

PROJECT FICHE

Title	Support to ENP Action Plan Implementation		
Indicative budget	€25,5 million		
Aid Method	Project approach – centralised management		
DAC-code	51010	Sector	Structural Adjustment

1. RATIONALE

1.1. Strategic framework

The NIP 2004-2006 clearly emphasizes the importance of “*institutional, legal and administrative reforms [...] in the political agenda of Ukraine*”¹. This emphasis matches the actual priorities of Ukraine’s current (and foreseeable) governmental programmes in terms of administrative, regulatory, economic and social reform.

Also, the NIP 2004-2006 includes in its Point 1.1. the aim of improvement of product safety and consumers protection, in line with the contemplated accession of Ukraine to the WTO, leading to support the alignment of agricultural policy especially to ensure full implementation of sanitary and phyto-sanitary standards. It sets as an objective the "creation of a business-friendly legal and administrative environment", a major pillar of which in the EU has been the development of a comprehensive competition policy ensuring a fair, stable and transparent legal and administrative environment for enterprises. NIP Point 1.1.2 also foresees as an objective "support to improving control of use of public funds".

In addition, the NIP stipulates in its Preamble that “*planning should leave a sufficient margin of flexibility for Action Programmes to respond to changing priorities and needs, such as with regard to the consequences of enlargement of the EU*”, thereby referring to the ENP, whose purpose is to tackle the consequences of enlargement. The EU-Ukraine ENP Action Plan of 21 February 2005 specifically addresses the issues of institutional strengthening in various areas of public administration and economic management.

After placing its first priority on further strengthening the stability and effectiveness of institutions guaranteeing democracy and the rule of law (Section 2.1/1), the ENP Action Plan insists on the need for continuing progress in the establishment of a fully functioning market economy, including price-formation, control of state aid, and a legal environment that ensures fair competition between economic operators (2.2/16); further advance in gradual approximation of basic legislative and regulatory framework and ensure its effective implementation (2.2/17); and improving investment climate, including by ensuring transparency, predictability and simplification of regulation and its application (2.2/18). In other places (*e.g.* 2.3.1/30, 2.2/24), the Action Plan underlines the need for aligning Ukraine with the EU and international regulatory and administrative practices and co-ordination between the different concerned stakeholders in the areas of reform. Sector-specific chapters (energy, transport, information society, environment...) set forth the same objective of inter-connection and compatibility of policies.

The proposed project is designed primarily to support Ukraine in meeting its commitments under the ENP Action Plan in a cost-efficient manner, making from the onset of forthcoming reforms the country’s institutional and regulatory reforms compatible with EU approaches, policies, rules and

¹ Ukraine NIP 2004-2006, Section I “Areas of co-operation”, para. 1.1.1 “Background and justification”.

practical enforcement experience. By resorting widely to the twinning modality, the project intends to draw altogether on EU Member States' practical knowledge of EU policies and efficient ways of enforcing them within adapted and adequately-trained structures. In a spirit of efficiency, other implementation modalities will be used where they will be found appropriate to achieve convincing and sustainable reform results. Finally, the project's multi-sector nature will make it possible to tackle institutional and regulatory reform issues in a comprehensive manner².

For practical reasons, the project will be dealt with in five components:

- Competition surveillance³
- Agriculture and rural development
- Preparation of the ex-ante management of EC external assistance
- Twinning projects

1.2. Lessons learnt

The proposed project extensively builds on past experience and on-going projects, be they funded by the EU or by other donors. Past projects have illustrated the importance of strengthening Ukraine's institutions, particularly those involved in regulating and administering economic and social activity. Besides, they have allowed to identify two major "policy focuses" where particular efforts need be applied at present either to consolidate assistance received earlier in a fragmented manner to cope with immediate legal reform needs (competition policy), or to establish firmly the primacy of EU approaches and policies in an area (agriculture and rural development) where Ukraine has to make in the near future far-reaching policy decisions⁴.

Lastly, Tacis experience of project management has brought to the fore the need for: (a) allowing project preparation to proceed in a quick and effective manner, drawing on a general technical assistance facility, and (b) carefully preparing Ukraine's institutions to lay the foundations of a successful decentralisation of the management of external assistance.

The objectives and activities of the project are being co-ordinated through regular thematic meetings with other donors, particularly with those active in the two above-mentioned policy-focus areas (UNDP, World Bank, FAO).

