

EN



Programming of the European Neighbourhood Instrument (ENI) - 2017-2020

-

**Single Support Framework for EU support to Ukraine
(2018-2020)**

Single Support Framework 2018 – 2020

Ukraine

Introduction

Ukraine has a population of 42.6 million inhabitants (2016) and a GDP per capita of EUR 1,907 in 2015. It ranks as a lower-middle income country, down from middle income earlier in the decade. The UNDP Human Development Index 2016 rates Ukraine as highly developed (84/188). It ranked 69 out of 144 on the World Economic Forum global gender gap index in 2016.

Politics and security: The country experienced a major political and military crisis in 2013-2014, triggered by the suspension, by then-President Viktor Yanukovich, of the signature of the Association Agreement (AA) including a Deep and Comprehensive Free Trade Area (DCFTA) with the EU. The widespread popular protests which started from Kyiv's Independence Square, led to a change of government, to the signature of the AA and a democratic reform process that has so far yielded important results in fundamental areas. In 2014-2017, the EU has been assisting this process with a bilateral support package of EUR 965 million and Macro-Financial Assistance of EUR 3.41 billion. The current government is led by the pro-EU party of President Petro Poroshenko.

In 2014, the Russian Federation illegally annexed Crimea and Sevastopol. Soon after, Russian troops and weaponry were brought into the Donetsk and Luhansk regions in support of separatists. Parts of those regions still remain outside the control of the Ukrainian government. The ceasefire agreed in September 2014 and the Minsk Package of Measures of February 2015 have never been fully enforced. Numerous ceasefire violations, including use of heavy weapons, continue to take place daily.

The conflict has claimed over 10 000 lives to date and affects some 5 million people, out of which 4 million are in need of humanitarian assistance. There are currently about 1.6 million registered as internally displaced persons (IDPs) in Ukraine, while 1.4 million persons are estimated to have left the country because of the conflict. Violations of human rights and international humanitarian law in the Crimean peninsula under the Russian annexation continue to be frequently reported. Since 2014, there has been a high increase in disinformation about Ukraine and the EU by Russian media. Ukrainian civil society began debunking these myths early on; the EU pursues the same objective with its East StratCom Task Force.

Economy and Trade: Ukraine inherited a large industrial basis from soviet times. Much of it experienced years of decline, and, in particular, in the East fully collapsed due the armed conflict and the loss of access to traditional markets in the Russian Federation driven by restrictive measures taken by the Russian Federation to block the freight transit by Ukraine to Central Asia. On the positive side favourable conditions for agriculture and a globally renowned IT industry are promising enablers for economic re-launch. According to the State Statistics Service of Ukraine, wholesale and retail, agriculture/fisheries/forestry and industry are the three biggest sectors of employment. The level of shadow economy impacting on fiscal revenue and social security (38% as of 2016 according to the Ministry of Economic Development and Trade) is high but is decreasing. Ukraine has been suffering from a major economic crisis since 2013.

As a result of structural deficiencies in the Ukrainian economy, compounded by the conflict in the East of the country, the illegal annexation of Crimea and the Russian economic pressure, real GDP fell by 6.6 % in 2014 and by 9.8 % in 2015. General government debt had increased to 79 % of GDP at the end of 2015, but sound macroeconomic policies helped to stabilise the Hryvnia. These macroeconomic policies were coupled with a successful restructuring of private external debt contributed to return of economic growth to 2.3 % of GDP in 2016. Replacing Russia, the EU has become the largest trading partner accounting for 40.5 % of Ukrainian trade in 2016. Ukraine, however, only accounts for 0.9 % of the EU's total trade. It mainly exports raw materials (iron,

steel, mining products, agricultural products), chemical products and machinery to the EU and imports machinery and transport equipment, chemicals, and manufactured goods. While production costs including labour are low and quality is high thanks to the good industrial and education basis in Ukraine, the business climate is still weak due to the dominance of oligarchic structures, corruption, legal insecurity and the armed conflict.

Society: While in terms of official income distribution Ukraine is among the most equal countries (World Bank), wealth inequality is among the highest, which indicates a dominant role of the shadow economy. Declining real wages, recession and tough fiscal policies contributed to a poverty increase in 2015, with the average monthly (nominal) wage of EUR 203 in the end of 2016 being among the lowest in the region. Unemployment grew from 7.3 % in 2013 to 9.3 % in 2016. Further concerns in the social sectors include the necessarily raised energy tariffs (partly mitigated by targeted subsidies), the pension and social assistance system and the health system. The health status of the population is amongst the lowest in Europe and access to high quality prevention and healthcare is poor and unequal.

Ukraine has generally good educational attainments, and scores highly on the 2016 World Economic Forum Human Capital Index (26/130). Nevertheless the education system, including higher education and vocational education and training (VET) needs reform to align with international standards, ease labour market transition of graduates and better respond to economic demands. Despite certain visible female figures at top levels of politics, Ukraine shows significant drawbacks in gender equality, namely endemic domestic, sexual and gender-based violence, a segregated labour market, lack of political representation and gender-blindness of reforms. "Traditional values" are increasingly invoked by conservative circles against legislation promoting equality. Announcement of (planned) legal amendments relating to culture, religion or languages, notably the status of Ukrainian and Russian, regularly cause controversial debates in society and politics.

Outlook: Despite the continuing warfare in the East and a heavy decline in its economy, Ukraine has demonstrated unprecedented levels of resilience and persistence to achieve societal change asserting its European orientation. It has outperformed expert expectations in certain reform areas like decentralisation. Expectations towards the EU remain high. Civil society continues to play a pivotal role in the country's reform progress, counterbalancing the still strong oligarchic reactionary forces. With visa liberalisation granted in June 2017 and the entry into force of the AA/DCFTA three months later, EU–Ukraine relations have become more intensive than ever before. Strong support to reforms and consistent political dialogue will therefore be of even greater importance.

1. EU Response

1.1. Strategic objectives of the EU's relationship with the partner country

Pursuing the aims of the **European Neighbourhood Review** of November 2015, the **EU Global Strategy**¹ and the **EU Gender Action Plan 2016-2020**, and in full recognition of Ukraine's sovereignty and territorial integrity, the EU supports the strengthening of a stable, secure, resilient, democratic and prosperous society and Ukrainian state that contributes positively to national and regional security and economic growth. To achieve this goal it is crucial to implement a long-term and comprehensive reform programme rooted in the AA/DCFTA, prioritising democracy and the rule of law, strengthening institutions, economic growth, social cohesion and respect for human rights. In 2015, the partners updated the Association Agenda defining priority areas of cooperation in the framework of the revised European Neighbourhood Policy (ENP). These priorities are in line

¹ The ENP review and Global Strategy for the European Union's Foreign and Security Policy highlighted the stabilisation and resilience building of neighbouring countries as an important political priority, to be achieved through support to good governance, democracy, human rights and rule of law, economic governance, as well as cooperation on security and on migration and mobility.

with the Government's new Medium-Term Priority Action Plan 2017–2020 and the key global policy goals set by the UN 2030 Sustainable Development Goals and the Paris Agreement on Climate Change.

The priority sectors set out below reflect the revised ENP and the Association Agenda and are consistent with the **Eastern Partnership priorities** set in the "20 Deliverables for 2020"².

Regarding the impact of the illegal annexation of Crimea and Sevastopol by the Russian Federation and the ongoing conflict in certain areas of Donetsk and Luhansk regions, EU intervention is guided by a close coordination between the political processes of sanctions and peace negotiations and the different instruments for humanitarian, stabilisation and peace-building and development assistance.

1.2. Choice of sectors of intervention

The following priorities and indicative allocations are building on a consensus that emerged from consultations with the Government of Ukraine, representatives of Parliament, civil society and business, International Financial Institutions, as well as key bilateral donors in autumn 2016. The priorities continue and consolidate the work done under Special Measures adopted in 2014-2017.

The indicative budget allocations reflect the need to deliver tangible and visible results for citizens. In this vein, a cluster of interventions is considered for specific regions of Ukraine without neglecting other assistance needs across the country. A Joint Humanitarian and Development Framework will facilitate the transition between humanitarian aid, early recovery and development interventions for the conflict-affected population and regions in eastern Ukraine. The External Investment Plan for Africa and both Southern and Eastern Neighbourhood countries provides new funding opportunities by crowding in private sector financing through the establishment of an EU guarantee that will de-risk private investors. Potentially large amounts of investment in Ukraine can be mobilised and leveraged by EU financial support.

