

UKRAINE

TACIS ACTION PROGRAMME 2002

1. Identification

<i>Form of programme:</i>	National
<i>Beneficiary Country:</i>	Ukraine
<i>Budget Year:</i>	2002
<i>Financial Allocation:</i>	€47 million (including €4.5 million for Tempus to be implemented by DG Education & Culture)
<i>Budget Line:</i>	B7-520
<i>Legal Basis:</i>	Council Regulation (EC, EURATOM) No 99/2000 of 29 December 1999 concerning the provision of assistance to the partner states in Eastern Europe and Central Asia.
<i>Duration:</i>	Contracts financed under this programme shall enter force no earlier than the signature of the Financing Memorandum in due form by the competent signatories, and no later than 31.12.2005. The technical activities provided for under this programme and all contracts must end by 31.12.2006.
<i>Programming:</i>	Unit ER.E.3
<i>Implementation:</i>	EuropeAid Cooperation Office Directorate A.
<i>Remarks:</i>	No administrative expenditure will be financed under this programme.

2. Summary of the programme

The Country Strategy Paper 2002-2006 and the National Indicative Programme 2002 for Ukraine were approved by the Tacis Committee of 2001. This Action Programme 2002 is developed fully in line with these strategic documents. The proposed activities are focused on three areas of co-operation: institutional, legal and administrative reform; support to the private sector and economic development and; support in addressing the social consequences of transition. Support in the area of institutional, legal and administrative reform will focus on four issues: border management improvement, effective state budget management, civic education and municipal services support. Activities in the area of support to the private sector and assistance for economic development will focus on the development of mortgage market rules and legislation, improvement of logistics in the agricultural sector and banking sector reform. To address the social consequences of transition, support will focus on the development of a system of medical standards and strengthening regional social services. In addition, support will be provided through the following small project programmes: through the Institution-Building Partnership Programme (through both components: the Key Public Institutions and the Civil Society and other Local Initiatives) Customs , Statistics, Policy Advice and Tempus.

3. Country update

3.1 A detailed country assessment can be found in the Country Strategy Paper 2002-2006 presented to the Tacis Committee in November 2001.

3.2 The most important political event since November 2001 is the election of a new parliament on 31 March 2002. Today, the new Verkhovna Rada is operational, with the Speaker of the Verkhovna Rada elected and all committees (24) formed. One of these committees is to address "questions related to European integration". These parliamentary elections were followed by a large number of international monitors. The most important observer mission was the International Election Observation Mission (IEOM), including members of the European Parliament. The IEOM concluded that the elections brought Ukraine closer to meeting international commitments and standards for democratic elections. The OSCE/ODIHR has published a comprehensive report with detailed recommendations. Ukrainian authorities acknowledged the IEOM's findings and conclusions and welcomed further cooperation with the international community to remedy the weaknesses and to build on the strengths of the electoral process in Ukraine, in particular in view of the presidential elections in 2004.

3.3. In EU-Ukraine relations, the fifth Co-operation Council at ministerial level was held in March 2002. Six priority areas for co-operation were discussed: energy, investment and trade with an emphasis on accelerating the negotiating process for Ukraine's accession to the WTO, justice and home affairs focusing on the implementation of the EU Action Plan, approximation of Ukraine's legislation, environmental protection, and transport. At last year's September Summit in Yalta the strategic partnership between EU and Ukraine was reconfirmed. The EU confirmed its commitment to continue support of democratic development, human rights, the rule of law and market oriented economic reforms, with a view to strengthening Ukraine's European orientation.

4. Co-ordination with other donors

4.1 During the project identification mission in March 2002, the mission team held a round-table with all Member States present in Kiev and met the other main donors in Ukraine (US, World Bank group, EBRD, IMF). A second mission was conducted in June to finalise the programme and again Member States were consulted.