² Besides, the project goes hand in hand with the "Innovative economy" project proposed under the present Annual programme, as regulatory and administrative reform may significantly reduce the cost of regulation to enterprises. In its Tacis-funded yearly Business environment studies, the IFC keeps pointing at Ukraine's cumbersome business authorisation system. In a different context, but serving the same logic, it is considered in the EU that a 25% reduction in administrative burden of businesses would lead to an increase ^{of real GDP by 1.0%} to 1.4%.

³ The importance of this component can be appreciated when considering that public procurement represents 20% of Ukraine's GDP.

⁴ In that area, certain bilateral donors are actively or *de facto* promoting policy choices that are not compatible with the European approach. Nonetheless, the Ukrainian government is willing to deepen its technical co-operation with the EU. For the moment, a sector-wide programme for agriculture and rural development reform is being defined with Tacis assistance, which will entail first, but not only, the institutional strengthening of the concerned policy-making bodies.

1.3. Complementary actions

Currently, a Tacis twinning project is being developed for the Anti-Monopoly Committee of Ukraine (AMCU). This twinning project should bring a major contribution through: (a) strengthening the legal, methodological and organisational support to fair competition; (b) improving the co-operation between AMCU and the other State bodies involved in competition-related enforcement (i.e. Police, Judiciary) and protection of consumers rights (business associations, consumer-protection societies,...); (c) increasing AMCU's openness and the transparency of its activities; and (d) accelerating decision-making processes for cases involving violations of competition laws and economic concentration.

In addition to EC-funded assistance, since 2003, the French Directorate-General for Competition, Consumption and the Fight against Fraud (DGCCRF) has provided advice within the framework of a Memorandum on administrative co-operation, signed in 2002 for three years. The assistance focuses on the practical aspects of collecting and analysing information during the investigation of anticompetitive practices.

In the area of public procurement, some assistance has been provided by SIDA and new financial allocations have been made recently for that purpose. In mid-2005, the World Bank proposed the government of Ukraine to update an earlier assessment of Ukraine's public procurement system to assess the efficiency of the current public procurement system in Ukraine, its compatibility with international standards and identify more efficient procedures where relevant⁵.

The World Bank believe that they are in a position to allocate limited funds for technical assistance in the procurement field in Ukraine, mainly for institutional capacity building, either drawing on the existing "Public finance management" facility, originally envisaged only for the Treasury of Ukraine, or using the "Restructuring facility" which is now under preparation, but this is still subject to approval by the Ukrainian authorities and is composed of loan funds only.

In the area of agriculture and rural development, the FAO started in June 2005 a project entitled "Support for the Formulation of a Medium-term Agricultural and Rural Policy Framework in Ukraine", built on the assumption that the government of Ukraine is interested in formulating a strategy for sustainable development of agriculture and rural development, which is compatible with WTO accession and demonstrates European orientation. The FAO aims principally to design and implement a food security programme for Ukraine. CIDA, traditionally very present in that area also, is currently reviewing its role and country strategy⁶.

1.4. Donor co-ordination

Competition component

Followed by other donors, the World Bank welcomes any assistance which could be provided in the field of public procurement by the EC and seeks close co-ordination of the activities of the donors' community in Ukraine. It generally considers that, taking into consideration the EC's leading role in establishing fair competition principles in Europe, the EC should take the coordinating role in technical assistance in both the procurement and competition sectors.

⁵ The results of the previous study, updated in the course of discussions with AMCU, have been used in designing the proposed measure.

⁶ The ToR for the FAO and the CIDA assistance assessment projects are available on request from the EC Delegation to Ukraine.

Agriculture and rural development

The general consensus derived from the consultation process as part of the EC-funded Agricultural and Rural sector assessment, is that there is support within Ukraine for the EC to lead the donor co-ordination process in the context of progressive market alignment and in view of the upcoming Memorandum of understanding on agricultural co-operation. In October 2005, the EC Delegation received a letter from the Minister of Agrarian Policy requesting the EC to lead co-ordination of technical assistance in the area, pending the establishment of a government-led coordination process in the near future.