The actions under this programme will give special attention to the mitigation of impacts of the conflict in the East, including paving the way for possible reintegration of the areas currently not under the control of the Government. This includes streamlining into EU's cooperation with Ukraine, confidence- and peace-building measures. Once the political conditions will be met, i.e. following full implementation of the Minsk agreements, the EU will support the launching of a larger scale operation to the conflict-affected areas in the east of Ukraine, complementing the work of other donors and international financial institutions (IFIs).

A number of **lessons learned** during the implementation of the ENPI 2007–2013 and Special Measures 2014–2017 have informed the programming of this Single Support Framework (SSF):

- The importance of continuously supporting Ukraine's sovereignty and territorial integrity and mainstreaming conflict-sensitivity in all support measures.
- The need for projects that produce tangible and visible results for Ukraine's citizens;
- The importance of a sustained policy dialogue;
- The importance of fostering strategic communication on EU policies and support, thereby increasing the EU's visibility;
- The need to programme assistance within the framework of national sector strategies, supported by costed Action Plans and evidence of ownership by the Government;

² European Commission/HRVP - Joint Staff Working Document of 15 December 2016 "Eastern partnership – Focusing on key priorities and deliverables" – SWD(2016) 467 final

- The importance of Government capacity to coordinate external assistance, ensure consistency between the budgetary processes and policy agenda, and to monitor the implementation of the AA/DCFTA;
- The desirability and necessity of pursuing a joint programming approach with EU Member States and willing partners and ensuring synergy with bilateral and multilateral donors, IFIs and other international organisations;
- The importance of mainstreaming the key principles of public administration, including on inclusive and evidence-based policy and legislative development (similar to the EU better regulation approach) in sector programmes and policy dialogue;
- The importance of mainstreaming cross-cutting issues, notably civil society engagement, youth, gender, a rights-based approach, social inclusion, environment and climate change, and of employing confidence building measures in potential and post-conflict situations, taking into account the condition of IDPs and returnees;
- The need to ensure coherence between interventions financed through the national, thematic, cross-border and regional envelopes;

The priority Sectors of Intervention are:

1) Strengthening institutions and good governance, including the rule of law and security (indicative 25% of the total budget)

Good governance is a core condition for any meaningful sectoral reform. The inefficiency of the public administration in Ukraine, both at central and local levels, acknowledged in a number of studies and rankings (e.g. OECD's Support for Improvement in Governance and Management (SIGMA), World Bank), leads to unsatisfactory public services and undermines effective public policy making. Public funds are not used efficiently, since there is a very weak link between policy planning/objectives and public budgets. The control environment for public funds is complex and ineffective and not in line with modern international standards. Pervasive corruption and inefficiency of the judiciary and prosecution undermine public trust into the Government and have a negative impact on business environment (cf. e.g. Transparency International Corruption Perception index rankings). The law enforcement sector remains considerably unreformed and some of its agencies serve vested interests rather than protecting the citizens. Border management is not in line with international best practices creating security risks and hampering the effective movement of goods and people, thereby negatively impacting on economic development. Given the continuing illegal annexation of the Crimean peninsula and the conflict in the East of the country, Ukraine must be better able to address hybrid threats and build capacity to identify vulnerabilities and strengthen resilience and strategic communication. Gender-responsiveness of governance needs to be strengthened.

2) Economic development and market opportunities, including private sector development and improvement of the business climate (indicative 20% of the total budget)

Ukraine has economically stagnated since independence. Oligarch-dominated large corporations and pervasive corruption stifles the development of an active private sector. Labour productivity is low, even though the country benefits from an often well-educated workforce. The shadow economy is substantial.

EU action aims at strengthening the economic fabric of the country in order to create an environment conducive to innovation, the development of a functioning and sustainable market economy relying on small and medium-sized businesses, in particular by safeguarding property rights and countering corruption, introducing effective competition discipline, and providing improved and equal access to finance. Reform of state-owned enterprises and of the financial sector will have a significant impact on the economy.

Equal employment opportunities and working conditions in line with EU and international standards and best practices will ensure that the potential of Ukraine's human capital is fully realised. The focus will be on the main engines of economic growth, be it high-potential sectors or cross-cutting factors which can bring about substantive economic change (private sector development, agriculture, fisheries and territorial development, investments and selected services, digitalisation of the economy and society, the fostering of innovation, vocational training, infrastructure, etc.).

Exports are expected to be a main driver of economic growth, building on the strong potential of specific sectors. The instruments for the Ukrainian economy to gradually align with the EU and its internal market standards, provided by the DCFTA, will be used more intensively to deliver and demonstrate concrete results. The development of broadband infrastructure will tap on the potential of Ukraine's ICT industry and promote the deployment of eServices for businesses, citizens and administration. The action aims also at regenerating of the economy and livelihoods of the conflict-affected areas and populations, in line with the Joint Humanitarian and Development Framework.

3) Connectivity, energy efficiency, environment and climate change (indicative 15% of the total budget)

The energy and transport sectors need continued reform in order to ensure Ukraine's energy security and independence, promote sustainable green economic growth and foster domestic and international trade as well as mobility of goods and people. Economic governance, regional development and environmental protection are closely intertwined with this priority area and synergies will allow advancing in several key reform areas. Better emission control will contribute to climate change mitigation. While it will remain for the International and European Financial Institutions to fund big infrastructure projects, the European Commission will provide technical and financial assistance at strategic and capacity building levels.

4) Mobility and people-to-people contacts, including social inclusion (indicative 20% of the total budget)

Ukraine faces socioeconomic challenges in terms of effective civic participation, inequalities, and lack of good services to citizens. Vulnerable groups like elderly persons, single-parent-households, children deprived of parental care, the rural population, Roma, LGBTI and conflict-affected population and IDPs are exposed to discrimination, lack access to effective social protection, quality healthcare and education or are at significantly higher risk of poverty.

The public health system is not able to perform basic functions (such as surveillance of diseases, preparedness to health emergencies, vaccinations, provision of safe blood for transfusions, control of HIV and tuberculosis) to protect the population and to meet its international commitments. There is a high prevalence of non-communicable diseases triggered by lifestyle factors which impact on the socio-economic situation, reducing productivity and curtailing economic growth.

The armed conflict puts people living in non-government controlled areas (NGCA), the "grey zone" and on both sides of the line of contact as well as IDPs and host communities at high risk of trauma, poverty and violence while also contributing to societal divides. IDPs continue to face challenges with regard to their access to housing, education, social services and jobs as well as political and civil rights. Women face career and pay disadvantages and are at risk of sexual gender based and domestic violence and trafficking, with lack of persecution.

EU intervention will address these issues, promoting access to quality social protection, healthcare and education for all; fostering mobility within the country and across its borders, thus promoting social cohesion on the basis of common values; promoting the development of a sustainable knowledge economy and talent circulation to prevent internal and external brain drain. Enhanced exchanges with EU countries in different spheres will help to bring EU approximation close to citizens. Strategic communication and media transparency will be reinforced to ensure sustained

support for EU approximation by the population and increase visibility of the government's reform progress. This will also contribute to good state-citizen relations.

Cross-cutting issues, notably **environmental protection and climate change, digital economy and society, youth, gender equality and human rights as well as confidence and peace-building measures** will be mainstreamed in the priority sectors, together with the **Principles of Public Administration**. Policy and legislative development in particular needs to be inclusive and evidence-based. This is key in ensuring implementation and enforcement of adopted policies and legislation, including those required by commitments under the DCFTA. Without prejudice to specific interventions under sector 4, particular attention will be paid to conflict impact and support to vulnerable groups throughout the intervention sectors, including people living along the line of contact, elderly, children, young people (especially those who are not in education, employment or training), IDPs, rural population, women, ethnic minorities and LGBTI. Complementary support may also be provided, in order to implement priority commitments that are not already covered.

The **regional and eastern neighbourhood wide programmes** will continue to provide key complementary support in line with the EaP priorities and the regional multiannual indicative plan. With regards to strengthening market opportunities, support will continue under the EU4Business Initiative, ranging from a business friendly regulatory environment to the implementation of the DCFTA as well as under EU4Digital, which will strengthen the digital economy and society within and across the region. Support to strengthening the international and regional connectivity agenda including on energy and transport in line with the TEN-T network, energy and climate change and the environment will be provided both through relevant regional programmes (i.e. EU4Energy) and the Neighbourhood Investment Platform. The EU4Innovation initiative will offer a consistent framework for the different EU initiatives in support of innovation capacities. Similarly, EU4Youth and ongoing programmes such as Erasmus+ and Horizon 2020 will continue benefitting education, youth and research cooperation. In addition, the European Union Border Assistance Mission to Moldova and Ukraine (EUBAM) will be another priority area of intervention for regional cooperation of particular importance for Ukraine. In the area of good governance the strategic partnership with the Council of Europe will continue. Specific regional support will be provided in areas where there is a clear added value of the regional dimension such as organised crime.

