



## 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).*

<b>1. Title/basic act/ CRIS number</b>	<b>Technical Cooperation Facility 2016</b> CRIS number: ENI/2016/039-505, financed under European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Neighbourhood East The action shall be carried out at the following location: Ukraine
<b>3. Programming document</b>	Not available (programming process for 2014-2017 was halted due to the ongoing unrest and uncertainty in Ukraine)
<b>4. Sector of concentration/ thematic area</b>	Media/Audio-visual, Financial Services, Transport, Labour.
<b>5. Amounts concerned</b>	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			
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality <ul style="list-style-type: none"> <li>– <b>Direct management:</b> <ul style="list-style-type: none"> <li>○ Grants – direct award</li> <li>○ Procurement of services</li> </ul> </li> <li>– <b>Indirect management</b> with the International Labour Organisation (ILO)</li> <li>– <b>Indirect management</b> with the European Bank for Reconstruction and Development (EBRD)</li> <li>– <b>Shared management</b></li> </ul>			
<b>7. DAC code(s)</b>	15110 - Public Sector Policy and Administrative Management			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	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"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	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"/>
	<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	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 2014 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, including 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 Ukraine<sup>1</sup> 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**

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
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

<sup>1</sup> 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><b>Assumptions</b></p>		
<ul style="list-style-type: none"> <li><input type="checkbox"/> Ukraine pursues its objective of effective implementation of the EU-Ukraine Association Agreement;</li> <li><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;</li> <li><input type="checkbox"/> Government enhances its donor coordination effort and supports improvement of decision-making processes in line with European principles;</li> <li><input type="checkbox"/> Continued Government commitment to implement the National Transport Strategy;</li> <li><input type="checkbox"/> Signature of the Arrangement between the State Aviation Administration of Ukraine and the European Commission on Convergence of Certification Systems.</li> </ul>		

### 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:

<b>Specific objective</b>	<b>Main activities</b>
SO1) On media/audio-visual:	<ul style="list-style-type: none"> <li>– 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;</li> <li>– 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;</li> <li>– Capacity building, organisational development, expert support and mentoring by EU Public Broadcasting related organisations, including possibly partnership with EU Broadcasters on content development.</li> </ul>
SO2) On financial services	<ul style="list-style-type: none"> <li>– 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);</li> <li>– 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;</li> <li>– Establishment of rules for collective investment schemes (including issuance, governance and marketing);</li> </ul>



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> <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> <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> <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> <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> <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 &amp; Transactions Registries; training on market surveillance;</li> <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.</li> </ul>
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> <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</li> </ul>

Specific objective	Main activities
	<p>sector and transport infrastructure in Ukraine;</p> <ul style="list-style-type: none"> <li>– 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;</li> <li>– 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.</li> </ul>
SO4) On aviation	<ol style="list-style-type: none"> <li>1. Development of the Convergence document, which will contain the: <ul style="list-style-type: none"> <li>– Identification of regulatory requirements on both sides;</li> <li>– Provision of comparisons of both EU and Ukrainian certification systems (regulatory and procedural requirements) and identification of differences;</li> <li>– 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;</li> <li>– Identification of the current level of effective rule implementation in the Ukraine;</li> <li>– Establishment of the criteria and modalities of the review visits;</li> <li>– Identification of specific personnel training needs;</li> <li>– Development of a process for future information sharing.</li> </ul> </li> <li>2. Implementation of the Convergence document, which will encompass the conduct of: <ul style="list-style-type: none"> <li>– Specific review visits in order to assess the level of rule implementation;</li> <li>– 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;</li> <li>– Dedicated training activities in order to enhance the knowledge of personnel;</li> <li>– Additional consultations;</li> <li>– “Simulated” EASA standardisation visits;</li> <li>– Exchange programmes for personnel concerned;</li> <li>– Progress review activities.</li> </ul> </li> </ol>

Specific objective	Main activities
SO5) On social reforms - labour inspection	<ul style="list-style-type: none"> <li>– 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;</li> <li>– Capacity building activities through training, coaching.</li> </ul>
SO6) On the EBRD MDA	<ul style="list-style-type: none"> <li>– Provision of high-level advice to the Ukrainian authorities, to the public administration reform, National Reform Council and the Business Ombudsman.</li> </ul>
S07) On participation in the Danube Transnational Programme	<ul style="list-style-type: none"> <li>– 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.</li> </ul>

### 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**

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution (amount in EUR)</b>



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

## 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.

	<b>Results chain</b>	<b>Indicators</b>	<b>Baselines (incl. reference year)</b>	<b>Targets (incl. reference year)</b>	<b>Sources and means of verification</b>	<b>Assumptions</b>
<b>Overall objective: Impact</b>	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.				
<b>Specific objectives</b>	<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><b>Outputs</b></p>	<p>To be completed at a later stage for each individual action financed under this Technical Cooperation Facility.</p>		