2. SECTOR CONTEXT

Competition surveillance

Despite some efforts made recently by the Government of Ukraine towards ensuring EU-compatible principles of competition, further comprehensive work is still needed both in legislative and institutional terms. In the last years, as required by the EU-Ukraine 1994 Partnership and co-operation agreement (PCA), Ukrainian laws were revised in line with the approximation objective. However, not only the existing texts still require substantial approximation to EU law, but also they need far better enforcement. In the specific sphere of State aid regulation, the existing draft law requires significant revisions, and discussions on substance will have to resume between the interested stakeholders, particularly as regards enterprises with special and exclusive rights. In the field of public procurement, the positive effects of the law voted in 2000 (lately amended in August 2005) are still tangled in unclear implementation mechanisms. The government's recent "Strategy for development of State procurements up to 2010" underlines the need for strengthening and modernising the institutions in charge of supervising public procurements and designing public policy in that sensitive area.

Agriculture and rural development

The agricultural sector in Ukraine makes up a significant portion of the country's GDP (14.5%). The sector is a major employer (about 20% of the national labour force) and is the main source of income for the majority of Ukraine's rural population. With over 30 million ha of arable land of which over 50% composed of very fertile black soil, the sector's economic potential is however largely underutilised. The sector suffers from low operational and economic efficiency due to overall low productivity, high production costs, scattered farm structures, outdated technologies, and overall poor farm management.

Little change in agricultural policy concepts and planning has occurred since 1992. To date, Ukraine lacks a coherent agricultural and rural development policy framework. Key structural issues like: rural socio-economic development (with 1/3 of the population living in the rural areas), sector competitiveness, the institutionalisation of food safety and quality (including sanitary and phytosanitary control), have largely been neglected. Consequently with the demise of the agricultural sector, the socio-economic situation in rural areas is worsening, causing ongoing depopulation, increasing levels of rural poverty and food safety problems, degradation of the environment, of farm land biodiversity and the rural landscape. In a recent Resolution (23 September 2005), the Ukrainian Parliament had to finally acknowledge the critical situation of the agricultural sector and the rural areas, and the need for reform. However, unlike in the past, reform of the agricultural sector cannot be automatically linked anymore with socio-economic development of the rural areas; as was experienced in Europe after it has gone through several agricultural reforms.

3. DESCRIPTION

3.1. Objectives

The overarching objective of the project is to strengthen the Ukrainian institutions in charge of implementing the ENP Action Plan so that they are able:

- to meet the benchmarks set forth in the ENP Action Plan; and
- to convert the immediate achievements of the Action Plan into long-term benefits and trends conducive to increased economic and social welfare.

Also at stake in this project is the trust of the EC and its Member States towards Ukraine's institutions and their ability to be capable partners, using the same policy concepts and references. Strengthening the concerned institutions will go through making EU approaches, policies and legal rules understood and internalised, and upgrading accordingly the Ukrainian administrative procedures so as to ensure the proper adaptation and application of EU-compliant policies and rules.

The project endeavours to meet the need for more EU-aware administrations and therefore for more EU-compatible policies in line with the Action Plan requirements. This may be achieved *via* the twinning of similar administrations from EU Member States and Ukraine. Each twinning project's objectives will be set forth in details after the usual preparation phase associating the EC, the Twinning Programme Administration Office (PAO) in Ukraine and the beneficiary administration.⁷

More specific objectives can be laid out for the two above-mentioned "policy focuses", and for the specific activities aimed at preparing ground for the ex-ante decentralisation of EU External assistance and providing general technical assistance support:

- *Competition policy focus:* An effective competition policy is a key element in the operation of a market-based economy, as it ensures that market conditions are not distorted either by misconduct in the market place (such as abuse of monopolies or dominant positions) or interferences by State authorities using administrative recourses (such as State aids, the unfair granting of special or exclusive rights to certain enterprises or changes in the rules of public procurement) with a view to influence the free play of market competition⁸. Therefore, with a focus on the three earlier mentioned priority areas of improvement for Ukraine, and based on a comprehensive analysis of EU rules and case law, this component will aim at:
 - Establishing EU-compliant principles and institutions responsible for design, implementation and monitoring of competition policy, including in the relatively untouched areas of State aid legislation
 - Improving the functioning of the public procurement system through increased transparency, information and training, limited use of exceptions, access to judicial review and appropriate legislative adjustments
 - Supporting competition advocacy by the competition authority in view of promoting a competitive environment by means of non-enforcement mechanisms

⁷ The National Co-ordinator will be kept informed of programming of twinning operations

⁸ To avoid the former situation, the State must act as a market referee, mindful of setting transparent rules and making them properly enforced. The latter question is more sensitive, as it requires that the State be able to balance the distortions introduced by its intervention in certain activities or undertakings against the wider objectives being pursued (e.g. the overcoming of malfunctioning in the marketplace or the achievement of certain economic or social objectives).

