



This action is funded by the European Union

ANNEX

of the Commission Implementing Decision on the Special Measure 2015 for Decentralisation Reform in favour of Ukraine

Action Document for "U-LEAD with Europe: Ukraine Local Empowerment, Accountability and Development Programme"

1. Title/basic act/ CRIS number	'U-LEAD with Europe: Ukraine Local Empowerment, Accountability and Development Programme'; CRIS number: ENI/2015/038-739 financed under the European Neighbourhood Instrument
2. Zone benefiting from the action/location	Ukraine The action shall be carried out at the following location: Ukraine nationwide; the central coordination team will be based in Kiev.
3. Programming document	Not applicable (it is a Special Measure)
4. Sector of concentration/ thematic area	Not applicable (it is a Special Measure)
5. Amounts concerned	Total estimated cost: EUR 97 million Total amount of EU budget contribution: EUR 90 million This action is co-financed in joint co-financing by: <ul style="list-style-type: none"> – Germany for an amount of EUR 6 million – Poland for an amount of EUR 1 million
6. Aid modality(ies) and implementation modality(ies)	Project Modality Direct management – Procurement of services Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH Indirect management with Swedish International Development Cooperation Agency, SIDA
7. DAC code(s)	15112 - Decentralisation and support to subnational government

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<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	Not applicable			

SUMMARY

Decentralisation is a top priority in the extensive reform programme that the Government of Ukraine has been undertaking since spring 2014. Important legislation was adopted during 2014 and 2015, providing an enabling environment for reforms. However, in order to succeed, decentralisation reforms will require an unprecedented re-enforcement in administrative capacities at the local community (*hromada*), district (*rayon*) and regional (*oblast*) levels. It equally needs a significant change in political and administrative culture among elected officials and public servants, so that they are able to adapt to their new roles and responsibilities. Citizens' trust and involvement in policy making at the various levels of governance needs to be strengthened. Finally, this action shall contribute to the establishment of multilevel governance which is transparent, accountable and responsive to the needs of the population.

The action includes 2 main components:

- 1) Component 1: Enhanced capacity to implement decentralisation and regional policy reforms; and,
- 2) Component 2: Administrative service centres and awareness raising of citizens on local self-governance.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Ukraine has a population of about 44.4 million people and a total land area of 604 thousand square kilometres. The public administration is organised in a central government and three tiers of sub-national government. The first tier refers to the regional level (*oblast*), which comprises of 24 regions, the Autonomous Republic of Crimea and the cities of Kyiv and Sevastopol. The second tier consists of 490 districts (*rayons*) and 185 cities of oblast subordination. Finally, on the lowest administrative level, there are small cities, settlements and villages.¹

The Ukrainian Constitution defines the country as a unitary state and guarantees principles of local self-governments to be applied in the country. Yet, Ukrainian local self-governmental bodies have not been able to realize their potential due to years of overcentralized policies and an extremely limited financial autonomy. Mainly the central government decided what type of policies and services sub-national tiers had to provide, often with insufficient knowledge of the actual needs of the population. Consequently, many local authorities currently fail to provide quality services (e.g. administration, health, education, water) to their citizens and need to rely on private sponsors for any major investments.

After the change of the Government of Ukraine in spring 2014, local self-government, administrative-territorial and regional policy reforms became top priorities. Since that time, extensive work has been completed to enact these reforms. A concept on “Reformation of Local Self-Government and Territorial Organisation of Powers” was approved in April 2014 which sets the framework for an ambitious reform. Additional important legislation has been adopted during 2014 and 2015, including laws on state regional policy, fiscal decentralisation (Amendments to Budget and Tax Code) as well as on cooperation and amalgamation of local communities. This created an enabling environment for the implementation of reforms. As local budgets are increased due to revenues from locally generated taxes, the reform has created new incentives for local leaders to deliver quality administrative services and foster economic development². A new philosophy of horizontal fiscal equalization was introduced.³ The reform steps taken have already produced positive results: Local budgets increased by UAH 44.6 billion (37.7%) in the first half year of 2015 in comparison to 2014.