2. Financial overview

The indicative allocation for the period 2018-2020 is EUR 433,800 000 - 530,200 000.

The indicative breakdown by sector is the following:

<i>Sectors</i>	<i>Indicative allocation</i>	<i>% of total allocations</i>
Sector 1: Strengthening institutions and good governance, including the rule of law and security.	EUR 108.45 million – EUR 132.55 million	25%
Sector 2: Economic development and market opportunities, including private sector development and improvement of the business climate.	EUR 86.76 million – EUR 106.04 million	20%
Sector 3: Connectivity, energy efficiency, environment and climate change.	EUR 65.07 million – EUR 79.53 million	15%
Sector 4: Mobility and people-to-people contacts, including social inclusion.	EUR 86.76 million – EUR 106.04 million	20%
<i>Complementary support for capacity development</i>	<i>EUR 65.07 million – EUR 79.53 million</i>	<i>15%</i>
<i>Complementary support to civil society</i>	<i>EUR 21.69 million –</i>	<i>5%</i>

<i>Sectors</i>	<i>Indicative allocation</i>	<i>% of total allocations</i>
	<i>EUR 26.51 million</i>	

In addition, Ukraine may benefit from supplementary allocations provided under the umbrella programmes. Such supplementary allocations will be granted on the basis of progress towards deep and sustainable democracy and implementation of agreed reform objectives contributing to the attainment of that goal.

Ukraine is also eligible for support under a number of other EU instruments, such as the Instrument Contributing to Stability and Peace (IcSP), humanitarian aid, CFSP measures and CSDP missions and operations, the European Instrument for Democracy and Human Rights, the Partnership Instrument, the Instrument for Nuclear Safety Cooperation, Macro-Financial Assistance, Development Co-operation Instrument thematic programmes and external actions under EU internal programmes for e.g. research and innovation (Horizon2020), energy, transport, education and youth (Erasmus+) and creative sector (Creative Europe). Under regional development it takes part in the EU Strategy and transnational programme for the Danube Region.

3. EU support per sector

3.1 *Strengthening institutions and good governance, including the rule of law and security* *(indicative 25%)*

3.1.1 The following overall and specific **objectives** will be pursued:

The overall objective is the establishment of a trustful, rights-based, gender-equal society via better response to citizens' demands, provision of quality services and ensuring security and rule of law by more efficient, effective, transparent and accountable public institutions.

The **specific objectives** are:

- Improved overall performance of Ukrainian public administration in line with the 2016-2020 Public Administration Reform (PAR) strategy and its implementation plan, and the decentralisation reforms programme as well as further implementation of e-governance (specific objective 1).
- Improved public finance system in Ukraine in line with the PFM strategy (specific objective 2).
- Enhanced efficiency, effectiveness, accountability and integrity of key law enforcement and other security agencies for improved resilience, security and public safety including fight against sexual and gender-based violence and domestic violence, integrated border management and cyber security; improved legislative framework and policies and organisational interoperability in public and private cybersecurity structures; strengthened capacity to account and counter disinformation activities (specific objective 3).
- Reinforced independence, integrity, quality and efficiency of the judiciary and prosecution (specific objective 4).
- Strengthened prevention of and fight against corruption, strengthened anti-corruption institutions, including the establishment of anti-corruption courts (specific objective 5).
- Improved democratic decision-making processes (specific objective 6, applies to all sectors).

3.1.2. The **main expected results** are:

- For specific objective 1: strengthened capacities for a comprehensive reorganisation of the central and local public administration, including renewal and increased efficiency of the civil

service and motivating working conditions; improved practices of policy planning, monitoring and communication including based on good-quality official statistics; improved practices for service delivery at both central and local level; improved practices for e-governance implementation.

- For specific objective 2: strengthened capacities and improved practices for: i) policy based and mid-term budgeting, ii) better public oversight of the budget process, iii) use of gender-responsive budgeting methods, iv) enhanced internal control and external accountability, and v) improved legislation and institutional capacity in the field of public procurement and use of the e-procurement system.
- For specific objective 3: improved business processes, citizen orientation and gender-responsiveness of key law enforcement agencies such as the Public Prosecutor's Office, the National Police, the Security Service, Border Guards, Customs and others; strengthened effectiveness and efficiency in the fight against organised crime and against sexual and gender-based violence including domestic violence; improved capacities and legislative framework in the area of cybersecurity; enable: i) improved resilience of Ukrainian public and private bodies and critical national infrastructure against security threats (cybersecurity, hybrid and dis/information), and ii) effective protection of human rights in relation to law enforcement activities; enabled conditions for accelerated legal movements of persons and goods across Ukrainian borders, including through strengthened intelligence-led policing practices; strengthened capacities for efficient border management; enhanced strategic communication.
- For specific objective 4: enabled establishment of an independent and professional judiciary, for an improved execution of sanctions; improved practices for better access to justice and improved services to all citizens, including through reduction of gender bias.
- For specific objective 5: enhanced capacities for higher effectiveness of the newly established anti-corruption institutions in combating and preventing corruption; modern integrity practices promoted throughout the public administration.
- For specific objective 6: more effective and efficient legislative structures and procedures at all levels, including in the Parliament, and for all policy areas promoted; improved electoral framework in line with ODIHR/Venice Commission recommendations; improved practices of non-government stakeholders participation in policy making (applies to all sectors).

3.1.3. Preliminary list of **main indicators**³:

- Performance in Worldwide Governance indicators;
- Degree of implementation of the PAR strategy;
- Coverage and quality of statistics, their use for evidence-based decision-making;
- Level of implementation of the territorial reform including of e-governance services;
- Public perception of improvement of delivery in public services;
- Quality of the medium-term budgetary framework;
- Gender-responsiveness of the budgeting process and annual budget bills;
- Quality of public debt management;
- Number of persons charged and convicted of trafficking, organised crime, smuggling and counterfeiting;
- Value (EUR) of illicit goods, drugs, arms etc. seized;
- Number of sexual, gender-based and domestic violence offences prosecuted;
- Functioning of a national Computer Emergency Response Team (CERT) and implementation of the national Cybersecurity Strategy;

³ More detailed list of indicative indicators for each sector can be found in the attachment.

- World Economic Forum and the European Commission for the Efficiency of Justice (CEPEJ) indicators, court user satisfaction as measured by justice surveys
- Number of prosecutions for corruption or abuse of : i) office by members of the judiciary, ii) law enforcement officers, iii) members of the customs, iv) members of the border agencies;
- Position in Transparency International Corruption Perception Index;
- Quality and quantity of Parliament's input to Government policies
- Extent to which audience for independent media are increased.

3.1.4. **Donor coordination and policy dialogue** are taking place in various formats, both government and donor led. The Association Council, Association Committee and related subcommittees play an overarching role re-enforcing EU-Ukraine policy dialogue across all sectors. OECD/SIGMA will continue to provide advice on Public Administration Reform (PAR), including on Public Financial Management (PFM).

The G7 ambassadors Support Group for Ukraine regularly enables pursuance of key priority reforms with the political leadership of Ukraine. The National Reform Council, established in 2014, provides a platform for coordination of reforms between the Presidential Administration, Government and Parliament. The Ministry in-charge of the 'Cabinet of Ministers of Ukraine' which also includes coordination of implementation of the Association Agreement, envisages a stronger role in strategic donor coordination linked to the recently adopted Strategic Action Plan 2017–2020.

The EU is supporting the Strategic Advisory Group for Support of Ukrainian Reforms (SAGSUR) comprising former senior government officials from Central Europe and the Reform Delivery Office attached to the Office of the Prime Minister. Policy dialogue structures for public administration reform are being put in place.

Sector specific, good progress has been achieved on joint planning and implementation with several EU Member States (DE, DK, EE, FR, LT, PL, SE), the CSDP supported EU Advisory Mission for Civilian Security Sector Reform Ukraine (EUAM Ukraine) and international organisations (IMF, IOM, UNDP, WB) in support of decentralisation, anti-corruption, rule of law, PAR, migration and PFM. While re-enforcing the EU profile and encouraging other donors, it enables the respective government entities to take a stronger lead role in coordination.

