



ANNEX 1

of the Commission Implementing Decision on the Special Measure 2016 for Public Administration Reform in favour of Ukraine

Action Document for the Support to Comprehensive Reform of Public Administration Ukraine

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 calls for proposals:

5.4.1. Grants: call(s) for proposals for twinning projects (direct management)

1. Title/basic act/ CRIS number	Support to Comprehensive Reform of Public Administration in Ukraine CRIS number: ENI/2016/039-569, financed under European Neighbourhood Instrument			
2. Zone benefiting from the action/location	Neighbourhood East The action shall be carried out at the following location: Ukraine			
3. Programming document	Not available (currently operating with Special Measures due to political situation)			
4. Sector of concentration/ thematic area	Public Administration Reform	DEV. Aid: NO		
5. Amounts concerned	Total estimated cost: EUR 104 million Total amount of EU budget contribution: EUR 104 million of which: EUR 90 million for budget support and EUR 14 million for complementary support.			
6. Aid modality(ies) and implementation modality(ies)	Project Modality <ul style="list-style-type: none"> - Direct management: <ul style="list-style-type: none"> o Twinning o Procurement of services - Indirect management with the World Bank Budget Support <ul style="list-style-type: none"> - Direct management: <ul style="list-style-type: none"> o Sector Reform Contract 			
7. DAC code(s)	15110 Public Sector Policy and Administrative Management			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>

	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	n/a			

SUMMARY

This Action aims at supporting Ukraine in implementing a comprehensive Public Administration Reform (hereafter - PAR) Strategy for the period of 2016-2020 covering key horizontal functions of the governance system in line with the Principles of Public Administration developed by OECD/SIGMA in close cooperation with the European Commission. Furthermore, this Action will provide capacity building support in the area of public financial management (PFM), which is an integral part of PAR and covered by an interlinked PFM Strategy which is being revised and updated.

This Action consists of budget support encompassing enhanced policy dialogue on implementation of the 2016-2020 Ukraine's PAR Strategy, disbursement of tranches based on selected performance indicators and complementary support providing capacity building to the Ukrainian authorities in charge of the implementation of the PAR and PFM strategies.

This Action will target all core areas of PAR, namely policy development and coordination, civil service and human resources management (HRM), accountability of public administration, including improvement of its organisation, administrative service delivery and procedures and public financial management (covered by an interlinked PFM Strategy). It will contribute to further strengthening of the strategic framework of PAR by enhancing the planned monitoring, reporting and evaluation mechanism for the implementation of Ukraine's PAR and PFM strategies.

More specifically, this Action is expected to provide the necessary support for improvement of the quality and relevance of policy and legislative planning and development, a significant reorganization of the Ukrainian public administration, recruitment of a new wave of professionals into the civil service, the creation of a stable, professional and politically neutral civil service in Ukraine, improvement of the legal framework on administrative procedures and strengthening of public service delivery. The ongoing review of the current PFM Strategy which will lead to the adoption of a revised PFM Strategy and its Implementation Plan by the end of 2016 will ensure the necessary synergy between PAR and PFM reforms; particularly, by strengthening sound PFM systems as an essential element of a well-functioning public administration.

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 *Public Policy Assessment and EU Policy Framework*

Despite its considerable size (250 000 officials as of January 1st, 2016 out of which approximately 30 000 in the central public administration), the current capacity of Ukraine's public administration is assessed as relatively low in a number of studies and rankings (ex: SIGMA, the World Bank).

According to a 2006 Ukraine Governance Assessment carried out by OECD/SIGMA, "the governance system of Ukraine does not yet meet the standards that prevail in the EU Member States. A systemic reform is required, including better definition of constitutional responsibilities and strengthening the rule of law. Such reform can only be sustained if supported by a broad political consensus".

PAR was declared as one of the key national reform priorities within the 'Economic Reforms Programme' for 2010-2014 adopted in June 2010. However, this political priority has not been translated into concrete reforms and actions. In particular, fundamental reform changes in the civil service such as the introduction of a merit-based approach in recruitment and career management, establishment of a competitive and sustainable salary scheme and an effective prevention of corruption were not part of this reform.

In late 2011 the new law "On civil service" was adopted. According to assessments of OECD/SIGMA and other international organisations it was not aligned with the principles of public administration. However, after several postponements, this law failed to enter into force due to budgetary constraints.

In October 2012 a law "On administrative services" entered into force. This law established basic principles and organisational provisions for public service delivery to citizens and businesses, and laid down the legal framework for the establishment of administrative services centres. As of today, 662 administrative services centres are operational (ten city-level centres that simultaneously serve as regional centres, 162 other city-level centres, 462 district-level centres, ten district centres in Kyiv and 18 local offices).

Nevertheless, a major part of the administrative services centres does not meet the requirements of the law in terms of basic infrastructure (proper premises, technical capacity, IT support, etc.). Furthermore, provision of certain services in the administrative services centres is still impossible due to resistances by some ministries and agencies. Finally, a single state portal of administrative services foreseen by the law is still not in operation due to a number of conceptual and technical problems as well as insufficient funding.

Simplification and codification of administrative procedures constitute another important challenge in the area of public service delivery. A draft law "On administrative procedure" has been under preparation by the Ministry of Justice in close cooperation with OECD/SIGMA since 2010, but its adoption has been postponed several times due to various political and technical reasons. In particular, in 2014 this draft law was returned to the Ministry of Justice for a conceptual review to be carried out with involvement of key stakeholders, including local self-government bodies and judiciary bodies. Work on a new draft law "On administrative procedure" is still ongoing.

In the area of accountability of public administration a complex reorganisation of the central executive bodies initiated in 2010 did not lead to the establishment of a rationale structure of the public administration with a clear definition of the mission, area of responsibilities and tasks for each ministry, agency and their internal subdivisions. Lack of clear division of responsibilities among ministries leads to duplication of functions and tasks. As a result, non-rationale use of human and financial resources and weak institutional capacity limits the capacity of the Cabinet of Ministers to conduct reforms and develop public policy. The recent efforts of individual ministries to improve its organisation and management have not lead to sustainable improvements with regard to the overall

accountability of public administration. Consequently, a comprehensive and centralised approach to the reorganisation and rightsizing of public administration is still highly needed.

Regarding policy development and coordination there have not been major reform initiatives over the last decade. The current legal framework defining the policy making system, namely the law "On Cabinet of Ministers of Ukraine" and the Rules of Procedures of the Cabinet of Ministers need substantial improvement with a view to cover the whole cycle of the decision making process, including strategic planning, policy analysis and impact assessment (regulatory and fiscal), effective mechanisms for inter-agency coordination and conflict-solving, standards for public consultation, etc. The relevant work is expected to start in the framework of the PAR Strategy implementation.

Regarding public financial management (PFM) a PFM Strategy adopted in 2013 addressed main problems to promote a sound reform process. It covers the key components of the PFM reform: namely tax system; medium-term budget forecasting and planning; public finance liquidity and public debt management; quasi-fiscal operations; accounting system in the public sector; public procurement system; public investments; public internal financial control; independent external financial control; anti-corruption efforts; public access to budget-related information.

However, the Strategy and its Implementation Plan suffered from a weak monitoring system to review the implementation of the measures, a lack of clear empowerment and responsibility among the different departments and stakeholders, no sequencing and prioritization in the PFM components, and finally a general lack of incentive to coordinate the reform process. In addition, the different legislative changes related to PFM area (tax reform, budget decentralization, etc.) which occurred after the political turmoil in Ukraine were not reflected into the strategic documents.

In 2014, under civil society pressure, including from representatives of NGOs working on PAR and other connected reform areas, the new political leadership of Ukraine re-assigned to PAR a major role in the national reform process. Several political and strategic policy documents highlighting necessity of public administration reform were adopted such as:

- The Coalition Agreement concluded on November 27th, 2014 between participants of the coalition of parliamentary factions of the Verkhovna Rada
- The Cabinet of Ministers' Programme of Activity approved by the Verkhovna Rada Resolution of December 11th, 2014
- The Ukraine – 2020 Sustainable Development Strategy adopted by Decree of the President of Ukraine of January 12th, 2015
- The Reform Strategy of the Civil Service and Service in Local Self-Government Bodies adopted by the Cabinet of Ministers of Ukraine on March 18th, 2015.
- The Cabinet of Ministers' Programme of Activity approved by the Verkhovna Rada Resolution of April 14th, 2016

Following intensive interaction of the government bodies with European Union and Ukrainian civil society experts, a new law "On civil service" – assessed by experts as meeting the Principles of Public Administration – was drafted and adopted on December 10th, 2015 and enacted on May 1st, 2016.

This law constitutes a first important step in launching a comprehensive PAR process. It provides a solid legal basis for building up a merit-based, politically neutral and ethical civil service, and at the same time provides incentives for rationalisation of the structure and size of the public administration. In particular, it established a new ratio between managerial positions and expert positions allowing launching a comprehensive rightsizing of public administration based on clear criteria.

The process of drafting a PAR Strategy started in spring 2015 under the leadership of the Cabinet of Ministers and with involvement of other state bodies, EU experts and civil society experts. The Principles of Public Administration developed by OECD/SIGMA together with the European Commission adjusted to the ENP context were considered as the conceptual basis for the development of the Strategy. The main reform areas addressed in the draft PAR Strategy are as follows:

- Strategic framework of PAR;
- Strategic planning, policy development and coordination;
- Public service and Human Resources Management (HRM);
- Accountability – organisation, transparency, oversight;
- Administrative service delivery – administrative procedures, reduction of administrative burden, quality of services, e-government.

The PAR Strategy for 2016-2020, including the Matrix of objectives and performance indicators, an Indicative Cost Estimate for implementation of the PAR Strategy, as well as the Implementation Plan for 2016-2020 were adopted by the Cabinet of Minister on 24th June, 2016.

The adopted Strategy includes a dynamic reference to the existing Public Finance Management Strategy (2013-2017) as well as to ongoing work together with the EU and the World Bank to adopt a revised PFM Strategy by the end of 2016.

Before formal adoption of the PAR Strategy, the Government established the initial coordination and monitoring structures for PAR reform at political level, namely:

- The Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration was designated as the political leader ('champion') for PAR by the Prime Minister in April 2016;
- The PAR Coordination Council led by Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration and composed of key ministers dealing with specific aspects of PAR, representatives of the Presidential Administration, Parliament and civil society was created on May 18th, 2016. The PAR Coordination Council includes also three representatives of civil society organisations working on PAR.