4.2 As regards the specific proposals in this Action Programme, a direct collaboration is proposed with the EBRD in the sphere of municipal developments, and this proposal is the result of a number of months of debate and planning, and builds on earlier work in this area by the EBRD. Co-ordination will be particularly important with respect to the project working with the State Treasury, where the US, the World Bank and the Treasury have an active presence. A number of donors are exploring how best to contribute to the emerging developments on mortgage finance. The Commission will ensure its input is effectively co-ordinated with that of the wider donor community. The work on civic education will be developed in discussion notably with the Americans, with whom Tacis has on-going co-operation in the field of civil society. Tacis input on medical standards, building on the work in AP 2001, will be co-ordinated with other major donors in the health sector, notably the Americans and the World Bank.

5. Lessons learnt from past EC Assistance

5.1 To date, as stated in the CSP, the EC provided a total of over €1 billion from 1992-2001, including over € 450 million through the Tacis national action programme allocations.

5.2 This Action Programme will clearly look to build on the considerable experience Tacis has of working in and with Ukraine. Notably, the proposed Border Management projects will be complementary to earlier initiatives launched both through the Ukraine National Action Programme and the Cross-Border Co-operation Programme. The civic education proposal will develop work initiated in collaboration with the Americans in the context of Transatlantic Co-operation on foreign policy issues, where Ukraine was identified as a joint priority. The proposed work on bank restructuring is the logical follow-up to a substantial Tacis investment in this field, which has proven influential. The initiative on medical standards is also the next logical step following on from the project on medical insurance adopted under Action Programme 2001.

6. Programme Components

In line with the National Indicative Programme, this Action Programme will focus on three areas of co-operation: support for institutional, legal and administrative reform, support to the private sector and assistance for economic development, and support for addressing the social consequences of transition.

6.1. Institutional, Legal and Administrative Reform.

6.1.1. Support in the areas of institutional, legal and administrative reform will focus on four main areas. The first is border management improvement. This will comprise three components: first, a substantial infrastructure development at Rava Ruska, including provision for some necessary equipment; second, a broader project of training and equipment, covering both western and eastern Ukraine; and third, provision for a project supervision unit to oversee necessary works contracts. This project complements a PHARE initiative, to be carried out on the Polish side. The support to Rava Ruska will increase the capacity of one of the largest road border crossings in the CEEC, by constructing a freight terminal on the Ukrainian side and will provide border crossing posts with the latest equipment for customs control (mobile x-ray units, radio communication facilities, drug detection equipment etc.). This project complements a PHARE initiative, to be carried out on the Polish side.

6.1.2. Second, Tacis will provide assistance to the State Treasury of Ukraine in promoting effective management of the state budget. The overall aim of the project is to ensure the effective management of state finances and to improve the implementation of the state budget and control thereof, through an efficient treasury system. This will be achieved through implementation of the following activities: implementation of the Treasury Single Account, which is recognised in legislation and regulations; upgrading the quality of treasury functions; strengthening of financial planning and cash management; strengthening control commitments; updating public sector accounting standards; strengthening human resources training and development in the State Treasury; and upgrading the existing management information system.

6.1.3. Third, Tacis will provide targeted support in the area of civic education. This follows on from an EU-US Transatlantic Civil Society Programme initiative, which aimed to introduce Civic Education into the Ukrainian secondary school syllabus. This project was deemed to be a success but, with a budget of only €900,000, had only limited impact. The intention now is to roll out this successful model with the overall aim of integrating mandatory civic education classes into schools throughout Ukraine.

6.1.4. The fourth project will support municipal services in partnership with the State Committee for Construction, Housing and Municipal Economy. The project will focus specifically on improving water service levels in several medium sized cities, and follows on from a previous Tacis project in Kherson and Myrhorod. The aim is to create an enabling environment within which the EBRD and other donors can provide loans and other assistance. Specific activities include a feasibility study of participating cities; the preparation and procurement of a management contract for the cities and the provision of advice during implementation of the projects.