3.1.5. **Ukraine's authorities financial and policy commitments** are described in the Association Agenda and the Government Action Plan 2017 - 2020.

3.1.6. When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out according to EU standards.

3.1.7. The overall **risk assessment** of the sector intervention is:

The main risks in governance reforms are related to persisting corruption and resistance from oligarchic vested interests that see their real or perceived benefits reducing because of loss of control, resources or privileges and obtained during the post-soviet transition. These forces have well-established links into the wider spectrum of political parties represented in the Parliament as well as in the public administration. Priority reform areas like PAR and PFM can suffer from changes in political will or in the macroeconomic situation. Risks can be partly mitigated by reinforcing internal checks and balances, enhanced policy dialogue, visible political messaging, involvement of civil society, fostering public awareness, independent investigative media and monitoring. Reforms of the electoral system and the legislative functioning of the parliament are key to improve political decision making in the country. A profound re-organisation of public administration and judiciary is needed to improve the executive capacity of the government and courts being able to attract highly qualified staff to fight corruption, deliver effective policies and fair judgments.

3.2 Economic development and market opportunities, including private sector development and improvement of the business climate (indicative 20%)

3.2.1 The following overall and specific **objectives** will be pursued:

The **overall objective** is to contribute to sustainable and inclusive socio-economic development of Ukraine via: maximising potential benefits of the DCFTA; higher share of small and medium-sized enterprises (SMEs) in the national economy; fostering the development of a conducive framework for a competitive innovation-driven economy; better economic governance and increased diversification; higher labour productivity, decreased apparent and hidden unemployment, reduced gender pay gap and more decent work.

The **specific objectives** include:

- Legislation and regulatory framework progressively compliant with EU standards and improved capacity of Ukrainian public administration to implement it; technical and administrative barriers to business and trade are reduced; export and innovation thrive (specific objective 1).
- Growth of the small and medium enterprise (SME) sector thanks to better legal and financing conditions, improved access to finance and stimulation of investments, including from the diaspora (specific objective 2).
- Transparent privatisation and reorganisation of state-owned enterprises is ensured; improved efficiency of remaining essential SOEs; effective policy and legal framework for private sector development is in place with regulations and protection for individual enterprises enforced according to international standards; high potential growth sectors are developed (specific objective 3).
- Strengthened economic basis for regional and local development and enhanced competitiveness of regions (specific objective 4).
- Improved skills basis, including for entrepreneurship; reduced informality and undeclared work, reduced gender pay gap, reduced gendered labour market segregation, better working conditions including more formalisation of employment and higher remuneration throughout the country (specific objective 5).
- Strengthened digital economy and society and its enhanced harmonisation with the EU's Digital Single Market (specific objective 6).
- Improved cross-government coordination for innovation policy based on a sound strategy and implementing better framework conditions, including operational instruments, programmes and schemes to support innovation stakeholders (specific objective 7).

3.2.2. For each of the specific objectives the main expected **results** are:

- For specific objective 1: Improved capacities and tools for full compliance with EU regulations of legislative and regulatory reform; reduction of technical and administrative barriers to business and trade is promoted; export measures are promoted;
- For specific objective 2: Strengthened capacities to establish sound legal and financing conditions for starting and running SMEs; improved access conditions to finance, including for women, IDPs and conflict affected population, through increase and diversification in supply; strengthened capacities to attract investments including from the diaspora
- For specific objective 3: Enabled introduction of a modern corporate legislation and bankruptcy framework and effective competition, intellectual property protection and state aid control mechanisms; promotion of high potential growth sectors such as metallurgy, engineering, aerospace, agriculture and food processing
- For specific objective 4: Enhanced practices to fiscally anchor regional, rural and local development strategies in the potentials for agricultural and other economic development;

development of place-based smart specialisation strategies for research and innovation; enhanced capacities and tools for an effective land reform; investments in better infrastructure, delivery of public services and rural development promoted; reduced disparities between regions and between urban and rural areas.

- For specific objective 5: Strengthened capacities and enhanced practices to: i) modernise vocational education and training, ii) enhance job creation and entrepreneurship skills, iii) create fair employment and working conditions, iv) reduce gender pay gap, v) reduce gendered labour market segregation, vi) adjust the skills base to meet the requirements of modern production apparatus, vii) reduced disparities between conflict affected areas and the rest of Ukraine.
- For specific objective 6: Strengthened independence of the telecom regulator; increased harmonisation of spectrum allocation with the EU and roaming pricing with the other EaP countries; increased harmonisation of eSignatures, eHealth, eTrade, eCustoms and Digital Transport Corridors; enhanced deployment of eServices.
- For specific objective 7: Promoting and enabling the development and implementation of cross-governmental innovation strategy and action plan, aiming to facilitate technology transfer between public research and industry, develop sectoral innovation clusters and set the right incentives and funding mechanisms to foster the emergence of start-ups and innovative entrepreneurs.

3.2.3. Preliminary list of main **indicators**:

- Degree of approximation with EU legislation;
- Volume and composition of exports;
- Share of SMEs and innovative and high value added industries in GDP;
- Degree of participation of women in business;
- Quality (nature and scope) of regulatory reform in terms of removal of obsolete legislation;
- Number of state-owned enterprises and improved financial performance of remaining SOEs;
- Foreign direct investment flow (EUR);
- Ranking in "doing business" classifications;
- Share of local currency lending; extent to which innovative financial instruments are developed;
- Extent to which living conditions in rural areas are improved;
- Increase in enrolment in vocational education and training; unemployment rate;
- Gender pay gap; female share of employment in managerial positions;
- Poverty rate; GINI coefficient;
- Extent to which the share of population using trusted eGovernment services and companies using trusted eBusiness services is increased;

3.2.4. **Donor coordination and policy dialogue** are:

Donor coordination and policy dialogue are taking place in various formats, both government and donor led. The Association Council, Association Committee and several Sub-Committees play an overarching role re-enforcing EU-Ukraine policy dialogue with regard to the DCFTA. As several issues closely relate to improvement of governance see for more details on donor coordination and policy dialogue under 3.1.4. Regular donor meetings take place by sector: private sector, agriculture, education, export promotion mostly lead by the EU as main donor. For new sectors as consumer protection and corporate law, both policy and donor dialogue are yet to be established.

3.2.5. **Ukraine's authorities financial and policy commitments** are:

Economic growth is one of the top five goals for the Ukrainian Government under the mid-term action plan till 2020 to be achieved by creating a favourable business climate; by increasing investment activity and by ensuring inclusive economic growth.

Key priority actions listed in the plan include the following: deregulating and promoting entrepreneurship and competition; promoting innovation and reforms in the intellectual property field; developing industrial production and attracting investments; developing exports and expanding foreign economic ties; regional economic development; promoting productive employment; land reform; facilitation of agro-industrial development; food quality and safety; etc.

3.2.6. When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out.

3.2.7. The overall **risk assessment** of the sector intervention is:

Two major areas of risk are: i) resistance towards adopting of new legislation and simplifying regulation reducing possibilities for monopolistic control and the emergence of a fully functioning market economy; ii) reversal in the macro-economic situation (either due to domestic factors or as a consequence of global economic developments), destabilisation of the currency and increase in interest rates reducing prospective for economic growth. In order to mitigate risks, maintaining intensive dialogue and networking with the Parliament and various sector stakeholders is essential. Regarding economic destabilisation, this requires to be addressed in the international context and especially with IMF and other IFIs.

3.3 Connectivity, energy efficiency, environment and climate change (indicative 15%)

3.3.1 The following overall and specific objectives will be pursued:

The **overall objective** is to reduce energy intensity in Ukraine and dependency on fossil fuels; establish strong transport and energy links between Ukraine and the EU, achieve efficient and environmentally-friendly mobility, an efficient, sustainable and circular economy leading to new jobs and greener (low-carbon) economic growth, reduced greenhouse gas emissions, improved quality of environment and enhanced climate change mitigation and adaptation.

The **specific objectives** are:

- Harmonised legislation in the transport, energy sectors according to the priorities stipulated in the Association Agreement and the Energy Community Treaty; relevant sectors are reformed, including: ensuring quality and security of electricity and natural gas supply to consumers in Ukraine, checking prices by competition (specific objective 1).
- Improved policies, normative framework, financial resources and awareness for energy efficiency and renewables (specific objective 2).
- Enhanced development of Ukraine's energy (electricity and gas) and transport infrastructure; improved energy connections between EU and Ukraine and connectivity with EU neighbouring countries for passengers and freight; transport chains are satisfying the needs of the users; (specific objective 3).
- Increased use of clean and energy efficient vehicles, increased efficiency of transportation, including in rural areas and areas where transport networks suffer from conflict impact, enhanced mobility and safety, including for women (specific objective 4).
- Reduced waste (promotion of circular economy), better control of emissions; improved biodiversity and nature protection, including fisheries governance (specific objective 5).