Consequently, the 2016-2020 PAR Strategy together with the upcoming revised PFM Strategy constitutes **a relevant and credible policy framework** for successful implementation of relevant reforms, as well as for provision of EU assistance, including through the budget support modality in line with the respective EU policy.

The EU-Ukraine Association Agreement (AA) and the EU-Ukraine Association Agenda make specific references to the EU-Ukraine cooperation on public administration reform (PAR):

- The Preamble of the AA refers to the mutual commitment to cooperation in the area of rule of law and good governance, as well as to the need for Ukraine to implement the political, socioeconomic and institutional reforms necessary to effectively implement the Agreement.
- The consolidation of the rule of law and the reinforcement of institutions at all levels defines the main purpose of the article 14 of the AA.
- Public Administration Reform was identified in the Association Agenda as one of the ten reform priority actions as follows: "start a comprehensive reform of the public administration, and in particular the civil service and service in local self-government bodies focusing on European principles of public administration, including through the finalisation and adoption of the draft Law on Civil Service Reform" further specified as follows "work closely together in aligning the legal framework of Ukraine's civil service with European principles of public administration and enhancing the capacity of the public administration in Ukraine on the basis of an assessment by SIGMA, including effective public finance management, effective fight against corruption and public service reform".

1.1.2 Stakeholder analysis

Public Administration Reform is one of the major horizontal actions with high political implications touching upon the mission of the State, the organisation of public administration and its relations with the citizens, the civil society and the business environment.

At the political level the stakeholders are: the Members of Parliament and the relevant parliamentary commissions, the President and their Administration, the Members of the Cabinet of Ministers and the key Deputy Ministers responsible for specific aspects of PAR.

At the administrative (civil service) level, the directly concerned category includes civil servants working in public bodies (ministries, agencies and other central executive bodies, including their regional branches, local state administrations) and other employees of public bodies.

The successful implementation of such a challenging reform requires strong leadership: the appointment of a "political champion" e.g. a Deputy Prime Minister in charge of PAR, the assignment of human and financial resources to the PAR process, as well as the establishment of well-functioning coordination structures at both the political and administrative levels to steer and manage the reform design and implementation.

The new Government formed in April 2016 created the new function of Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration (VPM on EI) who heads the PAR Coordination Council, a temporary advisory body established on May 16th, 2016 with a view "to ensure coordination of measures related to design and implementation of Ukraine's PAR Strategy for 2016-2020". The Council is composed of key Vice Prime Ministers and Ministers dealing with specific aspects of PAR, representatives of Presidential Administration, Parliament and civil society experts.

The Government has also committed to create a dedicated unit within the Secretariat of the Cabinet of Ministers who should coordinate the implementation of the strategy at technical level (hereafter – PAR Unit). According to the adopted PAR Strategy, such a unit will be established by the end of 2016 with sufficient capacity. The PAR unit is expected to bear the overall responsibility to manage the PAR process, including support to coordination, monitoring and reporting.

The final beneficiaries of this Action include:

- Citizens as the major 'client' of public services;
- Non-governmental organisations representing different interest groups;
- Non-governmental organisations implementing delegated government tasks and services;
- Business associations and organisations of employers;
- Trade unions representing employees;
- Research institutions and think tanks;
- Education and higher education institutions delivering trainings to civil servants and conducting research in fields linked to public administration.

Consultation mechanisms are planned to be established in order to involve all these stakeholders in the implementation, monitoring and evaluation of the PAR as well as on new initiatives and policy and legislative proposals for changes and further development of public administration. Ensuring wider stakeholder participation in development and implementation of policies is an integral part of the EU Better Regulation agenda and will be therefore promoted through this Action.

As far as core areas of PAR are concerned, there are several state bodies involved in the process:

Core areas of PAR	Responsible state body(ies)
Strategic framework of PAR	PAR Unit within the Secretariat of the Cabinet of Ministers (to be established by the end of 2016 with sufficient capacity) Ministry of Finance
Strategic planning, policy development and coordination	Secretariat of the Cabinet of Ministers of Ukraine Ministry of Justice Ministry of Finance (fiscal impact assessments; ensuring links between strategic planning and

	budgeting)
Public service and Human Resources Management (HRM)	National Agency on Civil Service Ministry of Labour and Social Policy (remuneration policy) Ministry of Finance (financial planning and funding)
Accountability – organisation, transparency, oversight	Secretariat of the Cabinet of Ministers National Agency on Civil Service (support to functional reviews)
Administrative service delivery – administrative procedures, reduction of administrative burden, quality of services, e-government	Ministry of Justice (administrative procedure) Ministry of Economic Development and Trade State Agency for E-Governance
Public Financial Management (PFM): - budget preparation and executions - debt management - revenues policy - internal financial inspection and audit - treasury services - taxes collection - customs - macroeconomic forecasting - state economic policy - preparation of information on public investment project (PIM) - procurement (monitoring and regulation) - procurement (control and monitoring) - External audit	Ministry of Finance - // - - // - State Audit Service State Treasury Service State Fiscal service State Customs service Ministry of Economic Development and Trade - // - - // - - // - - // - State Audit Service Accounting Chamber

The current capacities of the institutions mentioned above are rather weak due to high turnover of staff, low motivation, partly resulting from insufficient level of salaries, as well as lack of methodological guidance and practical tools on PAR implementation. To address this challenge, the PAR Strategy foresees a number of targeted measures aimed at strengthening capacity for PAR implementation. The complementary support foreseen by this initiative is expected to further strengthen the institutional capacities of the institutions leading the envisaged reform.

As mentioned in section 1.1.1 the current Government is strongly committed to Public Administration Reform as demonstrated by the appointment of a Deputy Prime Minister in charge of PAR coordination, establishment of the PAR Coordination Council and adoption of the PAR Strategy. The Government has also committed to revise the current PFM Strategy by the end of 2016.

1.1.3 Priority areas for support/problem analysis

Despite previous attempts to launch a comprehensive Public Administration Reform, Ukraine is still confronted with the need to substantially improve effectiveness and performance of its public administration. The design of the future reform should address a variety of problems and gaps which were accumulated over the last decades.

The key priority areas are listed below following the structure of the PAR Strategy which is in line with the Principles of Public Administration for ENP countries developed by OECD/SIGMA in close cooperation with the European Commission:

Priority areas	Problem analysis
Strategic framework of PAR (political leadership,	<ul style="list-style-type: none"> • Need for a comprehensive PAR Strategy with clear baselines and outcome-oriented targets.

<p>leading institution, coordination, division of responsibility, monitoring and reporting mechanism)</p>	<ul style="list-style-type: none"> • Need for an implementation plan with proper monitoring and reporting procedures implying the need of the necessary administrative capacity in the Ukrainian administration. • Need for a thorough assessment of the state of play of the Ukrainian public administration in line with the OECD/SIGMA Principles of Public Administration. • Need to ensure that the Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration in her capacity as "political champion of PAR" can avail of a dedicated administrative entity that is capable to ensure professional, technical and administrative support to the overall PAR coordination mechanism, including monitoring and reporting. • Coordination structures both at political (Ministers) and administrative level need to be formally established. Certain areas of PAR, covered by other strategic documents, shall be included in the coordination process. • Responsibility for different aspects of PAR is to be streamlined within the overall scope of the PAR Strategy and Implementation Plan. • Need to ensure the sustainability of the reform through political ownership and the allocation of sufficient financial and human resources in the medium-term expenditure framework and annual state budgets.
<p>Strategic planning, policy development and coordination</p>	<ul style="list-style-type: none"> • Strategic capacity of the Cabinet of Ministers shall be further strengthened. • Need to improve the quality of strategic documents in line with international best practices. • Need to improve costing of policies and strategies. • Need to increase the use of evidence-based analysis for policy and legislative proposals (impact assessments). • Need to improve inter-ministerial coordination and public consultations on key legislative and policy proposals. • The procedures of strategic planning, policy development and coordination need to be informed by gender-based analysis and the principles of gender mainstreaming and budgeting. • Information management technologies for document management in the process of policy-making need to be developed and implemented.
<p>Public service and Human Resources Management (HRM)</p>	<ul style="list-style-type: none"> • Need for further institutional strengthening of the National Agency of Ukraine on Civil Service, particularly, with a view to the implementation of the law "On civil service". • Merit-based recruitment to be introduced based on the requirements of the new law "On civil service". • Political influence on the selection and appointment of middle and senior level civil servants shall be minimised. • Clear delineation between political and civil service positions needs to be introduced. • High turnover and weak institutional memory at the senior and middle level need to be tackled. • Low prestige and uncompetitive level of remuneration of civil servants, including in functions of important responsibilities need to be tackled. • Need to ensure an appropriate representation of women at decision-making levels of the public administration (30% as a minimum aim) based on the merit-based recruitment procedures set in the new law "On civil service".

	<ul style="list-style-type: none"> • An IT system for Human Resource Management in civil service including payroll modules needs to be designed and put in operation • HRM units in ministries and agencies need capacity building support to perform the whole range of functions of modern HRM.
Accountability – organisation, transparency, oversight	<ul style="list-style-type: none"> • The institutional organisation of the central public administration needs further improvement and rationalisation based on a comprehensive functional analysis and a clear definition of the mission, areas of responsibilities and tasks of ministries and agencies • A significant number of agencies are directly accountable to the Cabinet of Ministers, without clearly established accountability lines to specific ministers, although they have important sectorial policy making tasks in their remit; this needs to be streamlined. • Duplication of functions between ministries and agencies, including presence of functions that do not belong to their scope of competence needs to be eliminated. • Allocation of human and financial resources needs to be rationalised with regard to the mission and tasks of the ministries and agencies and based on policy priorities. • Need to ensure coordination between ministries and agencies on issues of gender mainstreaming in their respective policy areas. • Need for further improvement of legal and regulatory mechanisms ensuring citizens' rights to good administration and to access to public information, as well as to receive compensation from public authorities in case of wrongdoing.
Administrative service delivery – administrative procedures, reduction of administrative burden, quality of services, e-government	<ul style="list-style-type: none"> • Need for codification of rules of administrative procedure with procedural safeguards for citizens and legal persons. • Need to introduce gender mainstreaming to processes of administrative service delivery, including the use of gender-based analysis and gender-based budgeting. • The service quality needs to be systematically measured and delivery costs monitored. The relevant data needs to be gender-disaggregated in order to measure possible unequal effects on women and men. • High level of bureaucratisation, excessive administrative burden for citizens and businesses need to be reduced. • Basic electronic registers need further development and improvement in terms of accessibility and user-friendliness. • Fragmentation of IT systems need to be countered through the establishment of interoperability between systems used by various public institutions when delivering services to businesses and citizens • Need to design and implement provision of online services in line with the requirements of the law on administrative services.
Public Financial Management	<ul style="list-style-type: none"> • Need for a substantial revision of the current PFM Strategy and Implementation Plan, including establishment of a sound monitoring and reporting mechanism. • Need to establish medium term fiscal forecasting system. • Need to improve the overall link between resource allocation policy and strategic policy planning.