1.1.1 Public Policy Assessment and EU Policy Framework

The current version of the Association Agenda to prepare and facilitate the implementation of the Association Agreement was endorsed by the EU-Ukraine Association Council on 16 March 2015. The Agenda refers to the “(...) *strengthening of the functioning of local and regional self-government, and legal status of the service in local self-government bodies,*

¹<http://w1.c1.rada.gov.ua/pls/z7503/a002,>
<http://www.minregion.gov.ua/attachments/content-attachments/1659/ATU.pdf>

[http://www.minregion.gov.ua/attachments/content-](http://www.minregion.gov.ua/attachments/content-attachments/1659/ATU.pdf)

² From 1 January 2015, cities of *oblast* importance, *rayons* and voluntarily amalgamated communities receive 60% of locally generated personal income tax, 100% of so-called "single tax" (a lump-sum tax for small businesses). The Regional level additionally obtains 15% of personal income tax and 10% of the enterprise profit tax.

³ Local communities with fiscal capacity above Ukrainian average by at least 10% are allowed to keep half of the revenue surplus. Poorer local governments, with fiscal capacity below 90% of the national average, receive a base grant which amounts to 80% of what this budget requires to catch up with the average.

including through a decentralisation reform devolving substantial competences and related financial allocations to them, in line with the relevant standards contained in the European Charter on Local Self-Government."⁴ Chapter 27 "Cross-border cooperation and Regional Cooperation" in the EU-Ukraine Association Agreement promotes "*mutual understanding and bilateral cooperation in the field of regional policy, on methods of formulation and implementation of regional policies, including multi-level governance and partnership, with special emphasis on the development of disadvantaged areas and territorial cooperation (...)*". A recent Communication from the European Commission emphasizes the crucial role of Local Authorities for enhanced governance and more effective development outcomes.⁵ The EU has provided substantial financial support to regional policy reforms in Ukraine. One major obstacle to a successful Decentralisation process in Ukraine is the fragmentation of sub-national governments. Too many territorial units are too small to perform delivery of basic service functions effectively.⁶ To overcome this fragmented structure and increase efficiency, the Government of Ukraine launched an ambitious territorial reform. The reform aims to reduce the number of territorial entities at community level, from more than 12,000 to approximately 1,200-1,500 *hromadas* (local communities). At the intermediate level, there are plans to reduce the 490 *rayons* (districts) to around 100-120. The number and territories of *oblasts* (regions) will not be changed.

The reform sets incentives for amalgamations of local communities using a "carrot and stick approach": Amalgamations are voluntary but only bigger cities and newly amalgamated communities with a sufficient size immediately benefit from the reform having access to increased budgets and more autonomy. Smaller, less competitive communities will receive fewer subsidies and benefit only in case of amalgamation with others. As of September 2015, 793 communities voluntarily decided to amalgamate and 159 new *hromadas* were formed. These newly formed *hromadas* will already participate in the local elections, scheduled for 25 October 2015.⁷

Amendments to the Constitution of Ukraine were developed by a Constitutional Commission and submitted by the President to the Verkhovna Rada. The Verkhovna Rada adopted the amendments in the 1st reading on 31 August 2015, after a positive judgement of the Constitutional Court. The amendments introduce the principle of subsidiarity and seek to support the establishment of a modern municipal government in accordance with the principles and the spirit of the European Charter of Local Self-Government. The EU welcomed the draft amendments⁸. In a preliminary opinion, the Venice Commission of the

⁴ Source: http://eeas.europa.eu/ukraine/docs/st06978_15_en.pdf

⁵ The communication encourages "*to promote enhanced political, administrative and fiscal autonomy of Local Authorities through decentralisation reforms, capacity and institutional development.*" See https://ec.europa.eu/europeaid/sites/devco/files/communication-local-authorities-in-partner-countries-com2013280-20130515_en_4.pdf

⁶ See further: OECD Territorial Reviews: Ukraine 2013.

⁷ The Transitional Provisions of the draft amendments to the Constitution of Ukraine state that the next regular local elections shall be held on the last Sunday of October 2017. The period between the elections should serve as an interim period for the implementation of administrative-territorial and local self-governance reform.