3.3.2. For each of the specific objectives the **main expected results** are:

- For specific objective 1: administrative capacities of relevant state bodies for transposition, implementation and enforcement of the energy and transport legislation according to the EU

acquis are strengthened; administrative bodies in the sector (Ministry, Agency, Regulatory bodies), state-owned enterprises and other market participants are enabled to better fulfil their function (incl. sector reforms).

- For specific objective 2: enhanced capacities of administrative bodies in the sector (Ministry, Agency, Regulatory bodies), state-owned enterprises and other market participants (incl. citizens) for, and promotion of, energy efficiency measures, use of renewables, notably in buildings, industry, transport.
- For specific objective 3: fostering measures to deepen Ukraine's integration into EU infrastructure; pipeline of prepared mature transport projects, including e.g. the extension of EGNOS (European Geostationary Navigation Overlay Service) to Ukraine; improved logistic capacity and interoperability of different transport modes.
- For specific objective 4: Promotion of environmentally friendly and sustainable urban mobility; enhanced capacities and practices for improved transport safety, including for women, and efficiency, including in rural areas and areas where transport networks suffer from conflict impact
- For specific objective 5: the setup of a national emission monitoring system is enabled; promotion of harmonisation with EU environmental standards including in the area of sustainable consumption and production practices and nature protection, promotion of implementation of the multilateral rules on fisheries management in the Black Sea.

3.3.3. Preliminary list of **main indicators**:

- Extent to which the AA and the Energy Community *acquis* are implemented;
- Energy imports, net (% of energy use);
- Energy intensity of industry; energy losses;
- Renewable energy consumption (% of total final energy consumption);
- Number of infrastructure projects approved by the Government for financing; number of upgraded energy and transport connections between EU and Ukraine;
- Number of cities with reduced congestion, accidents and pollution,
- Rate of fatal accidents and rate of injured people in transport;
- Total population (%) having access to reliable and needs-responsive public transportation, especially in the rural and conflict-affected areas;
- Total population (%) served by municipal waste collection;
- Municipal waste treatment (tonnes);
- Number of actions implemented towards circular economy (recycling);
- Extent to which environmental data and reporting is improved;
- Extent to which fisheries management is improved.

3.3.4. **Donor coordination and policy dialogue** are taking place in various formats, both government and donor led, varying according to the thematic area. Directly related with the Association Agreement, important fora of discussion include the Association Committee and the specific Sub-Committees. In the energy sector, the MoU signed in 2016 provides a further forum for close exchanges. The delegation participates or chairs several donor groups e.g. on electricity, gas, transport and has a close policy dialogue with civil society, the Ministries, the Rada and economic actors.

3.3.5. **Ukraine's authorities financial and policy commitments** are described in the governmental programme and in the draft transport and energy strategies as well as the annual budget.

3.3.6. When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out.

3.3.7. The overall **risk assessment** of the sector intervention is:

Risks include further deterioration of political circumstances in the region and with the breakaway regions, continued political polarisation notably in the process of adoption of laws and blockage of economic reforms through vested interests and oligarchs. This can partly be mitigated by enhanced policy dialogue and by greater use of incentive based mechanism.

3.4 *Mobility and people-to-people contacts, including social inclusion (indicative 20%)*

3.4.1 The following overall and specific **objectives** will be pursued:

The **overall objective** is an open and inclusive society based on common values via improved access to education, jobs and health care, especially for the most vulnerable including those affected by the conflict in the east.

The **specific objectives** are:

- Socioeconomically beneficial development of research, education, youth cooperation, culture and international exchange; enhanced meaningful, sustainable and effective inter-regional and international exchanges at citizen level and between institutions; effects of internal and external brain drain mitigated and circulation of talent enhanced (specific objective 1).
- Deep modernisation of the public health and healthcare sector in line with European standards (specific objective 2).
- Improved levels of confidence, reconciliation, social (re-)integration and protection (including humanitarian demining related activities) of conflict-affected population and host communities (specific objective 3).
- Enhanced civic awareness, social cohesion, and political resilience through media development and strategic communication on governance reforms and European integration (specific objective 4).
- Enhanced access to high-quality education and social services for all (specific objective 5).
- Sustain the fulfilment of all benchmarks of the Visa Liberalisation Action Plan (VLAP) (specific objective 6).

3.4.2. For each of the specific objectives the main expected **results** are:

- For specific objective 1: strengthened capacities and improved practices in the areas of research, higher education, scholarship programmes, and culture; enhanced education, youth and research programmes at national and European level; strengthened capacities to mitigate brain drain and facilitate circulation of talent.
- For specific objective 2: establishment of an effective, evidence-based and sustainable public health system, including the blood safety system, compliant with European standards; enabling of the functioning of universal health coverage, including financial risk protection, and access to quality essential health-care services and medicines for all.
- For specific objective 3: enable the establishment of a mechanism of social protection and emergency response to deal effectively with conflict-affected communities and displaced population; improved protection of civilians and peacebuilding processes in conflict-affected communities; enhanced social cohesion.
- For specific objective 4: improved societal capacity for objective information gathering and critical news analyses; improved societal capacity for inclusiveness and tolerance; enhanced strategic communication.

- For specific objective 5: improved access to high-quality education at all levels and social services throughout the country and for all population groups enabled.
- For specific objective 6: Visa-free regime operates effectively.

3.4.3. Preliminary list of main **indicators**:

- Volume of participation in Union programmes (Horizon, Erasmus+, COSME, Creative Europe, etc.); number of cultural, youth, professional and scientific exchanges;
- Gross Domestic Expenditure on R&D (GERD), R&D personnel, scientific publications in international journals and patents statistics;
- Extent to which inter-regional travel is increased (expressed in number of travellers);
- Outflow of nationals for employment;
- Out-of-pocket health expenditure (% of total expenditure on health);
- Immunisation coverage in children, adolescents and adults;
- Number and coverage of screening programmes and healthy lifestyle campaigns;
- Extent to which coverage by social protection measures for IDPs is ensured;
- Inclusiveness in terms of age groups, gender and minorities in social development indicators;
- Rate of discrimination (including hate speech) and crimes based on gender (identity), sexual orientation, ethnic or national belonging;
- Ukraine's performance in relevant international gender indices;
- Degree of public awareness of governance reforms and EU integration;
- Level of fulfilment of the VLAP benchmarks for Ukraine.

3.4.4. **Donor coordination** and **policy dialogue** are taking place in various formats, both government and donor led, varying according to the thematic area. On education, research and cultural development coordination with EU Member States will be re-enforced further enhancing an explicit common EU profile. Coordination in the social sectors has been limited mostly to project implementers, though government, especially in health, is showing a growing strategic interest. For humanitarian and early recovery there is an operational coordination frame, led by the UN and currently transitioning towards ownership of the Ministry for Temporarily Occupied Territories and IDPs. Humanitarian donor coordination is ensured by European Civil Protection and Humanitarian Aid Operations (ECHO).

3.4.5. **Ukraine's authorities financial and policy commitments** are:

Human capital development is one of the top five goals for the Ukrainian government under the mid-term action plan till 2020. This is to be achieved by carrying out healthcare and education reforms, by supporting youth, by improving the social safety net; by promoting physical activity and sport; and by developing a public cultural policy. The government presented early 2017 an action plan for assistance to conflict affected population.

3.4.6. When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out.

3.4.7. The overall **risk assessment** of the sector intervention is:

Major risks relate to the adoption and implementation of health and social modernisation measures, adoption of legislation which favours "traditional values" over human rights and international obligations, as well as delegating more powers to the regional and local level. Possible mitigation measures include: 1) Capacity building needs to be an important component of all adopted projects and measures in this sector; 2) Active advocacy and policy dialogue; 3) Working with other donors to blend sources of assistance; 4) EU plays a major role on the decentralisation which foresees support for the decentralisation aspects in the areas of education, social protection and health.