1.2 *Other areas of assessment*

1.2.1 *Fundamental values*

Ukraine presents a mixed picture of developments in deep and sustainable democracy, human rights and fundamental freedoms.

2014 was a year of major changes in Ukraine. After grave violations of human rights and fundamental freedoms Ukraine witnessed a remarkable revitalisation of democratic institutions and an overall progress on human rights and fundamental freedoms. In addition to positive developments in the areas of legal reform and freedom of association, Ukraine is in the process of addressing the systemic issue of selective justice; conducted free and fair elections; took further steps towards ensuring greater independence of the judiciary; adopted an action plan for the implementation of the National Human Rights Strategy; and improved its legislation on internally displaced persons.

The illegal annexation of Crimea and Sevastopol as well as the conflict in eastern Ukraine led to a dramatic deterioration of the human rights situation, both in Crimea/Sevastopol and in the conflict zone. Residents of certain areas of the Luhansk and Donetsk regions are particularly vulnerable to human rights abuses.

Corruption remains the main obstacle to effective governance in Ukraine. Other areas of concern include abuses and ill-treatment of detainees and prisoners, lack of prompt and impartial investigations of human rights violations, trafficking in human beings, gender inequality, discrimination against LGBTI people and the lack of a comprehensive reform of the election legislation.

At the same time Ukraine remains broadly committed to the protection and promotion of common fundamental values of democracy, human rights and the rule of law. The citizens of Ukraine have continuously shown their attachment to a democratic and pluralistic society, and the Ukrainian authorities should step up their efforts in consolidating democratic practices and strengthening political and institutional pluralism.

1.2.2 Macroeconomic policy

As of July 2016, it is clear that some real progress has been made to stabilise the macro-economic situation in very difficult circumstances: as military activities in the East of the country lessened and as the government pursued prudent macro-financial policies, Ukraine's economy emerged from an 18 month-long and deep recession by end 2015, with GDP growing in 1Q2016 (+0.1% y/y), largely thanks to the recovery of the industrial output (+ 3.7% y/y in 1Q2016), and with many other real sectors returning to positive growth. Inflation receded to 7.5% y/y by June 2016 (from 43.3% at end-2015) and the hryvnia has been relatively stable since March 2015 (a positive contrast to the uncontrolled devaluation waves in 2014 - early 2015). The banking sector restructuring lowered systemic risks to public finances and the economy in general. Moreover, the energy sector reform has helped substantially to reduce the energy sector deficit, and limit the dependence of Ukraine on gas imports from Russia, with consequent current account (C/A) and fiscal benefits: the C/A deficit narrowed to just 0.2% GDP in 2015 compared to 3.5% GDP in 2014.

The 2015 general public deficit was estimated to decrease to an estimated 2% GDP in 2015, from 4.6% GDP in 2014 and way below the government's 2015 deficit target of 4.2% GDP. The financial account improved as well, as inflows from official donors surged and private sector outflows slowed. Public debt stock decreased, thanks to a massive external debt restructuring in November 2015, although the public debt-to-GDP rose to 81% (from 70% at end 2014) due to the lower size of the dollar-denominated GDP. The gross international reserves of the central bank recovered to \$14bn by 2H2016, equivalent to 3.6 months of goods and services imports.

As uncertainties regarding the country's prospects for economic development began to subside and business expectations improved, 1.5% real GDP growth is expected in 2016 and inflation at 12% y/y. The low baseline of 2015 will also have a positive effect on growth statistics. The fiscal and current account deficits are expected to end the year at moderate levels of 3.7% GDP and 2.6% GDP, respectively, and FX reserves of the central bank should rise to 4 months of import cover. At the same time, the turbulent external environment (e.g., restrictions imposed by Russia on the transit of Ukrainian goods through its territory) and continued low commodity prices will keep growth at a very modest level. For the medium-term, the GDP growth projection of the IMF stands at 4% y/y.

The most important assumptions behind the future recovery are that further external shocks will be kept to a minimum, and that the government will continue the reforms agreed with the IMF and other donors, particularly in difficult areas such as anti-corruption and rule of law, and will therefore remain within the IMF programme parameters (-3.7% of GDP of public deficit for 2016), thus avoiding populist policies.

The appointment in April 2016 of a new government, whose programme promises to fulfil commitments under the EU-Ukraine Association agreement and the IMF Memorandum of Understanding, gives good reasons to expect that the political crisis of early 2016 has come to an end, at least for the near-term, and that the Ukrainian authorities will push ahead with reforms that are needed to achieve robust and sustainable growth, including those foreseen in the DCFTA.

In this context, the conclusion of the second review of the IMF's EFF programme (pending since the autumn 2015) is expected in July 2016, which should trigger the disbursement of the next, long-delayed, tranche under the EFF and unlock vitally important international official assistance and private capital inflows.

Based on the above, it is concluded that the authorities are currently pursuing **a credible and relevant stability oriented macroeconomic policy** aiming at restoring fiscal or external stability and sustainability. However, vulnerability to external shocks remains high and the risk of slowdown in the pace of reforms, or introduction of populist policies which would undermine macro-economic stability, still remains substantial.

1.2.3 Public Financial Management (PFM)

A Public Expenditure and Financial Accountability (PEFA) assessment was carried out in 2015 focusing on the strengths and weaknesses in the key core functions of the budget system.

Strengths:

In terms of budget reliability, budget outturns in 2012-2014 show Ukraine's ability to contain fiscal deficit with the support of the IMF. Despite revenue shortfalls, and substantial fiscal pressures related to the conflict and economic crisis, the strong treasury function and control structure effectively contained expenditures and expenditure arrears during the period.

A robust classification system exists in the Ukrainian budget system and allows transactions to be tracked throughout the budget formulation, execution and reporting cycle, according to administrative unit, economic category, function/sub-function or programme. Budget classification approaches the standards of the Government Finance Statistics Manual 2001 (IMF) according to Summary Methodology Statement under SDDS of the IMF.

As far as accounting and reporting are concerned, the State Treasury of Ukraine (STU) is responsible for managing the Single Treasury Account (STA) as well as any other government bank accounts (which can be opened in the Central Bank or commercial banks but must be registered with the STA). For state public administration, nearly all expenditure and revenue transactions are executed via the STA who performs daily reconciliations of flows and balances. In addition, financial data integrity processes exist and access and changes to records is restricted and recorded.

Information on budget execution that includes revenue and expenditure data is required to facilitate performance monitoring and, where necessary, help identify actions to maintain or adjust planned budget outturns.

The single treasury account (STA) executes all budget transactions (revenues and expenditures) for all central government ministries and central spending units. In year budget execution reports cover general government as a whole and are prepared according to program, functional, administrative and

economic budget classifications. They are easily compared to the approved budget. Reports covering expenditures and revenues, as well as state debt, guarantees and obligations (liabilities and payables) are prepared monthly and quarterly.

Areas for improvement:

Policy based budgetary process and fiscal strategy: the budget process needs a stronger and more strategic focus. There is a need for a medium-term fiscal strategy to guide the budget law. Although the Government managed to contain the fiscal deficit during the recent crises, this came at the cost of budget predictability as expenditures were cut through extensive reallocations during budget execution. Legislative scrutiny of the budget needs to be enhanced.

Management of assets and liabilities: there is a weak link between sector plans, budget allocations, and weaknesses in public investment management are identified. State Own Enterprises oversight needs to be strengthened.

Payroll control: the wage bill is usually one of the biggest items of government expenditure and may be susceptible to weak controls and corruption. Regarding personnel and civil servants, payroll and payment information is distributed among many separate systems, some automated and some manual, the level of integration is low and reconciliation is difficult, being prone to manipulation.

Internal control, including internal audit: there is no general information available on total planned expenditure/revenue collection covered by annual audit activities. Most audit work is focused on checking financial transactions and compliance of activities. The internal audit function still has no systematic or diagnostic nature, assessing the effectiveness of internal control and management processes in the public organization. The practical introduction of IAU's is described by the Ukrainian Internal Audit Standards which are based on IIA Standards. In practice internal auditors face a lack of support and are confronted by misinterpretation of their function by their top managers.

Relevance and Credibility of the PFM reform programme: a PFM Strategy and Action Plan were approved by the Cabinet of Ministers of Ukraine in 2013. The EU Delegation regularly monitored the implementation of the PFM Action Plan and, availing specific expertise from OECD-SIGMA, conducted regular reviews. While progress was recorded in areas such as Public Procurement, Public Access to Budget Information, Anticorruption, and Tax system, areas such as Budget Planning, Quasi-fiscal Operations, Internal Audit and Accounting System were trailing behind.

A recent review mission of SIGMA dated February 2016 pointed out the necessity of a review of the document and specific guidelines on how to do it were provided. With the recent appointment of a new Cabinet and Minister of Finance as well as discussions on a functional review and reorganisation of the Ministry of Finance, a window of opportunity is open to propose a new strategy for the years to come, to be implemented through a simple set of actions regularly monitored.

Despite some clear weaknesses, as identified in the recent PEFA and OECD-SIGMA assessment of the PFM Strategy implementation, the PFM system improved in the past years and still has a strategy with the major issues being addressed. However, its consistent monitoring has been weak.

Ukraine's commitment to further improvement in PFM area and the upcoming revised PFM Strategy expected by the end of 2016 that will have a more focused scope and tighter monitoring mechanisms ensure therefore that the PFM system is **relevant and credible** and meets the eligibility requirements for a budget support operation. The EU and World Bank are providing assistance for the revision of the strategy.