6.2. Support to the Private Sector and Assistance for Economic Development. .

6.2.1. Tacis support to the private sector and assistance for economic development will focus on three main areas. First, Tacis will support the establishment of mortgage market rules and legislation in reaction to the developing mortgage sector. It is estimated that 30% of bank loans are now mortgage loans and Ukrainian banks are increasingly operating in the mortgage/property sector. In response to this, a mortgage association is being established that will bring the key players in this sector (banks, lawyers, accountants, and insurers, pension funds, real estate agents, and relevant authorities) together. However, the current legislative environment is not strong enough to support and safeguard increased activity in this area. Tacis will specifically aim to create an ongoing dialogue between the private sector and the authorities on regulation of the evolving mortgage market.

6.2.2. Second, Tacis will provide support with the development of a strategy on improved agriculture logistics with special focus on farms, cooperative-type of organizations or/and common-user facilities. The aim is to enable Ukrainian SMEs active in agriculture and agro-business to raise competitiveness in terms of using modern logistics and introduction of a transparent system of wholesale, product quality and price through using modern logistics concepts and the application of appropriate technology and standards

6.2.3. Third, Tacis will implement a project following on from earlier support for the banking sector. The project will focus specifically on the National Bank of Ukraine, which is currently initiating a series of reforms in face of the significant problems that remain in the sector. Tacis will work primarily with the larger Ukrainian banks in order to facilitate this reform whilst also working to strengthen the National Bank of Ukraine's ability to supervise other financial institutions. More generally, Tacis will also work to improve the quality of management within partner institutions. This project will be implemented in line with IMF policies.

6.3. Support in Addressing the Social Consequences of Transition.

6.3.1. Tacis support in addressing the social consequences of transition will focus on two main issues: first, the development of a system of medical standards, and second support to

regional social services. In Action Programme 2001, Tacis began work on the establishment of an economically sound health financing system, in particular through the provision of a compulsory health insurance regulation. Through doing so, Tacis aims to provide a mechanism for sustained public financing for the health system, thus easing the transition to a public health-care approach. This follow-up initiative aims to ascertain the medical standards which are necessary for the functioning of an effective health insurance system (to what treatment is a citizen entitled in any state hospital, and at what cost for given interventions).

6.3.2 Second, Tacis will support the strengthening of social services in selected regions of Ukraine. The aim is to assist in the development and implementation of an integrated approach to social service in order to fight social exclusion and poverty, in particular at regional (oblast) level. This will include capacity-building for social services managers, civil servants and NGOs to enhance the delivery of social assistance, particularly to the most vulnerable, in two selected regions. Specifically, the project will develop methodologies, indicators and techniques to monitor and analyse the evolution of social needs in the two selected regions, to adapt social services accordingly in order to improve targeted delivery of social benefits to the most vulnerable groups of the population (elderly, families with children, disabled people).

6.4 Small Project Programmes

6.4.1. Allocations are foreseen for the following small project programmes: IBPP (working with both public institutions and civil society), Customs, Statistics, Policy Advice, and Tempus. Tempus is a key instrument of co-operation in the field of higher education. This will be implemented by DG Education and Culture. High quality statistical information is essential for developing well-targeted government policies. Eurostat will continue its co-operation with the Ukrainian State Statistical Committee. Policy Advice is a useful instrument that allows Tacis to provide support to projects with more limited budgets, where particular needs are identified. Small projects related to customs will compliment assistance provided under the border management programme. Both IBPP programmes are designed to support and encourage institutional building through partnership and co-operation projects between either public organisations or Civil Society organisations, in order to strengthen and sustain either public policy and administrative reform or the development of civil society.

7. Complementary Actions

EC Assistance to Ukraine in 2002 may also be provided through the following instruments: the Tacis Regional Action Programme, CBC, and the Nuclear Safety Programme. In addition, support is provided in the form of macro-financial assistance and through the Chernobyl Shelter Fund.

8. Programme Implementation

The Action Programme will be implemented in accordance with the following elements:

8.1 Implementation & Management

8.1.1 Contracts financed under this programme shall enter force no earlier than the signature of the Financing Memorandum in due form by the competent signatories, and no later than 31.12.2005, being the expiry date of the associated Financing Memorandum. Therefore:

- Any relevant contract or grant must have entered force, having been signed by all the relevant parties, by this expiry date.
- Any contracts or grants that have not been entered force, having been signed by the signature of all the relevant parties by this expiry date will be not be finalised but will be cancelled and considered null and void.
- Any balance of funds under this programme that has not been used to fund contracts or grants that are in force by this expiry date will be de-committed as soon as possible thereafter.
- No addenda adding funds from this programme to any contract or grant may be entered into after this expiry date.