4. Complementary support for capacity development and institution building (15%)

This complementary support for capacity development and institution building activities will address the implementation of priority commitments deriving from EU and other agreements, primarily the AA/DCFTA, the Visa Liberalisation Action Plan, the Energy Community Treaty and the Paris Agreement on Climate Change, that are not covered under the four priority sectors. Specific attention will be paid to approximation to EU rules and policies as well as EU best practices. EU support will additionally focus on development of evidence-based policy in the Ukrainian institutions, including providing good quality statistical information for policy making and monitoring.

Capacity development and institution building activities – either through sector-related assistance or through this complementary provision – will also address participation in EU programmes and in the work of EU agencies.

5. Complementary support to civil society (5%)

In addition to sector specific assistance, additional measures in favour of civil society will be made available under this complementary envelope, building on the results achieved through projects under the 2014 Special Measure "Ukraine Civil Society Support Programme".

Funding from this component will be geared towards supporting the role of civil society, including social partners, in building credible and inclusive policy processes, stronger democratic processes and accountability, in other sectors than the priority sectors. This can include measures to promote an environment conducive to the civil society participation in public life at all levels, measures to boost domestic transparency and accountability, including of the budgetary process, and to foster civic activism and engagement at local level. Actions supported through this envelope are meant to address a broader range of civil society actors, including by reaching out to smaller and newer organisations particularly outside the capital city and in conflict-affected areas of Eastern Ukraine, including organisations working on confidence- and peace-building or which are yet to gain traction like women's rights groups, grassroots movements and independent media. The development of civil society's internal professionalism and capacities, including its capacity to form and sustain associations, networks and coalitions, and improving the delivery of services may also be targeted.

Attachments

1. Sector of intervention framework and performance indicators

Attachment 1. Sector of Intervention Framework

The indicators provided in this section are indicative and provide a framework for assessing progress under the present multi-annual programming document. They will be further specified in the corresponding action documents. Also baseline and targets for these indicators will be decided at that stage (before the implementation).

<p>Sector 1: <i>Strengthening institutions and good governance, including the rule of law and security</i></p> <p>Specific Objective 1: Improved overall performance of Ukrainian public administration in line with the 2016-2020 Public Administration Reform (PAR) strategy and its implementation plan, and the decentralisation reforms programme as well as further implementation of e-governance.</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>a) Strengthened capacities for a comprehensive reorganisation of the central and local public administration, including renewal and increased efficiency of the civil service and motivating working conditions;</p> <p>Improved practices of policy planning, monitoring and communication including based on good-quality official statistics;</p> <p>Improved practices for service delivery at both central and local level;</p> <p>Improved practices for e-governance implementation.</p>	<p>a1) Performance in Worldwide Governance indicators;</p> <p>a2) Degree of compliance with the Principles of Public Administration;</p> <p>a3) Degree of implementation of the PAR strategy;</p> <p>a4) Coverage and quality of statistics, their use for evidence-based decision-making;</p> <p>a5) Quality and resilience of e-governance infrastructure;</p> <p>a6) Level of implementation of the territorial reform including roll out and public accessibility of e-governance services;</p> <p>a7) Public perception of improvement of delivery in public services.</p>	<ul style="list-style-type: none"> • Worldwide Governance indicators • OECD/SIGMA baseline assessment against the Principles of Public Administration • PAR strategy implementation report by the Government • Line ministries and municipalities reports • Public opinion polls • national statistics
<p>Specific Objective 2: Improved public finance system in Ukraine in line with the PFM reform strategy.</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>b) Strengthened capacities and improved practices for:</p> <p>i) policy based and mid-term budgeting, ii) better public oversight of the budget process, iii) use of gender-responsive budgeting methods, iv) enhanced internal control</p>	<p>b1) National PEFA and Open Budget Index scores;</p> <p>b2) Quality of the medium-term budgetary framework (e.g. degree of its strength);</p> <p>b3) Gender-responsiveness of the budgeting process and annual budget bills;</p>	<ul style="list-style-type: none"> • Public Expenditure and Financial Accountability Assessment (PEFA) • Open Budget Index • Government reports and statistics

<p>and external accountability, and v) improved legislation and institutional capacity in the field of public procurement and use of the e-procurement system.</p>	<p>b4) Quality of public debt management;</p> <p>b5) Reduced proportion of negotiated procedures without prior publication;</p> <p>b6) Increased number of bidders per call conducted through e-procurement</p>	
<p>Specific Objective 3: Enhanced efficiency, effectiveness, accountability and integrity of key law enforcement and other security agencies for improved resilience, security and public safety including fight against sexual and gender-based violence and domestic violence, integrated border management and cyber security; improved legislative framework and policies and organisational interoperability in public and private cybersecurity structures; strengthened capacity to account and counter disinformation activities.</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>c) Improved business processes, citizen orientation and gender-responsiveness of key law enforcement agencies such as the Public Prosecutor's Office, the National Police, the Security Service, Border Guards, Customs and others;</p> <p>Strengthened effectiveness and efficiency in the fight against organised crime and against sexual and gender-based violence including domestic violence;</p> <p>Improved capacities and legislative framework in the area of cybersecurity;</p> <p>Enable: i) improved resilience of Ukrainian public and private bodies and critical national infrastructure against security threats (cybersecurity, hybrid and dis/information), and ii) effective protection of human rights in relation to law enforcement activities;</p> <p>Enabled conditions for accelerated legal movements of persons and</p>	<p>c1) Number of persons charged and convicted of trafficking, especially trafficking in human beings, organised crime, smuggling and counterfeiting;</p> <p>c2) Value (EUR) of illicit goods, drugs, arms etc. seized</p> <p>c3) Number of sexual, gender-based and domestic violence offences prosecuted;</p> <p>c4) Speed for processing cross-border traffic of persons (in minutes) and goods (in hours)</p> <p>c5) Degree of implementation of SSU related reforms</p> <p>c6) Establishment of and functioning of the national CERT, implementation of the national Cybersecurity Strategy, improved cyber incident response, number of related public-private partnerships, engagement with the European Centre of Excellence for Countering Hybrid Threats (Helsinki).</p>	<ul style="list-style-type: none"> • National Anti-corruption Bureau reports • Prosecutor General's reports • State Border Guards reports and statistics • State Fiscal Service reports and statistics • Ministry of Internal Affairs reports

goods across Ukrainian borders, including through strengthened intelligence-led policing practices; Strengthened capacities for efficient border management; Enhanced strategic communication.		
Specific Objective 4: Reinforced independence, integrity, quality and efficiency of the judiciary and prosecution		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
d) Enabled establishment of an independent and professional judiciary, for an improved execution of sanctions; Improved practices for better access to justice and improved services to all citizens, including through reduction of gender bias.	d1) Degree of public trust in the prosecution services, the judiciary and the law enforcement agencies; d2) Degree of public accessibility to e-governance services; d3) World Economic Forum indicators; d4) The European Commission for the Efficiency of Justice (CEPEJ) indicators; d5) Court user satisfaction as measured by justice surveys.	<ul style="list-style-type: none"> • Line ministries and municipalities reports • World Economic Forum reports • CEPEJ evaluations • Public opinion polls
Specific Objective 5: Strengthened prevention of and fight against corruption, strengthened anti-corruption institutions, including the establishment of anti-corruption courts		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
e) Enhanced capacities for higher effectiveness of the newly established anti-corruption institutions in combating and preventing corruption; Modern integrity practices promoted throughout the public administration.	e1) Number of prosecutions for corruption or abuse of: i) office by members of the judiciary, ii) law enforcement officers, iii) members of the customs; iv) members of the border agencies; e2) Position in Transparency International Corruption Perception Index	<ul style="list-style-type: none"> • National Anti-corruption Bureau reports • Prosecutor General's reports • Transparency International Corruption Perception Index
Specific Objective 6: Improved democratic decision-making processes (applies to all sectors)		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>

<p>f) More effective and efficient legislative structures and procedures at all levels and for all policy areas promoted;</p> <p>Improved electoral framework in line with ODIHR/Venice Commission recommendations;</p> <p>Improved practices of non-government stakeholders participation in policy making (applies to all sectors).</p>	<p>f1) Number of Government bills adopted by the Parliament;</p> <p>f2) Quality and quantity of Parliament's input to Government policies</p> <p>f3) Number of Parliament's hearings and recommendations on Government policies;</p> <p>f5) Extent to which audience for independent media is increased.</p>	<ul style="list-style-type: none"> • Parliament's legislation approval statistics • Parliament's hearing reports • Decisions of Parliamentary Committees • ODIHR and Venice Commission reports
---	--	--

Sector 2: Economic development and market opportunities, including private sector development and improvement of the business climate

Specific Objective 1: Legislation and regulatory framework progressively compliant with EU standards and improved capacity of Ukrainian public administration to implement it; technical and administrative barriers to business and trade are reduced; export and innovation thrive.