1.2.4 Transparency and oversight of the budget

The draft budget law for 2016 was submitted to the Parliament on September 15th, 2015 as foreseen in the Budget Code. Whereas the Ministry of Finance announced at the same day that further revisions

need to be made based on the impact of the new tax reform, debt restructuring and military expenditure, the draft remained available for public consultation, which was not the case in the previous years.

On November 30th, 2015 the Ministry of Finance published a new draft of the budget law 2016, incorporating the proposed tax reform. The document did not include annexes, meaning that the details of the revenue sources and expenditure programmes were not published. The central economic forecasts on which the draft was based were in line with Ukraine's IMF programme, i.e. 12% inflation at year end; 2% real GDP growth; and 24.1 UAH/\$ year-average exchange rate for 2016.

On December 25th, 2015 the Parliament adopted the state budget for 2016 and other related legislation. This information was published on the website of the Parliament as required by the Budget Code the next day after adoption of the budget law.

The significant decrease of the Open Budget Index for Ukraine (62 in 2010, 54 in 2012 and 46 in 2015) was caused to a large extent by changes of the methodology introduced after 2012. New areas of assessment cover the weakest elements of the budget system in Ukraine: public engagement and budget oversight (external audit).

The reform of external audit continued in 2015. The new law "On the Accounting Chamber of Ukraine" was approved on August 9th, 2015. It focuses on strengthening the interaction between the Parliament, the Government and the Accounting Chamber of Ukraine; enhancing transparency and ensuring public access to ACU reports; improvement of the quality of audit and control according to the INTOSAI standards.

Since the 4th quarter of 2015 the Accounting Chamber started publishing audit reports, its working plans and decisions as well as other activities regarding external audit on its website. A series of round tables and public discussions took place since adoption of the law, mostly focusing on selection of the new management which is still not finalised. The EU is preparing a twinning project to support reform of external audit.

Public access to budget information improved with the introduction of the obligation for the Ministry of Finance to publish the budget proposal not only in the press, but also on its website as well as to publish the enacted budget and its summary within a month after approval of the state budget. The Ministry of Finance also launched a web-portal with data on budget expenditures which will allow monitoring and controlling the expenses of state and local budgets as well as communal enterprises.

Based on the analysis above, it is concluded that the overall policy and legal framework for transparency and oversight of the budget meets eligibility requirements for a budget support operation.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
1. Political instability, changes within the Government	High	1.1 Continue regular policy dialogue on PAR at all levels. 1.2. Ensure consultations with senior civil servants and civil society leaders to promote a broad understanding of the PAR and PFM strategies which should be universally accepted by the political and administrative elites and resist to potential political changes.
2. PAR loses its status of priority reform area, including	High	2.1 Continue policy dialogue on PAR at all levels. 2.2 Support involvement of civil society experts in the

lack of support at political (Prime Minister and/or Vice-Prime Ministers, and Ministers) and senior civil service levels (State Secretaries, heads of relevant agencies, heads of key departments) for the PAR Strategy implementation		<p>PAR Strategy implementation, including through participation in the PAR Coordination Council.</p> <p>2.3 Ensure regular monitoring of the PAR and PFM strategies' implementation by relevant civil society organisations, including through providing capacity building support.</p> <p>2.4 Condition EU support to PAR progress, including effective political leadership and steering of the PAR process.</p> <p>2.5 Continue advisory support on PAR through ongoing assistance and complementary support foreseen under this Action.</p> <p>2.6 Increase public awareness on PAR.</p>
3. Management of PAR process is weak or not institutionalised (e.g. PAR is coordinated by temporary ad-hoc advisory bodies)	High	<p>3.1 Monitor closely the process of establishment of the PAR Unit within the Secretariat of the Cabinet of Ministers as envisaged by the PAR Strategy.</p> <p>3.2 Provide capacity building support to the newly established Unit through EU High-Level Advisory Team on PAR and complementary support.</p> <p>3.3 Assess regularly performance of the PAR management framework in the framework of policy dialogue on PAR, including in the course of implementation of budget support operation (disbursement of tranches)</p>
4. Integrated Human Resource Management information system (HRMIS) for management of staff of public administration is not implemented on time or not with adequate quality.	Medium	<p>4.1 Assist the National Agency on Civil Service with design and rollout of a HRMIS, including support in change management via complementary support.</p> <p>4.2 Organise best practice exchanges with counterparts, including with Commission's services.</p> <p>4.3 Monitor progress directly via permanent technical dialogue.</p>
5. Delays in adoption of key legislation. Adoption of amendments to the new law "On civil service" or to other important legislation which are contradictory to the OECD/SIGMA principles of public administration.	High	<p>5.1 Define adoption and enactment of key legislation as part of the performance indicators for the disbursement of tranches under budget support operation.</p> <p>5.2 Ensure consistent monitoring of the development, adoption and enactment of key legislation, paying particular attention to possible changes and delays.</p> <p>5.3 Provide support in designing, amending and implementation of key PAR-related legislation through complementary support and OECD/SIGMA.</p> <p>5.4 Raise issues of concern with regard to design, amendment and enactment of PAR-related legislation in the framework of the continuous policy dialogue.</p> <p>5.5 Introduce change management methodology in the PAR Unit.</p>
6. The macroeconomic situation leads to significant budget constraints, including suspension of the salary reform foreseen by the new law "On civil service"	High	<p>6.1 Define, within the PAR process, measures aimed at creating budgetary space and a more efficient use of budget resources (e.g.: functional reviews leading to rightsizing of the corpus of civil servants; amendments to relevant legislation where necessary).</p> <p>6.2 Closely monitor the financial sustainability of the PAR implementation.</p> <p>6.3 Define financial sustainability of the PAR implementation as part of the key performance indicators for the disbursement of tranches under budget</p>

		support operation.
7. The credibility of the budget could be hampered by the potential unstable economic situation and unreliable macro-economic forecasts	Medium	7.1 Develop a sound and realistic medium term budget planning based on reliable macro-economic data and provide the key spending units with budget ceilings. This is being addressed under the PFM-related dialogue. 7.2 Provide support to the implementation of the PFM Strategy via complementary support.
8. Insufficient level of budget transparency and delays in adopting budget-related policy documents and legislation	High	8.1 Monitor that the budget process meets the deadlines of the Budget code and is transparent. This is being addressed under the PFM-related dialogue.
9. Inappropriate coordination of donors in the area of PAR or specific directions of PAR	Medium	9.1 Ensure regular donor coordination meetings led by the EU Delegation to Ukraine, including permanent dialogue with other main donors and projects on the ground. 9.2 Strengthen the exchange of information mechanisms of all concerned donor organisations. 9.3 Ensure additional coordination with donor headquarters 9.4 Address donor coordination within the framework of the continuous policy dialogue with the political PAR champion. If necessary, assist with developing appropriate donor coordination framework and methodology via EU High-Level Advisory Team on PAR or complementary support.
10. Gender issues not properly addressed by Ukrainian counterparts	High	10.1 Address gender issues in the framework of regular policy dialogue on PAR. 10.2 Assist Ukrainian counterparts with establishment of necessary methodology on gender-based analysis, mainstreaming and budgeting via EU High-Level Advisory Team on PAR and complementary support. 10.3 Put particular focus on gender issues when defining the scope of SIGMA baseline assessment of Ukrainian public administration.

Assumptions
<ul style="list-style-type: none"> • Political leadership of PAR, including appropriate administrative support is in place
<ul style="list-style-type: none"> • PAR has robust and well-functioning coordination structures at political and senior civil service levels
<ul style="list-style-type: none"> • Timely adoption of key laws and regulations linked to PAR.
<ul style="list-style-type: none"> • Effective enforcement of the new law "On civil service" starting from May 1st, 2016. Continued compliance of the law "On civil service" and other key legislation and policies with OECD/SIGMA Principles of Public Administration
<ul style="list-style-type: none"> • Macroeconomic situation gradually improves leading to financial sustainability of PAR

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1. Lessons learnt

Implementation of PAR in Ukraine during the last decade achieved limited results on rationalising the institutional set-up, especially at the central level. Sustainability of institutional improvements was limited due to political instability and lack of general consensus on the future scope and size of public administration. Consequently, no fundamental changes in policy making, administrative culture, and human resources management in public administration took place as a result of previous PAR support.

This situation was mainly due to low ownership of the reform and limited resources allocated to its implementation. The Result-oriented monitoring (ROM) report on the twinning project "Support to civil service development in Ukraine" (implemented in 2012-2014) prepared in early 2013 underlines that *"while declared politically, it [National Agency on Civil Service] does not bring forward proofs for definite position towards the number of important tasks, such as structural improvements, legal improvements and trainings of civil servants in Ukraine"*.

Further to the general problem of ownership, a certain number of other lessons and reform experiences of political, institutional and technical nature shall be mentioned:

1. The responsibility for PAR at political level was never clearly defined and ensured in a sustainable manner. This is mainly due to the lack of political commitment, despite availability of numerous policy documents highlighting PAR among key national reforms priorities. Therefore, specific attention under this Action will be paid to ensuring continuous political dialogue, both at operational and political level, as well as involvement of civil society as a key stakeholder. This Action will be complemented by the current and planned assistance to CSOs (e.g. Civil Society Facility) to improve their capacities to actively participate in and monitor PAR process.

2. The lack of a leading institution at administrative level with a strong mandate to steer the PAR process, including monitoring and reporting, led to inconsistencies in PAR design and implementation, repetition of previous mistakes and waste of resources. Limited capacity and weak commitment of other state bodies in charge of specific areas of PAR often resulted in the absence of reform progress or uncompleted reforms. The PAR Strategy foresees the establishment of a dedicated PAR unit within the Secretariat of the Cabinet of Ministers, as well as design and implementation of a comprehensive institutional and HR plan for strengthening capacity for PAR in all concerned public institutions.

2. The reliance on temporary established consultative bodies (commissions, committees, working groups composed of various stakeholders) led to a lack of sustainability of reform and made PAR process fully dependent on political fluctuations and tensions. The PAR Strategy envisages the establishment of a dedicated Task Force on the level of senior civil service with the responsibility to ensure the overall coordination of PAR on the level of civil service. This Task Force will be composed of the heads of civil service of all state institutions responsible for implementation of different areas of public administration reform. This will ensure appropriate institutional memory, sustainability and capacity building in the course of PAR Strategy implementation.