- Developing a competition monitoring system
- *Agricultural / Rural development policy focus:* The main issues to be addressed by the proposed project are: (i) food safety and quality standards; (ii) market infrastructure and competitiveness; and (iii) rural development. On the basis of the preliminary conclusions of a EC-supported Agricultural sector assessment⁹, these are considered priority issues that hamper Ukraine's efforts for higher production and food standards, greater agricultural market stability, and an improved rural development policy.

The project will aim at implementing a sector-wide programme in the development of an agricultural and rural development strategy, thereby allowing the Ukrainian government to federate its own and donors' efforts in a coherent policy framework largely based on EU agricultural and rural policies. Keeping in mind Ukraine's WTO aspirations, the overall objective of the project is to implement Ukraine's commitments under WTO and the ENP Action Plan, and possibly the forthcoming Memorandum of understanding on co-operation in the field of agriculture.

The specific objective of the project is to develop a common framework approach and understanding of the priorities and issues in the agricultural and food sector, and in the rural areas of Ukraine. Such improved understanding should facilitate the establishment of government-led coordination and an EU-compliant consensus on the priority areas and policies for agriculture among the government and the donor community. The focus of the sector-wide programme will be concentrated on two core areas:

- Food safety and removal of trade barriers, including the full application of WTO sanitary and phyto-sanitary standards, and EU food quality standards (including setting up a network of appropriately equipped reference laboratories)
- Logistical infrastructure, with a view to checking the "spontaneity" of Ukraine's unorganised agricultural market.

Hereunder, the agriculture component will support Ukraine to design and implement quality approach (certification process) for sanitary and phyto-sanitary products and processes, driving towards accession to WTO and integration in the EU Internal Market and to design policy schemes on rural development.

- *Preparation for ex-ante decentralisation of EU External assistance:* The main objective is to prepare in a systematic and timely manner the relevant Ukrainian authorities to taking more direct responsibility for the contractual and financial management of EU external assistance programmes and projects. Decentralisation involves the transfer of responsibility from the Commission to the Contracting Authority of the Beneficiary country.

There are two steps in the decentralisation process involved in the programming and implementation of EU funding instruments: the first and usual one, based on ex-ante approval, and then the second "extended" one, based on ex-post control. The proposed measure deals with preparation for the ex-ante decentralisation process, under which decisions concerning the procurement and award of contracts are referred for prior approval to the Commission.

- *General technical assistance facility:* The purpose of this component is to allow project preparation to proceed in a quick and effective manner. It will support:
 - the preparation and early implementation of activities under the Annual Programme, including the recruitment of short-term technical assistance for activities such as sector assessments,

⁹ To be finalised by the end of April 2006.

feasibility studies, inputs to terms of reference and specifications, and tender evaluations; audits and evaluations; and project preparatory and start-up actions,

- activities intended to cover additional Programme-related priorities and expenditures that are currently unforeseeable,
- the planning process for future Programmes.

Operational support for twinning is included.¹⁰

3.2. Expected results and main activities

Competition policy

Expected results

- Institutions responsible for design, implementation and monitoring of competition policy in its different aspects significantly strengthened and able to enforce EU-compatible standards.
- State aid legislation adopted and regulatory and institutional mechanisms for its enforcement duly established
- Comprehensive policy with regard to enterprises with special or exclusive rights (ESER) designed and implemented in compliance with EU rules and practice
- EU-compliant public procurement system established and duly functioning.
- Competitive environment for economic activities actively promoted by the Competition authority by means of non-enforcement mechanism, mainly through its relationship with other governmental entities and by increasing public awareness on the benefits of competition
- Competition monitoring system designed and effectively implemented.