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>g) Improved capacities and tools for full compliance with EU regulations of legislative and regulatory reform;</p> <p>Reduction of technical and administrative barriers to business and trade is promoted;</p> <p>Export measures are promoted.</p>	<p>g1) Degree of approximation with EU legislation;</p> <p>g2) Volume and composition of exports;</p> <p>g3) Extent to which customs clearance time, including through single window, is accelerated;</p>	<ul style="list-style-type: none"> • DCFTA implementation reports • Ministry of Economic Development and Trade reports • National statistics • EuroStat data •

Specific Objective 2: Growth of the small and medium enterprise (SME) sector thanks to better legal and financing conditions, improved access to finance and stimulation of investments, including from the diaspora

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>h) Strengthened capacities to establish sound legal and financing conditions for starting and running SMEs;</p> <p>Improved access conditions to finance, including for women, IDPs and conflict</p>	<p>h1) Share of SMEs in GDP;</p> <p>h2) Degree of participation of women in business;</p> <p>h3) Number of business start-ups and survival rates.</p>	<ul style="list-style-type: none"> • Ministry of Economic Development of Trade reports • National statistics • Business surveys • Business Associations reports

<p>affected population, through increase and diversification in supply;</p> <p>Strengthened capacities to attract investments including from the diaspora</p>		
<p>Specific Objective 3: Transparent privatisation and reorganisation of state-owned enterprises is ensured; improved efficiency of remaining essential SOEs; effective policy and legal framework for private sector development is in place with regulations and protection for individual enterprises enforced according to international standards; high potential growth sectors are developed</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>i) Enabled introduction of a modern corporate legislation and bankruptcy framework and effective competition, intellectual property protection and state aid control mechanisms;</p> <p>Promotion of high potential growth sectors such as metallurgy, engineering, aerospace, agriculture and food processing</p>	<p>i1) Quality (nature and scope) of regulatory reform in terms of removal of obsolete legislation and progress in alignment with EU <i>acquis</i>;</p> <p>i2) Number of state-owned enterprises and improved financial performance of remaining SOEs;</p> <p>i3) Foreign direct investment flow (EUR);</p> <p>i4) Ranking in "doing business" classifications;</p> <p>i5) Volume (million EUR) of corporate lending;</p> <p>i6) Share of local currency lending;</p> <p>i7) Level (%) of interest rates;</p> <p>i8) Extent to which innovative financial instruments are developed;</p> <p>i9) Share of innovative and high value added industries in GDP.</p>	<ul style="list-style-type: none"> • DCFTA implementation reports • Ministry of Economic Development of Trade reports • national statistics • National bank of Ukraine reports • Doing Business Report by the World Bank • Business surveys • Business Associations reports
<p>Specific objective 4: Strengthened economic basis for regional and local development and enhanced competitiveness of regions</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>j) Enhanced practices to fiscally anchor regional, rural and local development strategies in the potentials for agricultural and other</p>	<p>j1) Extent to which living conditions in rural areas are improved;</p> <p>j2) Degree to which poverty rates nationally and regional</p>	<ul style="list-style-type: none"> • Reports of Ministry of Regional Development and relevant sectoral ministries • national statistics • reports of main

<p>economic development;</p> <p>Development of place-based smart specialisation strategies for research and innovation;</p> <p>Enhanced capacities and tools for an effective land reform;</p> <p>Investments in better infrastructure, delivery of public services and rural development promoted;</p> <p>Reduced disparities between regions and between urban and rural areas.</p>	<p>disparities are reduced (GINI coefficient and GDP per capita);</p> <p>j3) Number of tangible and visible projects for benefit of citizens implemented through territorial development strategies;</p> <p>j4) Number of regional investments in priority sectors identified through smart specialisation strategies and level of university/industry cooperation.</p>	<p>stakeholders (regional and local administrations, economic and social partners, civil society)</p>
<p>Specific Objective 5: Improved skills basis, including for entrepreneurship; reduced informality and undeclared work, reduced gender pay gap, reduced gendered labour market segregation, better working conditions including more formalisation of employment and higher remuneration throughout the country.</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>k) Strengthened capacities and enhanced practices to: i) modernise vocational education and training, ii) enhance job creation and entrepreneurship skills, iii) create fair employment and working conditions, iv) reduce gender pay gap, v) reduce gendered labour market segregation, vi) adjust the skills base to meet the requirements of modern production apparatus, vii) reduced disparities between conflict affected areas and the rest of Ukraine..</p>	<p>k1) Share of innovative and high value-added industries in GDP;</p> <p>k2) Increase in enrolment in vocational education and training linked to value added job placement, including for conflict affected populations and IDPs;</p> <p>k3) Unemployment rate;</p> <p>k4) Household net disposable income (net in annual growth rates);</p> <p>k5) Gender pay gap;</p> <p>k6) Female share of employment in managerial positions;</p> <p>k7) Youth unemployment rate;</p> <p>k8) Poverty rate;</p> <p>k9) GINI coefficient;</p> <p>k10) Remittances, received (% of GDP).</p>	<ul style="list-style-type: none"> • Ministry of Economic Development of Trade reports • Ministry of Education and Science reports • National statistics • UN and ECHO partners' data
<p>Specific objective 6: Strengthened digital economy and society and its enhanced harmonisation with the EU's Digital Single Market</p>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>

<p>l) Strengthened independence of the telecom regulator; increased harmonisation of spectrum allocation with the EU and roaming pricing with the other EaP countries; increased harmonisation of eSignatures, eHealth, eTrade, eCustoms and Digital Transport Corridors; enhanced deployment of eServices.</p>	<p>11) Increased share of GDP related to ICTs;</p> <p>12) Increased share of population having access to Internet, notably via broadband;</p> <p>13) Increased share of population using trusted eGovernment services, including for eHealth;</p> <p>14) Increased share of companies using trusted eBusiness services;</p> <p>15) Decreased share of online users experiencing privacy violations and other cyber incidents;</p> <p>16) Increased share of population being digitally literate</p> <p>17) increased number of ICT-enabled start-ups</p>	<ul style="list-style-type: none"> • Reports by the Ministry of Economic Development and Trade • National and regional statistics • EU4Digital reports • Studies
---	--	--

Specific objective 7: Improved cross-government coordination for innovation policy based on a sound strategy and implementing better framework conditions, including operational instruments, programmes and schemes to support innovation stakeholders.

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>m) Promoting and enabling the development and implementation of cross-governmental innovation strategy and action plan, aiming to facilitate technology transfer between public research and industry, develop sectoral innovation clusters and set the right incentives and funding mechanisms to foster the emergence of start-ups and innovative entrepreneurs.</p>	<p>m1) Number of business incubators and innovation centres;</p> <p>m2) R&D expenditure in the business sector;</p> <p>m3) Venture capital expenditure;</p> <p>m4) Number of business start-ups and survival rates;</p> <p>m5) PCT patent applications.</p>	<ul style="list-style-type: none"> • Ministry of Economic Development and Trade reports • Ministry of Education and Science reports • National statistics • European Innovation Scoreboard • Business surveys • Business Association reports

Sector 3: Connectivity, energy efficiency, environment and climate change

Specific Objective 1: Harmonised legislation in the transport, energy sectors according to the priorities stipulated in the Association Agreement and the Energy Community Treaty; relevant sectors are reformed, including: ensuring quality and security of electricity and natural gas supply to consumers in Ukraine, checking prices by competition.