8.1.2 The deadline by which all contractual activities under this programme must cease is no later than one calendar year after the expiry date of the relevant Financing Memorandum (i.e. by 31.12.2006). Therefore:

- No addenda to any contract or grant funded by this programme shall be entered into after the implementation deadline¹.

8.1.3 The Programme will be implemented by the Commission in conjunction with the Ukrainian authorities on the basis of financing memoranda (see Article 3(5) of Regulation 99/2000), project counterparts and contracting firms and institutions. For the government of the Ukraine, the general co-ordinating responsibility will be with the Tacis National Co-ordinator, supported by a Deputy National Co-ordinator and the Tacis National Co-ordinating Unit.

8.1.4 The Programme will be managed by the EuropeAid Co-operation Office with deconcentration of management responsibility for project implementation to the Commission Delegation in Ukraine. The procedures laid down in Art 13 of the Council Regulation (EC, Euratom) No. 99/2000 are applicable to this Programme.

8.2 Monitoring, Evaluation and Audit

8.2.1 Monitoring & Evaluation

In addition to regular follow-up and controls carried out on the spot, if necessary by the Commission services and the Court of Auditors, a contract has been concluded with independent consultants to monitor the programme. This contract covers the whole Tacis programme, and will work upon requirements for periodic assessments of project progress against objectives. These will include on-the-spot visits to projects and interviews with stakeholders. Reporting will be in standardised formats giving scores to aspects of project performance.

¹ Note that the end date for contractual activities refers to project implementation activities, and not the date for submission of final report or final invoice.

8.2.2 Audit

Operations financed under this programme will be subject to supervision by the relevant Commission services and the Court of Auditors to be carried out on-the-spot if necessary. The accounts and records of expenditure under the present Programme may be checked at regular intervals by an external auditor contracted by the Commission, without prejudice to the responsibilities of the Commission, including the European Antifraud Office (OLAF), and the Court of Auditors.

8.3 Tendering Procedures

The contracts for services, works and supplies shall be concluded in accordance with the tendering and contract award procedures laid down in the Financial Regulation, Council Regulation 99/2000 and the "Manual of instructions for contracts concluded for the purpose of Community co-operation with third countries" (adopted by the Commission on 10 November 1999).

9. Cost and financing

The Programme will be financed through a Community grant of €47 million, allocated as follows among the different actions:

Area/Project	Total Area (€million)
<i>1. Institutional, Legal and Administrative Reform.</i>	<i>21.5</i>
- Border Management Improvement	
- Effective State Budget Management	
- Civic Education	
- Municipal Services Support	
<i>2. Support to the Private Sector and Assistance for Economic Development.</i>	<i>8.0</i>
- Mortgage Market Rules and Legislation	
- Improvement of Logistics in Agricultural Sector	
- Bank Sector Reform	
<i>3. Support in Addressing the Social Consequences of Transition.</i>	<i>6.0</i>
- Support to the Development on a System of Medical Standards	
- Strengthening Regional Social Services	
<i>4. Small Projects Programmes.</i>	<i>11.5</i>
- IBPP: Key Public Institutions	<i>(1.5)</i>
- IBPP: Civil Society and Other Local Initiatives	<i>(3.0)</i>
- Customs	<i>(1.0)</i>
- Statistics	<i>(1.0)</i>
- Policy Advice (OECD)	<i>(0.5)</i>
- Tempus	<i>(4.5)</i>
Total	47.0

10. Government Commitment. Conditionalities.

Assistance is provided on the basis of the existence of the necessary elements for the continuation of co-operation through assistance, in particular respect of democratic principles and human rights, as well as the obligations of Ukraine as set out in the Partnership and Co-operation Agreement.