Main activities

- Basic policy-making and Institution building
 - Developing concept for co-ordination of regulatory and industrial policies, as well as other components of the economic policy, with legislative requirements protecting competition
 - Ensuring priority of competition rules during implementation of nation-wide, industry-wide and regional programmes of social and economic development
 - Institution-building in terms of assisting in design and implementation of proper institutional structures (in particular, assistance in reorganisation of AMCU into an actual Competition authority)
 - Assisting in elaboration of principles for ESER operations: training on EU rules and practice; assisting in designing a State concept and establishment of institutional arrangements for monitoring of ESER activities; identifying necessary legislative changes.
- State Aid

¹⁰ Including framework contract costs

- Assistance in identifying State aid legislation to be developed / amended for compatibility with EU rules and case law¹¹
- Development of secondary regulation for implementation of existing State aid law, particularly with a view to establishing transparency of State aid (by drawing up a list of all aid grantors, an independent surveillance body, a regular report on the amounts, types and recipients of aid)
- Design of adequate institutional framework and ensuring effective control over State aid
- Training on application of State aid legislation, jurisprudence and enforcement mechanisms
- Public Procurement

At this stage the improvement of the Ukrainian public procurement system is a matter of improving the legal fundamentals, implementing them and streamlining administrative practices. Doing so would also help to more efficiently approximate the EU law in a mid- and long-term perspective. The main activities therefore shall focus on:

- Optimise of legislative base by achieving approximation with EU rules (with reference to the recent EU directives in the field) in order to ensure due consideration of the key principles of transparency, non-discrimination, competition and access to legal recourse
- Maintain control system over observation of competition principles in the field of public procurement, development of effective practices for dispute settlement and appeal on tenders
- Develop information technologies in support of public procurement
- Enhance exchange of experience, information about best practice and regulatory frameworks between relevant Ukrainian and EU authorities
- Develop the legal culture of entities of public procurement market participants through delivery of targeted training programmes and advice during public procurement processes.
- Competition advocacy
- Establishment of a professional publication containing information on decisions taken, market research, monitoring of cases under examination, and the enforcement situation in the sphere of competition
- Design and implementation of non-enforceable measures for resolution of conflicts associated with competition, in particular out-of-court amicable dispute settlement
- Establishment of systematic cooperation between the AMCU and the Judiciary
- Ensuring public access to information about competition, its advantages, and achievements of the national policy in this sphere
- Assistance in implementation of a public relations strategy, in particular development and implementation of measures aimed at promotion of fair trade practices and fair competition in business activities. Organisation of a series of educational events for various target groups (central and regional public authorities, businessmen, lawyers, students, etc.), in particular regarding establishment of control over provision and use of the State aid

The project will focus on identifying priorities for approximation, whereas approximation *per se* will be dealt with by the UEPLAC project, following Ukraine's institutional procedure for legal approximation

- Development of a competition monitoring system.
 - Carry out a study on effectiveness of competition policy and legislation in Ukraine, as a whole and in selected industries and markets
 - Design and implement an infringement warning system, involving administrations, businesses and citizens
 - Upgrade analytical tools and methods used for research and investigation in the competition sphere
 - Elaborate and introduce an interactive training program for development of investigation skills in specific areas of competition legislation
 - Conduct monitoring in the sphere of regulation of competition relations, forecasting the impact of contemplated regulatory measures
 - Design concept for an Advisory service for businessmen aiming at out-of-court resolution of infringements of competition rules

Agriculture and rural development policy focus

Expected Results

- Adoption of SPS and best-practice approaches, transparency and increased consumer confidence, improving competitiveness and export potential; state-of-the-art network of reference laboratories (testing infrastructure)
- Improved food labelling and traceability standards for greater food security/safety;
- Process-orientated food safety standards introduced to replace product-orientated standards.
- A unified and independent Food Safety Agency created to fight corruption and to enforce evolving standards
- Greater compatibility of agricultural policies with EU rules (with reference to CAP and EU's Rural Development Policy 2007-2013)
- Framework for stable development of efficient market infrastructure is created by facilitating development of strategy and adoption mid-term action plan
- Improved stability of national and regional markets for local produce, including in particular improved transport, storage and logistics for greater mobility and access
- Improved market information
- Framework for sustainable rural development is created (with increased reference to EU LEADER+ and its relevance as a template for rural development)

Main activities

- Food safety and quality standards
 - Development of National Food Safety Strategy and legislative regulations