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
-------------------------	-------------------	------------------------------

<p>n) Administrative capacities of relevant state bodies for transposition, implementation and enforcement of the energy and transport legislation according to the EU <i>acquis</i> are strengthened;</p> <p>Administrative bodies in the sector (Ministry, Agency, Regulatory bodies), state-owned enterprises and other market participants are enabled to better fulfil their function</p>	<p>n1) Extent to which the Association Agreement and the Energy Community <i>acquis</i> are implemented.</p>	<ul style="list-style-type: none"> • Sub-Committee reports • Energy Community Secretariat reports • Ministry of Energy, Ministry of Infrastructure, Ministry of Ecology reports
<p>Specific Objective 2: Improved policies, normative framework, financial resources and awareness for energy efficiency and renewables</p>		
<p><u>Expected Results</u></p>	<p><u>Indicators</u></p>	<p><u>Means of verification</u></p>
<p>o) Enhanced capacities of administrative bodies in the sector (Ministry, Agency, Regulatory bodies), state-owned enterprises and other market participants (incl. citizens) for, and promotion of, energy efficiency measures, use of renewables, notably in buildings, industry, transport (incl. sector reforms).</p>	<p>o1) Energy imports, net (% of energy use);</p> <p>o2) Energy intensity of industry (ratio between the final energy consumption of industry and the value added measured in constant purchasing power parities (ppp));</p> <p>o3) Energy losses;</p> <p>o4) Renewable energy consumption (% of total final energy consumption).</p>	<ul style="list-style-type: none"> • Government statistics including State Agency for Energy Efficiency, • IEA reporting • Covenant of Mayors reports
<p>Specific Objective 3: Enhanced development of Ukraine's energy (electricity and gas) and transport infrastructure; improved energy connections between EU and Ukraine and connectivity with EU neighbouring countries for passengers and freight; transport chains are satisfying the needs of the users</p>		
<p><u>Expected results</u></p>	<p><u>Indicators</u></p>	<p><u>Means of verification</u></p>
<p>p) Fostering measures to deepen Ukraine's integration into EU infrastructure;</p> <p>Pipeline of prepared mature transport projects, including e.g. the extension of EGNOS to Ukraine;</p> <p>Improved logistic capacity and interoperability of</p>	<p>p1) Number of infrastructure projects approved by the Government for financing;</p> <p>p2) Number of upgraded energy and transport connections between EU and Ukraine.</p>	<ul style="list-style-type: none"> • Ministry of Infrastructure reports • EIB / EBRD / WB reports • Project reports

different transport modes.		
Specific Objective 4: Increased use of clean and energy efficient vehicles, increased efficiency of transportation, including in rural areas and areas where transport networks suffer from conflict impact, enhanced mobility and safety, including for women		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>q) Promotion of environmentally friendly and sustainable urban mobility;</p> <p>Enhanced capacities and practices for improved transport safety, including for women, and efficiency, including in rural areas and areas where transport networks suffer from conflict impact.</p>	<p>q1) Number of cities with reduced congestion, accidents and pollution;</p> <p>q2) Rate of fatal accidents in transport;</p> <p>q3) Rate of injured people in transport;</p> <p>q4) Number of incidents of sexual and gender-based violence in transport;</p> <p>q5) Total population (%) having access to reliable and needs-responsive public transportation, especially in the rural area and in areas where transport networks suffer from conflict impact, disaggregated by sex, age and population group.</p>	<ul style="list-style-type: none"> • National statistics
Specific Objective 5: Reduced waste (promotion of circular economy), better control of emissions; improved biodiversity and nature protection		
<p>r) The setup of a national emission monitoring system is enabled;</p> <p>Promotion of harmonisation with EU environmental standards including in the area of sustainable consumption and production practices and nature protection.</p>	<p>r1) Number of projects implemented under the Low Emission Development Strategy, the National "Energy Efficiency" and "Renewable Energy" Action Plans, the National Adaption Plan and the Nationally Appropriate Mitigation Actions;</p> <p>r2) Total population (%), disaggregated by sex, age and population group served by municipal waste collection;</p> <p>r3) Municipal waste treatment (tonnes);</p> <p>r4) Number of actions implemented towards circular economy (recycling);</p> <p>r5) Extent to which environmental data and reporting is improved;</p>	<ul style="list-style-type: none"> • Ministry of Ecology reports and statistics • Project reports

	<p>establishment of a monitoring system of species and habitat;</p> <p>r6) Improvement of air quality;</p> <p>r7) Extent to which control, fight against illegal, unreported and unregulated fishing, data collection and sustainable management of fishing resources is improved.</p>	
--	--	--

Sector 4: Mobility and people-to-people contacts, including social inclusion

Specific Objective 1: Socioeconomically beneficial development of research, education, youth cooperation, culture and international exchange; enhanced meaningful, sustainable and effective inter-regional and international exchanges at citizen level and between institutions; effects of internal and external brain drain mitigated and circulation of talent enhanced.

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>s) Strengthened capacities and improved practices in the areas of research, higher education, scholarship programmes, and culture;</p> <p>Enhanced education, youth and research programmes at national and European level;</p> <p>Strengthened capacities to mitigate brain drain and facilitate circulation of talent.</p>	<p>s1) Volume of participation in Community programmes (Horizon, Erasmus+, COSME, Creative Europe, etc.)</p> <p>s2) Gross Domestic Expenditure on R&D (GERD), R&D personnel, scientific publications in international journals and patents statistics;</p> <p>s3) Number and profile (disaggregation by sex, age, occupation, population group) of Ukrainian citizens traveling abroad;</p> <p>s4) Extent to which inter-regional travel is increased (expressed in number of travellers);</p> <p>s5) Number of cultural, youth, professional and scientific exchanges;</p> <p>s6) Outflow of nationals for employment by occupation (thousands);</p> <p>s7) Outflow of nationals for employment by sex and education (thousands).</p>	<ul style="list-style-type: none"> • Community programmes reports • Border Guards Service statistics • National statistics • Opinion polls

Specific Objective 2: Deep modernisation of the public health and healthcare sector in line with European standards

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
--------------------------------	--------------------------	-------------------------------------

<p>t) establishment of an effective, evidence-based and sustainable public health system, including the blood safety system, compliant with European standards; enabling of the functioning of universal health coverage, including financial risk protection, and access to quality essential health-care services and medicines for all.</p>	<p>t1) Out-of-pocket health expenditure (% of total expenditure on health);</p> <p>t2) Immunisation coverage for several vaccine preventable diseases in children, adolescents and adults;</p> <p>t3) Number of screening programmes and healthy lifestyle campaigns for several categories of diseases and % of population covered, disaggregated by sex;</p> <p>t4) Percentage of voluntary unpaid blood donations.</p>	<ul style="list-style-type: none"> • Ministry of Healthcare reports • WHO reports • National statistics
--	---	--

Specific Objective 3: Improved levels of confidence, reconciliation, social (re-)integration and protection (including humanitarian demining related activities) of conflict-affected population and host communities

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>u) Enable the establishment of a mechanism of social protection and emergency response to deal effectively with conflict-affected communities and displaced population;</p> <p>Improved protection of civilians and peacebuilding processes in conflict-affected communities;</p> <p>Enhanced social cohesion.</p>	<p>u1) Extent to which coverage by social protection measures for IDPs and other conflict-affected groups is ensured;</p> <p>u2) Inclusiveness in terms of age groups, gender and minorities in social development indicators;</p>	<ul style="list-style-type: none"> • Ministry for Temporarily Occupied Territories and IDPs reports • UNDP, UN OHCHR and UNHCR reports • UN Women reports

Specific Objective 4: Enhanced civic awareness, social cohesion, and political resilience through media development and strategic communication on governance reforms and European integration

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>v) Improved societal capacity for objective information gathering and critical news analyses;</p> <p>Improved societal capacity for inclusiveness and tolerance;</p> <p>Enhanced strategic communication on</p>	<p>v1) Rate of discrimination (including hate speech) and crimes based on gender (identity), sexual orientation, ethnic or national belonging;</p> <p>v2) Perceptions of national social cohesion;</p> <p>v3) Ukraine's performance in</p>	<ul style="list-style-type: none"> • Opinion polls • National statistics (MoI, national police, prosecution) • Relevant international gender indices (WEF Gender Gap Index, UNDP Gender Inequality Index)

Ukrainian and EU side.	relevant international gender indices; v4) Degree of Public awareness of governance reforms and EU integration.	
Specific objective 5: Enhanced access to high-quality education and social services for all		
<u>Expected results</u>	<u>Indicators</u>	<u>Means of verification</u>
w) Improved access to high-quality education at all levels and social services throughout the country and for all population groups enabled	w1) Performance and satisfaction of school, university and VET students throughout regions, in urban and rural areas, disaggregated by sex and population group;	<ul style="list-style-type: none"> • National statistics • PISA study (in case of participation in 2018) • Opinion polls
Specific objective 6: Sustain the fulfilment of all benchmarks of the Visa Liberalisation Action Plan (VLAP)		
<u>Expected results</u>	<u>Indicators</u>	<u>Means of verification</u>
x) Visa-free regime operates efficiently	x) Level of fulfilment of the VLAP benchmarks for Ukraine; x) Number of Ukrainian citizens making use of the visa-free regime	<ul style="list-style-type: none"> • Commission monitoring reports on visa-free regime/Ministry of Internal Affairs • Statistics on border-crossings • Justice, Freedom and Security Subcommittee meetings