⁸ HR/VP Mogherini assessed the draft amendments as an "*important step that paves the way towards a substantial devolution of powers from the central level to regions and communities, increasing in parallel the accountability of territorial self-governments to their constituencies*". Source: http://eeas.europa.eu/statements-eeas/2015/150831_02_en.htm

Council of Europe also assessed the amendments positively⁹. The 2nd reading is expected after the local and regional elections in October 2015. It is important to underline that in case of political delays, much of the legislative and practical work related to the reform will be continued. For example, the territorial reform at community level and the process of voluntary amalgamations do not depend on the Constitutional changes.

In the area of regional development, the Government of Ukraine has displayed qualitatively and quantitatively new approaches. The State Strategy for Regional Development was adopted on 6 August 2014. With guidance and expert support from the EU funded Support to Ukraine's Regional Development Policy programme, the Ministry of Regional Development, Construction, Housing and Communal Services approximated to principles of EU Regional Policy and established a transparent funding mechanism for regional development: the State Fund for Regional Development. The fund is an innovation in the Ukrainian budgetary system: It provides stable and predictable funding, uses a fixed formula to calculate the distribution among regions¹⁰ and allows multi-annual development projects. In 2015, the Government of Ukraine allocated UAH 2.9 billion to the fund. To ease the application process and projects' independent evaluation, ensure transparency and visibility, the fund is administered through a web-based system¹¹.

In 2015, for the first time since its inception, the fund has been providing financing for all types of investment programmes and regional development projects. In earlier years, the fund focused solely on the construction or reconstruction of social infrastructure. Important changes have been made regarding the basic selection criteria for investment programmes and regional development projects: namely, compliance with the priorities identified in the State Strategy of Regional Development, regional development strategies and in regional action plans to implement them. To support amalgamations of local communities according to the newly adopted legislation, the fund also provides funding for investment programmes and regional development projects that are implemented as cooperation projects of local communities and projects for voluntarily amalgamated local communities.

The quality of projects submitted to the fund remains a major bottleneck. The success of the mechanism for stimulating regional development through the State Fund for Regional Development is largely dependent on the ability of the authorities and non-state actors to properly apply new approaches in utilizing the fund's financing.

1.1.2 Stakeholder analysis

The reform steps taken and an emerging consensus of all main stakeholders on the need for decentralisation and regional policy reform create momentum for a new quality of multilevel governance in Ukraine which is both effective and close to the citizen. However, the practical realisation and implementation of the reform agenda remain a major challenge. As a comprehensive Public Administration reform has not been realized in Ukraine, there are severe capacity constraints on all level of governance in Ukraine. Many **regional and local authorities** lack the knowledge and understanding to cope with widened responsibilities and

⁹ "Overall, the amendments are well drafted and deserve support". Source: [http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-PI\(2015\)008-e](http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-PI(2015)008-e)

¹⁰ 80% of the resources of the Fund are distributed among regions in proportion to their size of their population. The remaining 20% of resources are distributed among regions with a GDP less than 75% of Ukrainian average, also according to their size of population.

¹¹ <http://dfr.minregion.gov.ua/>

are unable to take advantage of new possibilities. In particular, newly formed *hromadas* face numerous legal, financial and governance challenges.

On the **central level**, the President, Government and Parliament have demonstrated political will to decentralise through the adoption of reform legislation. However, given budget and capacity constraints, the Government very much relies on external support for elaboration and implementation of the reforms. For example, "regional reform offices" set up by the Association of Ukrainian Cities¹² and financed by various international donors, played a crucial role in facilitating municipal amalgamations. EU Technical Assistance provided essential support for the reforms of the regional development system. The Government of Ukraine has repeatedly asked the donor community, including the European Union, to further support the implementation of the reforms.¹³

An overview of main stakeholders to be involved into the action is presented below.

Main Stakeholders:

- Central Government: Ministry of Regional Development, Construction, Housing and Communal Services (lead ministry), Ministry of Economic Development and Trade, Cabinet of Ministers, Ministry of Finance, Presidential Administration, etc.
- Regional and local authorities at *oblast*, *rayon* and *hromada* level, associations of local and regional authorities.
- Other national & local stakeholders: Business and other economic and social partners or associations, civil society representatives including non-governmental organisations, education institutions, think tanks, etc.
- Donors and international organisations: Canada, Council of Europe, European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), European Union, EU Member States, Switzerland, United Nations Development Programme, United States of America, Worldbank, etc.
- National and local media.