3. PAR was not considered a comprehensive reform supported by a global political vision on the role of the State, scope and size of the public administration. In the majority of reform attempts up to now, PAR was considered only as reorganisation of central executive bodies without any link to substantial changes in quality of public policies and public service delivery. The new PAR strategy is taking a wider approach and addresses the different but closely inter-linked core dimensions of public administration: the civil service; the policy planning system, procedures and processes; accountability arrangements among institutions and between administration and citizens; and service delivery (administrative procedures, e-government) to citizens and businesses, public financial management.

4. Due to a lack of a thorough assessment of the state of play of the public administration and an in-depth cost analysis, all PAR initiatives in Ukraine were dominated by a legislative approach which led to development of separate pieces of legislation rather than having a comprehensive strategic vision of the reform needs. The new PAR strategy is already providing a different approach, and it includes clear targets that will be monitored through indicators that will measure progress against current baselines. A more comprehensive problem analysis against the OECD/SIGMA Principles of Public Administration is foreseen in 2018 and will provide a basis for the mid-term review of the PAR Strategy, in order to further increase its credibility and relevance.

5. The quality of the policy and legislative processes has been generally weak and has not ensured inclusive and evidence-based approach. These weaknesses have been common in all Eastern European

countries and have been gradually addressed by introducing an improved policy-making system and impact assessment methodologies. The PAR Strategy foresees a substantial reform of policy development and coordination, including strengthening strategic capacity of the Cabinet of Ministers, developing a system of strategic planning, monitoring and analysis, improving methodology for public policy development, including impact assessment (regulatory/fiscal) and assessment of the quality of law-making, as well as establishment of a dedicated unit for strategic policy planning and coordination within the Secretariat of the Cabinet of Ministers.

6. Developments of 2014-2016 have clearly demonstrated the important role played by civil society in the reform process, including in the area of PAR. Ukrainian civil society has therefore increased its involvement in reform process through greater advocacy and providing advisory assistance to the Government. Building on the improved liaison channels between Government and civil society, further engagement with civil society is key to ensuring progress in the PAR process. A next call for proposal for CSO support, including a specific objective in the area of PAR, is indicatively scheduled in autumn 2016.

3.2 Complementarity, synergy and donor coordination

Donor Coordination in PAR is expected to be led by the Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration in charge of Public Administration Reform. At this point in time the EU is the major donor active on PAR. Other donors expressed interest to initiate additional projects based on the adopted PAR Strategy.

Active existing initiatives of the EU on PAR are as follows:

- The State Building Contract (355 M EUR, 2014-16) is a budget support initiative which has 20% of its indicators directly targeting PAR;
- Macro-financial Assistance has a specific conditionality on PAR related to the adoption of the PAR Strategy and implementation of the Civil Service Law, as well as specific conditionality on PFM;
- OECD/SIGMA provided expert advice to the PAR process in Ukraine, including PFM in the past years and will continue its involvement;
- A framework contract project "Support to Ukraine's public administration reform" started in July 2016 with a view to provide advisory and capacity building support in the process of initial phase of the PAR Strategy implementation. This support is provided via the EU High Level Advisory Team on PAR led by former Minister of Interior of Slovenia.
- The U-LEAD programme ("Ukraine Local Empowerment, Accountability and Development", 96 M EUR, 4 years) started in May 2016 and has a component aiming at improving delivery of administrative services to citizens and businesses, including support to further development of 600 Administrative Service Centres (ASC) and introducing e-technologies in ASCs.
- In 2012-2015 four calls for proposals (total budget of the calls around 15 million EUR) have been launched to support the involvement of Ukrainian civil society organisations in policy dialogue and reform process in Ukraine. Improvement of the administrative service delivery, policy dialogue and monitoring on PAR were among the specific objectives in these calls. PAR will remain a priority issue for future EU support to civil society in Ukraine.
- From February 2016, Volyn Regional State Administration is implementing a project focused on further strengthening Administrative Services Centres in Ukraine (EU contribution 940 000 EUR, 18 months). The project aims at designing and implementing a standard operating model for Administrative Services Centres in 14 communities of Volyn, Lviv and Rivne regions.
- The project on "Enhancement of the coalition of the Reanimation Package of Reforms"¹ (965 000 EUR, 2 years) started in June 2016 with the aim of consolidating reform process through

¹ Established in early 2014, Reanimation Package of Reforms is an inclusive non-partisan civic platform which unites leading non-governmental organisations and experts from across Ukraine and serves as a coordination centre for the development and implementation of key reforms in Ukraine.

active participation of the civil society experts in policy making, reforms implementation and monitoring. The project includes advocacy for the quality reform process and support for reform agenda in the regions. The project has a specific focus on PAR and anti-corruption. This project builds on the previous EU support to the Reanimation Package of Reforms (414 000 EUR, 1.5 years in 2014-2015) aimed as an immediate response to re-vitalise the reform process, including in the area of PAR.

- The project "What the State Costs" (269 720 EUR, 2013-2016) contributed to dissemination of information on public financial reform. The new project "Increasing the Influence of Civil Society Actors on Public Finances" (485 000 EUR, 2 years) will start in September 2016 with the purpose to increase the capacities of Ukrainian civil society organisations to advocate for transparency of budgetary process, increase citizens' participation in local budgetary processes and support the national policy dialogue on budgetary decentralization.
- The project "Harmonisation of Public Procurement System in Ukraine with EU Standards" contributes to the development of a consistent PFM through the establishment of a comprehensive and transparent regulatory framework for public procurement and its efficient institutional infrastructure and the development of the Ukrainian state aid system.

Other donors:

- The US plans to launch the project "Transparency and Accountability in Public Administration and Services" (13M USD, 4 years), focusing on open data programme, e-procurement system and e-services delivery aspects, including supporting nation-wide e-government systems development. The project is expected to start at the end of 2016.
- The Swiss-funded project "E-Governance for Accountability and Participation" supports the design of e-governance solutions for the Administrative Services Centres in 4 pilot regions.
- DFID supported the completion of the PAR Strategy through a contract with PricewaterhouseCoopers aiming at developing an indicative costing of the PAR Strategy.
- PEFA assessment of the World Bank to provide the Government of Ukraine with an up-to-date diagnostic of PFM performance has been conducted in 2016.
- German-funded project "Strengthening administrative authorities to reform public finances" provided a framework for exchanging European experiences, identifying and discussing strengths and weaknesses in various aspects of PFM reform.
- Swedish SIDA-funded project "Gender budgeting in Ukraine" focused on increase of economic efficiency and transparency in budget allocations, including the introduction of gender responsive budgeting (GRB) in Ukraine.
- Ongoing World Bank support aimed at revising the current PFM Strategy and establishing appropriate coordination and monitoring structures for the PFM Strategy implementation.

3.3 Cross-cutting issues

Good governance, rule of law, gender equality, sustainable development and climate change are among the essential elements of the EU-Ukraine Association Agreement and shall be seen as priority horizontal issues for this Action.

The increased awareness and implementation of EU standards and best practices will further strengthen transparent and accountable governance processes and contribute to the integrity of public administration in Ukraine. Greater engagement with civil society and its participation in policy-making will serve as a guarantee for an effective monitoring of the reforms covered by the action.

The **judicial** and public administration reforms need to go hand in hand and are complementary. The reformed Ukrainian judiciary will serve as a safeguard to the PAR irreversibility while the modernised public administration will showcase high standards of civil service, which will inspire further improvements of all public institutions, including courts of justice.

The judicial reform accelerated in late 2014 with the adoption of the law "On ensuring the right to a fair trial" adopted in February 2015. The law allowed for the renewal of membership of the High

Council of Justice and the High Qualification Commission of Judges and rendered these two judicial disciplining and appointment bodies fully functional from June 2015.

Furthermore, the law "On Public Prosecution" came into force in July 2015 and provided for the abolishment of the prosecutors' prerogative of exercising control outside the criminal justice domain (the so called "general supervision powers") and establishes a system of prosecutorial self-governance. The law also triggered the local prosecutors' offices reform (drastic reduction from over 600 to just about 170 offices Ukraine-wide) and the subsequent local prosecutors' reappointment exercise.

In March 2015, the Justice Sector Reform Strategy (JSRS) was approved by the Judicial Reform Council and by the President of Ukraine. The JSRS aims to unite all justice sector stakeholders (Government, judiciary, public prosecution, police, bar, etc.) around a clear "roadmap" of the sector-wide reforms. The JSRS is explained and supported by an Action Plan (JSRS AP) with tasks, benchmarks, and resources allocated to each task. In August 2015, the Government issued an instruction on JSRS AP implementation requiring each justice sector stakeholder to draft their annual implementation plans on a yearly basis. Thus, the 2016 implementation plans were approved by the Judicial Reform Council in March 2016.

As far as **gender equality** is concerned, the generally low level of awareness for gender inequality transpires into public administration. Strategic planning, policy development and coordination in Ukraine are not sufficiently informed by gender-based analysis and the principles of gender mainstreaming and budgeting. The same applies to the planning and monitoring of administrative service provision.

Existing gender equality legislation suffers, like other legislation, from lack of implementation. While a number of measures had been taken in the past – like the National Gender Mechanism (a steering framework including central and local government agencies, the Ukrainian Parliament Commissioner for Human Rights and civil society and effectively functioning between 2005 and 2010) or multiannual National Gender Action Plans (the last one dating until 2016) – many of them have been deteriorating since 2010/11 and have not been properly restarted.

In the framework of reviewing the institutional setup of public administration, their internal organisation and accountability lines, the remainders of these measures will need to be analysed and fed into the reorganisation process with a view to ensure well-coordinated functioning of gender equality mechanisms throughout the public administration.

Policy making system, as well as service delivery procedures need to be analysed from a gender point of view and gender-disaggregated data shall be included in subsequent monitoring of access to and quality of services delivered.

Ukrainian public administration is marked by gender inequality: staff is up to 75 per cent female in general, but only 13 per cent female on decision-making levels (UNDP Global Report on Gender Equality in Public Administration, 2014). In the country, the ratio of female legislators, senior officials, and managers is 38 to 62 male ones. Overall, Ukraine ranks 67/145 on the Gender Equality Index 2015 (meaning a drawback in comparison to 2014 when it ranked 56/142).