- Adjustment of the Ukrainian legislation to the requirements of the EP/EC Regulation Proposal on formal forage and food control, and further steps to improve the Ukrainian legislation towards its being based on the norms and standards set by SPS/WTO; Codex Alimentarius Commission; Office International des Epizooties; International Plant Protection Convention; Transatlantic Consumer Dialogue
- Step-by-step adaptation of Ukrainian legislation to EU Directive on food hygiene
- Incorporation of the legislative norms on food monitoring, which will help to lift technical barriers in international trade
- Practical application of the HACCP (Hazard Analysis and Critical Control Points) system in the food production sphere
- Further application of modern ISO standards
- Refurbishment of reference laboratories with adequate equipment
- Sufficient training of various stakeholders (decision-makers, controlling authorities, and enterprises) in best practices of systemic approach to food safety issues, ISO standards and HACCP
- Raise capacity to undertake an institutional building of food safety bodies and adapt regulations to the new role, including veterinary, SPS and welfare inspection services;
- Raise the capacity, quality and objectiveness of the inspection services to ensure the safety of the products
- Market infrastructure and competitiveness
 - Developing a capacity within the Ministry of Agrarian Policy and the Cabinet of Ministers towards adopting a uniform approach to agriculture, food and trade, through analysis, formulation and implementation of policy in a structured and planned manner.
 - Facilitating the development of strategy and adoption of a mid-term action plan for the establishment of efficient market infrastructure, including consideration to access-to-credit issues
 - Improving access to market information and updates on market opportunities, including information on supply/demand and prices
 - Development of logistical chain for agricultural products, at national and regional levels
 - Co-ordination of the capacity-building efforts through increased donor co-ordination, to maximise impact and effectiveness.
- Rural Development

In this area the project will focus on providing Policy advice within a sector-wide programme to be defined, taking into account the local development initiatives of the government and other donors.

 - Assistance in development of a medium-term National Policy for Rural Development
 - Assistance in transforming the national Policy into operational plans, and in implementing them

Preparation for ex-ante decentralised management of EC External assistance

Expected results

- Proven capacity of the Ukrainian authorities responsible for future decentralised management of EU funds to use, control, monitor and evaluate EU funding
- With reference to the internal control procedures related to the EU ENPI, establishment of appropriate ex-ante control and functionally independent internal audit mechanisms
- Availability of qualified staff resources
- Availability of adequate procedure manuals (including the procedure for the recovery of lost EU funds) as well as audit trails.

Main activities

- Assess the existing situation regarding management of external aid and proposal of a future system of decentralised management of EC funds. Institutional design regarding National Aid Co-ordinator, the National Authorising Officer, the National Fund, the Programme Authorising Officer in respective Implementing Agencies
- Develop a national institution-building strategy preparing for decentralised management of EU funds
- Design, establish and train the Contracting Authority of the Beneficiary country
- Prepare the relevant ministries to function as appropriate Implementing Agencies, able to organise, implement and control the entire project cycle, Provision of organisational capacity and skills necessary to manage the project cycle. Increased effectiveness in organizing, implementing and controlling the project cycle management
- Set up and strengthen a system of Public Internal Financial Control (PIFC) as one of the central elements of the Financial Control system, following the principles set forth by the Commission. This includes financial control activities in the public sector, covering control exercised by central and decentralised government agencies, involving ex-ante approval as well as ex-post internal audit systems. A basic feature in an effective PIFC system are the clear demarcation lines between financial management and control (FMC) and the internal audit, which assures, that FMC, including ex-ante controls, works properly (so-called functional independence of the internal auditors).

In the areas of General technical assistance support and Twinning, activities will be defined on a demand-driven basis.

3.3. Stakeholders

At present, the main potential partners of this project are organised as follows:

- The Cabinet of Ministers and the Verkhovna Rada of Ukraine are the bodies that will be responsible for the overall policy planning and approval of the legislative or regulatory documents that will be designed under the project.
- The State Department for Civil Service under the Prime Minister is overall responsible for coordinating institutional reform of public administrations, and has been given responsibility for

twinning operations. The Twinning Programme Administration Office was created in October 2005 within its structure and its director was appointed by Ukrainian authorities.