Beneficiaries:

- Ministry of Regional Development, Construction, Housing and Communal Services (lead ministry), Ministry of Finance, all other line ministries.
- Regional and local authorities (including associations), elected and administrative staff at *oblast*, *rayon* and *hromada* level.
- The whole population of Ukraine and more particularly the population of the regions, Rayon and municipalities to be selected in agreement with other donors.

¹² Local self-governance associations, in particular the Association of Ukrainian Cities and the Association of Rayon and Oblast Councils are very active promoters of the reform concept and its implementation. These and other associations are to be fully integrated into this action.

¹³ In a letter to EU Delegation, received on 31.08.2015, the Ministry of Regional Development, Construction, Housing and Communal Services elaborated a list of detailed priorities for this Action. The action has been prepared in close cooperation with this Ministry. Main stakeholders have been consulted.

1.1.3 Priority areas for support/problem analysis

Despite strong political engagement, progressive legislative work and high expectations among stakeholders, preparation and provisions for implementation of decentralisation at local level are rudimentary.

In order to succeed, the decentralisation reforms will require an unprecedented re-enforcement in administrative capacities at the *oblast*, *rayon* and *hromada* level. It equally needs a significant change in political and administrative culture among elected officials and public servants, so that they are able to adapt to their new roles and responsibilities. Citizens' trust and involvement in policy making at the various levels of governance needs to be strengthened.

The **main constraints** for the implementation of the new structures and responsibilities are the following:

a) Policy and legal framework

- Unclear division of tasks; subsidiarity principle not respected: The allocation of powers between local self-government and the local state administrations is inconsistent. The division of tasks as well as the allocation of responsibilities and means between the different levels of the Ukrainian public administration do not follow the principle of subsidiarity. Instead, relations between subnational governments are regulated by individual legislative acts. These acts attempt to cover all aspects of local administration's responsibilities. Very often, these documents are developed independently of each other by different departments of the state administration. A large number of such acts have been issued since Ukraine's independence containing many inconsistencies which cause problems in the day-to-day work of local government.
- Modalities for decentralised implementation of public services are not well defined: Management of local taxation, working relations between different layers of local government, land registration, audit, etc. needs to be improved.

b) Administrative and planning capacity

- Poor linkages between strategic planning, budget management and project formulation: Regional and local development strategies are often solely expressions of wider aspirations. These strategies are rarely evidence based and lack realistic verification with available budgets. They do often not build on needs of the population and quantified economic possibilities. This necessitates the development of comprehensive planning mechanisms for the modernisation of public services in relation to potential available fiscal resources at the local, regional and national levels.
- Limited understanding of project management: Regional and local authorities are accustomed to spending subsidies but have less experience with project based thinking. Applications for funding have been historically confined to construction of social infrastructure without an adequate needs assessment to apportion resources in a structured manner. Proposals are rarely evidence-based and do not take more complex development needs into account. There is very limited capacity to design and implement investment projects related to human capital or economic development in line with strategic priorities identified.

c) Governance and accountability

- Lack of an internal control culture and public oversight: The culture of managerial accountability needs to be strengthened. Management of local budgets discretionally as "pocket money" without much oversight is a widespread practice. Local leaders often do not have an interest in informing citizens about the higher budgets received and new opportunities – as this would mean public control of funds.
- Low citizen trust and participation in policy making: There is huge mistrust by citizens in state institutions in Ukraine, including local administrations. "We cannot trust anybody", "All politicians are totally corrupted", "In this country it is not possible to change anything" are commonly heard comments in discussion with citizens. Where discussions are undertaken, they are often solely confrontational and not constructive. Only with the changed behaviour of citizens at local level combined with the development of an enhanced local governance system, will it be possible to achieve better control of funds and more efficient spending.