The action will therefore contribute to ensuring equal opportunities and gender equality in the context of the civil service reform foreseen by the law "On civil service", particularly, through the implementation of new transparent and merit-based recruitment and appraisal procedure for civil servants as well as by tackling the quantitative and qualitative gender misbalance in Ukrainian public administration. In particular, higher remuneration rates for low and middle level civil service positions which are mainly occupied by women will contribute to their economic empowerment and may attract more men, while open and merit-based recruitment procedures for senior civil service positions may contribute to increased participation of women and potential rise of share of women in senior and

middle level management positions. As a result, this will ensure better balance between men and women in the Ukrainian civil service.

Furthermore, key elements of gender-based analysis are expected to be included in the revised methodology of policy making as part of the implementation of policy making reform foreseen by the PAR Strategy.

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.

Overall objective

The overall objective of the Action is to improve professionalism, accountability, effectiveness and efficiency of the Ukrainian public administration.

The specific objectives of the Action:

1. To improve the Government's steering, coordination, implementation, monitoring and reporting on the PAR process;
2. To enhance strategic policy planning and the quality of policy and legislative development;
3. To increase professionalism, effectiveness and political neutrality of the civil service;
4. To improve accountability of public administration;
5. To improve the quality and accessibility of public service delivery and to reduce administrative burden for citizens and business;
6. To strengthen public financial management.

Expected results:

- 1.1 Improved capacity of the state bodies in charge of PAR implementation, coordination, monitoring and reporting
- 1.2 Ukraine's PAR Strategy is further developed according to inclusive and evidence-based approach following a baseline assessment in line with the OECD/SIGMA Principles of Public Administration
- 1.3 Increased financial sustainability of PAR

- 2.1 Improved procedural and institutional framework of the Government's strategic policy and legislative planning system
- 2.2 Policies and legislation increasingly developed according to inclusive and evidence-based approach
- 2.3 Improved information exchange between state bodies in the process of policy and legislative development and policy implementation through an increased use of an integrated inter-agency e-document management system (EDMS)

- 3.1 OECD/SIGMA Principles of Public Administration Sustainability are consistently institutionalised in Ukraine's civil service
- 3.2 Merit-based approach and gender equality in recruitment, remuneration and career management of civil servants are ensured
- 3.3 Improved management of human resources in public administration

- 4.1 Rationalised structure of public administration (redefined missions, scope of responsibility, functions and tasks of ministries and other state bodies)
- 4.2 Improved accountability lines with between sector ministries and related central executive bodies (agencies, inspections, services)

- 5.1 Legal framework, procedures, infrastructure, human and technical capacity of the Administrative Services Centres are improved
- 5.2 Enhanced online public services delivery
- 5.3 A coherent and complete legal framework on administrative procedure established and applied in practice

- 6.1 Improved organisation and human resource management in the Ministry of Finance (MoF) and other PFM-related state bodies
- 6.2 Improved coordination, monitoring and reporting on the PFM Strategy implementation
- 6.3 Fully integrated medium-term fiscal forecasting function is operational

4.2 Main activities

4.2.1 Budget support

The budget support component will focus on supporting the Government in Ukraine in improving the quality, accountability, effectiveness and efficiency of Ukraine's public administration, in line with the SIGMA/OECD Principles of Public Administration.

This goal will be achieved through the following main inputs:

- Policy dialogue on PAR and PFM strategies implementation with an aim to ensure satisfactory progress of both reforms through continuous monitoring and adoption of necessary corrective measures.
- Continuous dialogue with the institutions involved in PAR and PFM strategies implementation regarding their capacity needs and capacity development measures with an aim to support their performance and change management throughout the whole implementation process.
- Monitoring and regular dialogue on selected outcome and output indicators of the PAR Strategy which are critical for satisfactory progress of the reform and its overall success in mid-term perspective.
- Technical dialogue in the framework of analysis of tranche release request in line with the disbursement schedule set out in the Financing Agreement with a view to assess the extent to which general and specific conditions for payment have been fulfilled.

More specifically, cooperation and interaction in the framework of the budget support component will be linked to the achievement of the specific objectives and corresponding expected results listed in the section 4.1 above.

4.2.2 Complementary support

- Provision of advisory, methodological support and coaching in the process of implementation of Ukraine's Public Administration Reform Strategy;
- Building capacity of the PAR leading institution, as well as other main stakeholders (National Agency of Civil Service, National Academy of Public Administration, concerned ministries and agencies) in the process of the implementation of the PAR Strategy;
- Development and operationalization of the methodologies and tools required to implement and monitor the main reform areas foreseen in the PAR Strategy;
- Methodological support and coaching in the process of carrying out functional reviews and implementing recommendations resulting from them;

- Regular monitoring and reporting on the PAR Strategy implementation, including support to implementation of the agreed monitoring and reporting framework for budget support operation;
- Assessing draft legal and policy documents related to specific areas of PAR with regard to their compliance with the principles of public administration and good practices;
- Technical advice and cost analysis in the process of design and operationalization of the key information management systems foreseen by the PAR Strategy, including Human Resource Management information system and an integrated e-document management system (EDMS);
- Technical advice and capacity-building for the effective application of gender-based analysis, gender mainstreaming and budgeting in the framework of strategic planning, policy and legislative development;
- Advice and coaching in the process of introducing competitive recruitment procedures and other HRM tools in line with the new law "On civil service" and best European practices;
- Capacity building and training of HRM units and selected categories of civil servants;
- Support to institutional reorganisation, change management and capacity building in the area of Public Financial Management);
- Advisory support in introducing an integrated medium-term fiscal forecasting system;
- Periodic independent reviews of compliance with budget support conditions.

4.3 Intervention logic

The Action will support the implementation of Ukraine's PAR Strategy for the period of 2016-2020 and specific measures foreseen in its Implementation Plans for 2016-2020, as well as the implementation of the revised PFM Strategy.

The PAR Strategy, including a Matrix of objectives and performance indicators, a Cost Estimate of the Strategy implementation and an Implementation Plan for 2016-2020 have been adopted by the Government of Ukraine on 24 June 2016. The current PFM Strategy for 2013-2017 is expected to be revised by the end of 2016.

The support to the PAR Strategy will cover all foreseen reform areas. The support to the revised PFM Strategy will mainly focus on strengthening capacity and supporting change management process within PFM-related institutions led by the Ministry of Finance and on providing advice in introducing an integrated medium-term fiscal forecasting system.

Continued EU-Ukraine policy dialogue on PAR accompanied with regular budget support payments under this Action will allow to achieve sustainable progress in the key areas of public administration covered by the PAR Strategy, namely, civil service, policy development and coordination, accountability, including organisation of public administration and public service delivery.

Capacity building support linked to the implementation of the specific reform areas foreseen by the revised PFM Strategy, as well as to design and roll out of an integrated human resource management information system in civil service, including modules for recruitment, career history, performance appraisal and payroll will be addressed through indirect management with the World Bank.

The performance assessment framework for the budget support will refer to successful implementation of specific chapters of the PAR Strategy according to the Implementation Plan. Each budget support payment will be subject to a rigorous assessment based on PAR-related indicators and targets to ensure that a credible reform process is underway and jointly agreed policy benchmarks are met.

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 72 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 of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for the budget support component is EUR 90 million.

This amount is based on the indicative cost analysis of the PAR Strategy implementation which constitutes an integral part of the document adopted by the Government on 24 June 2016. In particular, the total cost of the PAR Strategy implementation, including cost related to the establishment and effective functioning of the "reform staff positions" is estimated at EUR 176.18 million for the period of 2016-2020. Consequently, the EU contribution under this Action will correspond to approximately 51% of the total financial needs for the PAR Strategy implementation over the period of 2016-2020.

The proposed amount for budget support component is also based on the following elements:

- the commitment of the Government to allocate budget resources in accordance with the PAR Strategy and its Implementation Plan and to follow standard budget procedures;
- the commitment of the Government to ensure financial sustainability of the salary reform foreseen by the law "On civil service" through adoption of a reliable mid-term financial forecast of necessary budget resources, as well allocation of budget planned resources during the annual budget planning process in combination with the plans and targets for rightsizing of personnel of public administration.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the sector policy (the PAR Strategy, including implementation of the measures foreseen in its Implementation Plan) and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the revised PFM strategy;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches refer to the achievement of specific objectives and tasks set out in the PAR Strategy and its Implementation Plan and are linked to the main reform areas of the PAR Strategy, namely:

- Strategic framework of PAR
- Strategic planning, policy development and coordination
- Public service and Human Resources Management (HRM)
- Accountability – organisation, transparency, oversight
- Administrative service delivery – administrative procedures, reduction of administrative burden, quality of services, e-government

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Cabinet of Ministers of Ukraine may

submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support to the National Treasury. The crediting of the euro transfers disbursed into UAH will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

The budget support component is expected to have 5 subsequent annual instalments (2016-2021). An indicative disbursement schedule is presented below:

Country fiscal year	2016	2018				2019				2020				2021				Total
Type of tranche	Q4	Q 1	Q 2	Q 3	Q 4	Q1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	EUR million
Fixed tranche	10	5				5				5				5				30
Variable tranche		15				15				15				15				60
TOTAL	10	20				20				20				20				90

5.4 Implementation modalities for complementary support of budget support

5.4.1 Grants: call(s) for proposals for twinning projects (direct management)

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

The twinning modality via a call(s) for proposals will be used for actions supporting the strengthening capacity of the key institutions in charge of civil service training policy and its implementation, namely, the National Academy of Public Administration and National Agency on Civil Service.

Specific priorities and expected results will be specified in the relevant twinning fiches.

(b) Eligibility conditions

In line with Article 4(10)b of Regulation (EU) No 236/2014, participation in the Twinning call(s) for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies entrusted with a public service mission under their control provided they act for the account and under the responsibility of that Member State.

(c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant. The essential award criteria are the technical expertise of the applicant and the relevance, methodology and sustainability of the proposed action.

(d) Maximum rate of co-financing

The rate of co-financing for twinning grant contracts is 100%².

(e) Indicative timing to launch the call

Fourth trimester of 2017.

(f) Use of lump sums/flat rates/unit costs

Twinning contracts include a system of unit costs and flat rate financing, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member States administrations. The use of this system of unit costs and flat rate financing, which exceeds the amount of EUR 60 000 per beneficiary of a Twinning contract, is subject to the adoption of a separate, horizontal Commission decision.

