukrainian initial and continuing airworthiness and maintenance certification system with the applicable EU requirements, as part of the implementation of the Arrangement between the State Aviation Administration of Ukraine and the European Commission on Convergence of Certification Systems.</p> <p>SO5) On social-labour: To support the Government of Ukraine in the implementation of crucial social reforms such as the setting up of a fully functional and modern State Labour Inspection.</p> <p>SO6) On the contribution to the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (MDA): To support key reforms linked primarily to high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman.</p> <p>S07) On the participation of Ukraine in the Danube Transnational Programme: To strengthen the administrative capacity of the Ukrainian administration both at central and local level to ensure their efficient participation in the Danube Transnational Programme</p> <p>.</p>		
<p>Outputs</p>	<p>To be completed at a later stage for each individual action financed under this Technical Cooperation Facility.</p>		