- The Office of the Deputy Prime Minister in charge of agriculture and rural development is being involved in the definition of a sector-wide approach (that will involve several donors, to be also seen as future stakeholders under this “umbrella” project)
- The Ministry of Foreign Affairs is expected to take soon full responsibility for monitoring implementation of the ENP Action Plan¹²
- The Ministry of Agrarian Policy will be responsible for implementing the sector-wide programme when it is finalised and approved. It is actively involved in the definition of that programme.
- The Ministry of Economy is responsible for co-ordinating technical assistance and will be involved in the preparation of ex-ante decentralisation.
- The Antimonopoly Committee of Ukraine is the leading force behind the on-going changes in the field of competition policy and legislation. In addition, it has recently assumed responsibility in the field of public procurement policy.
- The Ministry of Finance is expected to take responsibility for the management of external assistance funds in the event of a decentralisation
- Other public bodies, who are eligible to benefit from twinning projects.

Where the design or the implementation of policies will be concerned, the project will consistently promote *due processes* involving representatives from the civil society (professional organisations) and the concerned business communities. The Cabinet of Ministers of Ukraine will be the project beneficiary.

3.4. Risks and assumptions

- Assumptions
 - Ukraine’s willingness to develop and continue the declared policy of economic reform and approximation of Ukraine’s legislation and regulations related to areas in question with that of the EU
 - Ability and of institutions in charge of project issues to co-operate with experts, manage changes (introduce new rules and procedures and processes) and to absorb new know how
 - Commitment and dedication of Beneficiary country’s counterparts
 - Improved cooperation between relevant executive power bodies empowered with legislative initiative and legislative authorities in order to ensure enforcement of proposals for legislative changes or administrative practices
 - Creation of the necessary conditions for a successful launch of the various databases required for successful project implementation

¹² Such responsibility is currently shared with the Ministry of Economy. A Presidential Decree issued 29 November 2005 amended the Ministry of Foreign Affairs’ statutes so as to empower it to monitor and co-ordinate activities of Ukrainian administrations connected with European alignment.

- Risks

The main risk underlying the realisation of the overall objectives of the project include the failure of an improved cooperation between relevant executive authorities and the legislative authorities required to bring changes in legislation and administrative practices required to meet the overall objectives of the project

3.5. Conditionalities

- Adequate endowment of the project-area State policies with budget and human resources
- Full-size execution by Ukraine of commitments resulting from the effective implementation of agreed strategies, for instance regarding the provision of reference testing laboratories with state-of-the-art equipment under the Agricultural policy SWAP

3.6. Crosscutting issues

The impact of the measure on cross-cutting issues can be summarised as follows:

Development/crosscutting objectives	Directly targeted objective	Significant indirect impact
Poverty reduction	✓	
Good Governance	✓	
Democracy, Human rights		✓
Integration in world economy	✓	
Environment		✓
Gender		✓
Conflict resolution/Peace building		✓

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Centralised management

4.2. Budget and calendar

Indicative budget breakdown

Competition surveillance	€5.0 million
Agriculture and rural development	€9.0 million
Preparation to ex-ante decentralisation	€2.5 million
Twinning projects (areas to be specified)	€9.0 million

Support to implementation of the ENP Action Plan will be provided using, as appropriate, support programme (particularly with reference to the agriculture and rural development policy focus), grants (particularly grants to specialised international or supranational organisations), the twinning tool, classical technical assistance or the supply of equipment (on co-financing terms) linked with the implementation of policies and standards developed as a result of institutional / regulatory reform. Contributions by the Beneficiary country under the various components shall be discussed further during the project preparation phase.

Operational duration

Maximum 48 months.

4.3. Procurement and award of grants procedures

All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.4. Performance monitoring

The project will be monitored according to standard procedures. Project monitoring and evaluation will be based on periodic assessment of progress on delivery of specified project results and towards achievement of project objectives. The project's PMU will make significant input into monitoring of the implementation progress. Regular presentations to the EU-Ukraine Subcommittee on Economic and Social Affairs, Finance and Statistics will ensure in-depth involvement and commitment of the Ukrainian side to the monitoring from the project partner's side.

4.5. Evaluation and audit

The project will contribute to achieving the benchmarks defined in the EU-Ukraine ENP Action Plan, and therefore its effectiveness will be regularly checked against these benchmarks. A final evaluation will be envisaged.