5.4.2 Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance in the framework of PAR Strategy implementation (including reviews of compliance with budget support conditions)	Service	3	Q2 2017 Q4 2017 Q2 2019
Evaluation and audit	Service	2	Q1 2019 Q4 2021
Visibility and communication	Service	1	2Q 2018

5.4.3 Indirect management with the World Bank

A part of this Action, namely, support to designing and implementing of an integrated human resource management information system for civil service (the expected result 3.3), as well as support to the specific reform areas of the PFM Strategy (the expected results 6.1-6.3) will be implemented in indirect management with the World Bank in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

This implementation entails:

- Strengthening human resources management in civil service through support in designing and implementation of a human resource management information system (HRMIS) and consolidation of the public employee payroll as part of the PAR Strategy implementation.
- Assisting the Government of Ukraine in improving the effectiveness, efficiency and transparency of public financial management in the framework of the implementation of the revised PFM Strategy and Implementation Plan.

This implementation is justified because the World Bank has an extensive experience in Ukraine in the PFM sector, including an involvement in implementation of the Integrated Financial Management Information System and the recent development of Ukraine's PFM assessment (PEFA 2016). The World Bank has successfully implemented projects on PAR aimed at increase of quality in public finance and human resource management in countries across the globe (Tajikistan, Nigeria, Albania).

² As provided for in the Twinning Manual

The entrusted entity would carry out the following budget-implementation tasks: running the public procurement and grant award procedures, concluding and managing the resulting contracts, including making of the related payments.

The World Bank 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 World Bank can be entrusted with budget-implementation tasks under indirect management.

The costs incurred by the entrusted entity may be recognised as eligible as of 1 August 2016. This is needed to allow the entrusted entity to launch relevant support measures to update the PFM Strategy and prepare an initial concept of an integrated Human resource Management information system which are among the main elements of this Action.

5.4.4 Changes from indirect to direct management mode due to exceptional circumstances

If negotiations with the World Bank fail, that part of this action may be implemented in direct management through the procurement as follows:

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Assistance in designing and implementation of a human resource management information system (HRMIS) for public administration	Service Supply	1 1	Q2 2017 Q4 2017
Assistance in improving the effectiveness, efficiency and transparency of public financial management (PFM)	Service	1	Q2 2017

The World Bank is re-engaging in the sectors of Public Administration Reform (PAR) and Public Finance Management (PFM) in Ukraine. While discussions with the World Bank indicate a high level of alignment and like-mindedness in the approach to reforms in the PAR and PFM sectors, these discussions still have to be brought to a final conclusion which would then trigger the signature of the concerned Agreement. If no agreement can be reached, this part of the action will be implemented through direct management/procurement.

5.5 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.

5.6 Indicative budget

	EU contribution (amount in EUR million)
4.2.1 Budget support – Sector Reform Contract	90
4.2.2 Complementary support	14
5.4.1 – Call(s) for proposals for twinning projects (direct management)	2
5.4.2 – Procurement (direct management)	5.5
5.4.3 – Indirect management with the World Bank	5
5.9 & 5.10 – Evaluation and Audit	0.5
5.11 – Communication and Visibility	1
TOTAL	104

5.7 Organisational set-up and responsibilities

The steering and monitoring over the PAR Strategy implementation, including all aspects of this Action, is expected to be ensured by the PAR Council to be led by the Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration in charge of PAR. The PAR Council shall include representatives of the key public bodies involved in the PAR process (see section 1.1.2). Relevant civil society organisations, representatives of the national institutions involved in the reforms and development partners, as well EU representatives will also be invited to the meetings where appropriate.

The specific aspects of the PFM Strategy covered by this Action shall be also examined and discussed at the PAR Council meetings.

A steering and monitoring committee for PFM Strategy is expected to be established under the leadership of the Ministry of Finance, with the participation of stakeholders and international donors (WB, EU, etc.) in order to review the implementation of the revised PFM Strategy and its Implementation Plan.

This Action will be steered and monitored by a Joint Monitoring Group to be established by the Government of Ukraine after signature of the financing agreement. This group will include representatives of the EU services, as well as representatives of key ministries and related agencies involved in the implementation of the PAR and PFM strategies.

The main tasks of the Joint Monitoring Group are as follows:

- Monitoring and control over the Action's implementation;
- Assessment of the degree of fulfilment of the performance indicators used for disbursement of annual instalments of budget support;
- Ensuring interaction between relevant state bodies with a view to achieve expected results of the Action and fulfil related performance indicators;
- Preparation of recommendations aiming at addressing shortcoming and problems in the process of implementation of this Action.

The Joint Monitoring Group will meet at least twice par year.

5.8 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 (quarterly and 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.

A monitoring group will be established with participation of the key beneficiaries and the EU representatives. This group will meet quarterly and discuss progress in the implementation of the programme, problems and delays and how to overcome them. Implementation reports prepared by the Government will also be discussed.

Compliance with the conditions attached to the disbursement of budget support payments will be based on expert assessments and the results of policy dialogue and monitoring meetings. Dedicated independent expert mission will be commissioned if necessary.

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).

5.9 Evaluation

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

A mid-term and a final evaluation will be carried out.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

5.10 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.

5.11 Communication and visibility

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

This Action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

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

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

APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR THE ENTIRE ACTION)

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the Action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by gender whenever relevant.

	Intervention logic	Indicators	Baselines 2016 (or as indicated in the corresponding cell)	Targets 2021	Sources and means of verification
Overall objective: Impact	To improve professionalism, accountability, effectiveness and efficiency of the Ukrainian public administration	1. World Bank (WB) Good Governance indicators: a) Voice and Accountability b) Government Effectiveness c) Regulatory Quality d) Control of Corruption 2. WB Doing Business 3. Corruption Perception Index 4. Policy-Based Budgeting (PEFA)	1. 2014 ratings: a) 47.3 b) 40.4 c) 28.8 d) 14.9 2. 2016 rank: 83 3. 2014 rank: 142 4. 2012 rating: B	Significant improvement in the ratings (equivalent to an increase by 25%)	WB reports, Transparency International Index, OECD/SIGMA reports, monitoring and evaluation reports of the Action, monitoring reports of the PAR and PFM Strategies

Specific objective(s): Outcome(s)	1. To improve the Government's steering, coordination, implementation, monitoring and reporting on the PAR process	<p>Extent to which the PAR leadership and management system is in place and effectively functioning</p> <p>Extent to which reporting provides information on the outcomes achieved</p>	<p>PAR Council established in May 2016, other leading PAR institutions not established</p> <p>No reporting on PAR</p>	<p>PAR coordination bodies are functioning and have sufficient capacities and resources</p> <p>Annual reporting on PAR meeting requirements for quality of provided information</p>	<p>Government reports OECD/SIGMA assessment</p> <p>As above</p>
	2. To enhance strategic policy planning and the quality of policy and legislative development	<p>Extent to which the work of the Cabinet of Ministers is focused on achieving strategic policy objectives</p> <p>Extent to which ministries are oriented towards policy development</p>	<p>No data</p> <p>No data</p>	<p>2</p> <p>2</p>	<p>OECD SIGMA Assessment</p> <p>As above</p>

	3. To increase professionalism, effectiveness and political neutrality of the civil service	Extent to which merit-based approach in the recruitment and dismissal of senior and middle level management positions in civil service is applied in practice	No data	4	OECD/SIGMA Assessment
		Extent to which the remuneration system of civil servants is fair and transparent and applied in practice	No data	4	OECD/SIGMA Assessment
		Extent to which the number of employees in public administration corresponds the objectives, functions and structure of public administration	No data	4	OECD/SIGMA Assessment
		Extent to which gender representation is equal at all levels and in key areas of public administration	No data	4	OECD/SIGMA Assessment

	4. To improve accountability of public administration.	Extent to which the overall structure of ministries and other bodies subordinated to central public administration is rational and coherent	No data	4 (satisfactory SIGMA assessment)	OECD/SIGMA assessment
		% of draft law with an effective public consultation	No data	>50%	Government reports External assessment reports
		Number of comprehensive regulatory and fiscal impacts assessments per year	No data	10 / 10	As above
	5. To improve the quality and accessibility of public service delivery and to reduce administrative burden for citizens and business	User satisfaction by the Administrative Services Centres	No data	70%	Survey results External assessment reports
		Extent to which citizen-oriented policy for service delivery is in place and applied	No data	4 (satisfactory assessment by SIGMA)	Government reports OECD/SIGMA assessment
		Extent to which the legal framework for good administration is in place and applied	No data	As above	As above
	6. To strengthen public financial management	Extent to which medium term budget planning is enacted and applied in practice in all public policy sectors	No data	4	OECD/SIGMA assessment PEFA Assessment

Induced output	1. Capacity to manage PAR process of PAR	1.1 Improved capacity of state bodies in charge of PAR implementation, coordination, monitoring and reporting	1.1.1 Number of staff working in the PAR Unit within the Secretariat of the Cabinet of Ministers	0	>10	Government reports OEC/SIGMA assessment
		1.1.2 Number of staff involved in the management of the PAR process in all reform areas	No staff exclusively dealing with PAR management	>60	As above	
		1.2.3 Degree to which competencies and technical skills of staff involved in the PAR process comply with the reform needs and legal requirements	Specific requirements for staff involved in PAR absent	Recruited staff comply with the competency requirements and reform needs	Requirements for posts, job descriptions Government reports, external assessment reports	
		1.2 Ukraine's PAR Strategy is further developed according to inclusive and evidence-based approach following a baseline assessment in line with the OECD/SIGMA Principles of Public Administration	1.2.1 Extent to which the revised PAR Strategy is aligned with OECD/SIGMA Principles	Baseline assessment is absent	4 (satisfactory assessment by SIGMA)	OEC/SIGMA assessment
		1.3 Increased financial sustainability of PAR	1.3.1 Annual cost for implementation of PAR Strategy is planned in state budget for respective years	Implementation cost is not planned	Implementation cost is planned in annual state budgets (2017-2020)	State budget of Ukraine Government reports External report
			1.3.2 Ratio between effective spending on PAR implementation and funding foreseen in the state budget for respective year	No data	90%	Government reports

2. Enhanced strategic policy planning	2.1 Improved procedural and institutional framework of the Government's strategic policy and legislative planning system	2.1.1 Number of staff working in the institution/unit for strategic policy planning and coordination within the Secretariat of the Cabinet of Ministers	0	>5	Government reports
		2.1.2 Share of new horizontal strategies adopted by the Government that meet requirements for strategic policy and legislative planning set in the Government's rules of procedures	0	100%	Government reports External assessment reports

		<p>2.2 Policies and legislation increasingly developed according to inclusive and evidence-based approach</p>	<p>2.2.1 Extent to which appropriate amendments to the law "On Cabinet of Ministers" and Government's Rules of Procedures are developed and adopted</p> <p>2.2.2 Share of new policies (strategies, policy concepts) and legislation (laws, regulations) that meet the requirement set in the revised law "On Cabinet of Ministers" and Government's Rules of Procedures (including impact assessment, internal and external consultations, conflict solving mechanisms, quality control mechanisms and are informed by gender-based analysis and gender mainstreaming)</p>	<p>Amendment are not developed</p> <p>No data</p>	<p>Amendments developed, adopted and enacted</p> <p>70%</p>	<p>Government reports External assessment report</p> <p>As above</p>
		<p>2.3 Improved information exchange between state bodies in the process of policy and legislative development and policy implementation through an increased use of an integrated inter-agency e-document management system (EDMS)</p>	<p>2.3.1 Share of central executive bodies that maintain information exchange through EDMS</p> <p>2.3.2 Share of documents of central and local state bodies exchanged in electronic format</p>	<p>10%</p> <p>1%</p>	<p>100%</p> <p>80%</p>	<p>Government reports External assessment reports</p> <p>As above</p>

3. Civil Service	3.1 OECD/SIGMA Principles of Public Administration are consistently institutionalised in Ukraine's civil service	3.1.1 Share of sub-laws related to enactment of the new law "On civil service" are developed and continuously implemented in line with the OECD/SIGMA principles (% of total number of sub-laws)	No data	100%	Government reports OECD/SIGMA Assessment
		3.1.2 Extent to which the new law "On civil service" is implemented in line with the OECD/SIGMA Principles of Public Administration	No data	4 (satisfactory assessment by SIGMA)	As above
		3.2 Merit-based approach and gender equality in recruitment, remuneration and career management of civil servants are ensured	3.2.1 Share of civil service positions of category A and B in central public administration recruited in line with merit-based procedures set in the new law "On civil service" (% of total number of positions of category A and B in central public administration)	No data	>50%
	3.2.2 Ratio of supplements, premium and bonuses to basic (fixed, predictable) salary in average salary of civil servants (According to the Civil Service Law)	70%	30%	As above	
	3.2.3 % of women in civil service positions of category A and B	No data	>30%	As above	

		<p>3.3 Improved management of human resources in public administration (PA)</p>	<p>3.3.1 Extent to which Methodology ensuring transparent and prompt monitoring of staff numbers (not only civil servants) and staff costs (payroll) in PA is developed and implemented</p>	<p>Methodology is not developed</p>	<p>Monthly data on staff numbers and staff costs in PA is available on line</p>	<p>Government reports Government web-portal</p>
			<p>3.3.2 % of total number of employees of PA reduced as a result of enhanced effectiveness in line with an adopted Rightsizing Plan for 2018-2020 (starting from 01.01.2016)</p>	<p>2,5%</p>	<p>10%</p>	<p>Government reports External assessment reports</p>
			<p>3.3.3 % of state bodies using an integrated human resources management information system including modules for conducting competitions, career history, performance assessment, internal mobility, financial analytics, payroll calculation and payment</p>	<p>0%</p>	<p>70%</p>	<p>Government reports External assessment reports</p>
			<p>3.3.4 % of staff of HR services in public administration trained on HRM methods and merit-based tools and practices</p>	<p>0</p>	<p>100%</p>	<p>Government reports Training curricula HRM Manuals</p>

4. Accountability	4.1 Rationalised structure of public administration (redefined missions, scope of responsibility, functions and tasks of ministries and other state bodies)	4.1.1 Number of vertical (sector) functional analysis carried out in key public policy sectors	0	13	Government reports External assessment reports
		4.1.2 Nature and scope of the recommendations prepared following horizontal and vertical analysis of key public policy sectors	No data	Recommendations aims at streamlining missions, scope of responsibilities and functions of state bodies in charge of relevant policy sectors	As above
		4.1.3 Nature of implementation of the recommendations of horizontal and vertical functional analysis	No data	Recommendations re implemented within the relevant Institutional Reform Plan, including redefinition of mission, scope, functions, revision of organisational structure and ensuring necessary change management process	Government reports External assessment report (OECD/SIGMA) Revised regulations and structure of concerned state bodies

5. Service delivery		4.1.3 Share of ministries and other central authorities that implemented recommendations of horizontal and vertical functional analysis in the framework of relevant "Institutional Reform Plans"	0%	>80%	As above
	4.2 Improved accountability lines with between sector ministries and related central executive bodies (agencies, inspections, services)	4.2.1 Share of central executive bodies coordinated directly by the Cabinet of Ministers (without designation of a Minister in charge of relevant policy area)	16%	0%	As above
	5.1 Legal framework, procedures, infrastructure human and technical capacity of the Administrative Services Centres are improved	5.1.1 Share of Administrative Services Centres that meet infrastructural and technical requirements set in the relevant legislation	10%	80%	Government Reports External assessment reports
		5.1.2 Share of Administrative Services Centres that provide full scope of service foreseen by the relevant legislation	60%	100%	As above

		5.2 Enhanced online public services delivery	5.1.1 State portal of administrative services provision is operational in line with the requirements of the law "On administrative services"	State portal operating in testing mode	State portal fully operational and number of services available	Government Reports State Portal External assessment reports
			5.2.1 Share of e-services developed and provided at level I-II (according to the EGDI / UN methodology)	50%	100%	Government Reports State Portal External assessment reports
			5.2.2 Number of e-services developed and provided at level III (according to the EGDI / UN methodology)	2	80	As above
			5.2.3 % of central and local executive bodies that are connected to an integrated electronic interaction system	0%	100%	As above

		5.3 A coherent and complete legal framework on administrative procedure established and applied in practice	5.3.1 Law on general administrative procedures developed and adopted in line with OECD/SIGMA Principles	Law is not developed	Law is adopted and enacted	Government reports, External assessment reporting
			5.3.2 Share of sectoral administrative procedures aligned with the law on general administrative procedure	0	40%	As above
			5.3.3 Degree of licensing and permit systems alignment with the law on general administrative procedure	No alignment	Full alignment	As above
			5.3.4 Number of high-impact services based on citizens' life and business situations redesigned in line with burden reduction analysis (measurement of burden, mapping processes, etc.)	0	15	As above

6. Public Financial Management (PFM)	6.1 Improved organisation and human resource management in the Ministry of Finance (MoF) and other PFM-related state bodies	6.1.1 % of key recommendations of MoF Institutional Reform Plan implemented	0%	75%	MoF reports External assessment reports
		6.1.2 % of staff involved in core functional areas of the PFM that successfully participated in the measures foreseen by a change management plan.	0%	100%	As above
		6.1.2 Degree to which IT Strategy for the PFM is developed and implemented	Strategy is not developed	Strategy implemented	As above
	6.2 Improved coordination, monitoring and reporting on the PFM Strategy implementation	6.2.1 Number of the unit within the MoF in charge of coordination, monitoring and reporting on the PFM Strategy implementation	No data	>10	MoF reports on PFM Strategy implementation External assessment reports
		6.2.2 Number of staff involved in coordination, monitoring and reporting on the PFM Strategy implementations in all concerned institutions	No data	>30	As above
		6.2.3 Completion rate of measures foreseen in the Implementation Plan of the PFM Strategy	No data	>75%	MoF reports on PFM Strategy implementation OECD SIGMA Assessment

		6.3 Fully integrated medium-term fiscal forecasting system is operational	6.3.1 Ratio between total funds estimated in the sectoral strategies and actual funding for corresponding policy sectors within medium-term budgetary framework	No data	50%	Government reports MoF reports External assessment reports (World Bank, OECD/SIGMA)
Direct outputs		Continued EU-Ukraine political dialogue on public administration reform at all levels	Nature, scope and periodicity of high level and technical meetings to discuss and review implementation of the PAR Strategy focusing on continued overall relevance / credibility of the reform and relevant legislation	Policy dialogue is focused mainly focused on financial needs and capacity gaps of individual institutions. Attention to reform results and outcomes is low. Non-systemic approach to dialogue on PAR/PFM	Policy dialogue on PAR/PFM is focused on reform progress and reform outcomes. Performance monitoring framework and costing of the next PAR/PFM strategies informed by policy dialogue Regular meetings on PAR /PFM at political and technical levels	Reports on EU-Ukraine Association Agreement/ Agenda implementation PAR/PFM-related reports

	Improved donor coordination on PAR/PFM with a view to establish the overall link between donor assistance and policy dialogue	Nature, scope and periodicity of donor meetings on PAR/PFM led by the Government	Donor coordination on ad-hoc basis, not led by the Government, mainly focused on isolated reforms actions or capacity gaps of specific institutions Donor meetings are not regular	Donor meetings focused on strategic objectives and needs in PAR/PFM Quarterly donor meetings led by the Government	Donor matrix, reports on donor coordination meetings Government reports on donor assistance in PAR/PFM
	Improved financial space for the Government to implement the PAR Strategy	% of budget support payments disbursed on time and in accordance with the amounts agreed in the Financing Agreement	0%	Up to 100% of the disbursement plan completed	Disbursement reports

	Key institutions involved in PAR-related areas strengthened by using specific support measures	Number of complementary technical assistance contracts	1	3	Ukraine assistance report
		Amount of EU funds disbursed for technical assistance on PAR	< EUR 300,000	Up to EUR 14,000,000	As above
		Number of staff of the PAR-related institutions trained in the framework of support measures	0		Government reports Project reports
		% of fulfilment of the intutional objectives set out in the performance measurement framework of the PAR-related institutions	Performance measurement framework is not in place	>75%	Institutional performance reports External assessment reports
	Strengthened monitoring and evaluation system (M&E system) or the PAR and PFM	A common M&E system with clear targets and indicators is developed and applied in practice	M&E system is not in place	Performance assessment framework reporting annually	Annual Government reporting on the implementation of PAR and PFM Strategies