d) Corruption

- Widespread corruption and nepotism:¹⁴ Corruption and nepotism are endemic at all levels of Public Administration. Citizens often need to pay bribes when they are trying to access basic goods or services in places like city administration, hospitals, schools, police departments and other agencies. The decision of central authorities to grant subsidies to certain municipalities or regions was very often taken by central state institutions on the basis of corruption schemes (kickback payments). Tender procedures are very often not carried out in a fair and transparent manner. Personal relationships very often influence political and administrative decisions.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Constitutional amendments are delayed or incomplete.	H	While the constitutional amendments could contribute to more efficient multi-level governance, they do not constitute a necessary condition for the success of the action. The action can also be realised without these amendments. There is a need to work on dialogue and consensus among stakeholders; the planned action will contribute to this.
Reform process hijacked by vested interests.	H	Continuous policy dialogue at all levels. Mobilise citizens to support the reforms.

¹⁴ A municipal poll conducted by the International Republican Institute found an overwhelming majority of citizens reporting that corruption and nepotism were serious problems impacting their daily lives. Source: http://www.iri.org/sites/default/files/wysiwyg/2015-05-19_ukraine_national_municipal_survey_march_2-20_2015.pdf

Risks	Risk level (H/M/L)	Mitigating measures
Communities and leaders do not change their behaviour. Corruption is simply "decentralised".	M	Support measures that prevent and fight against corruption. Work on transparency of local budgets. Install effective internal control environment and external audits. Involve communities and civil society organisations in main activities.
Citizens do not believe that changes are possible. Citizens' trust in local government remains low.	M	Ensure tangible results with high visibility (new administrative service centres) as fast as possible. Publish results to trigger the "Me too" effect. Engage citizens in public consultations on local policies. Employ communication experts and run professional campaigns to inform and mobilise citizens.
A comprehensive Public Administration reform is not implemented. The capacity of central, regional and local administration remains low.	M	Lobbying at all levels for a comprehensive Public Administration reform. Capacity will be strengthened through intensive trainings (activities 1.1.-1.6, 2.2), also in the absence of a reform.
Assumptions		
Government of Ukraine remains committed to the decentralisation reform.		
The conflict in the East will not further destabilize or spread to other regions.		
International donors remain committed to unite and coordinate efforts to support the decentralisation process and regional development in Ukraine.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

- a) **Joint efforts and rolling out:** The implementation of specific regional and local development pilot projects have had only limited impact. There is, therefore, a need for a large scale roll out across the country. A deepening of the capacities in all regions and for a substantial number of local authorities is needed. This is only possible by joining efforts with other international donors (Canada, Germany, Sweden, Switzerland, United States, United Nations Development Programme - UNDP).
- b) **Winning citizen's support for decentralisation:** Another key condition for success is a change in Ukraine's political culture. Citizens have a right to good administration. They need to be awakened to a new constructive role and become a force for demanding sound financial management of public funds and improved quality of services. This is why the proposed action will include activities on improving citizens' participation in policy making and communication in both Component 1 and Component 2.
- c) **Low reaction and absorption capacity at local level:** Previous EU calls for proposals, launched to support regional development projects, and the recent applications to the State Fund for Regional Development have demonstrated a low reaction and absorption capacity at local/regional level. Local authorities do often not have the capacity to

formulate innovative high impact projects, prepare accurate budgets and make all the necessary procurement and other arrangements to implement the project. Therefore, intense training will be needed at local level to hone skills and unlock the potential of regional and local actors to access international and national funding.

3.2 Complementarity, synergy and donor coordination

Donor co-ordination is formally ensured by the Government. A donor group on Local Governance, Regional Development and Municipal Services meets regularly. In a recent donor meeting on 16 September 2015, and on the initiative of the EU, donors took a first step towards agreeing a common results framework.

Following extensive consultations, the EU Delegation has agreed with all major donors and the Ministry of Regional Development, Construction, Housing and Communal Services a common approach to ensure complementarity and avoid duplication of donor's actions. This approach takes into account geographical focus, different levels of governance and a variety of policy sectors. The government intends to establish a central body/decentralisation secretariat for the coordination and implementation of the Decentralisation reforms, advising the Ministry of Regional Development, Construction, Housing and Communal Services and other relevant line ministries. Several donors, including the EU, have already expressed their readiness to support the establishment and management of this office. A further outcome of these consultations was the decision of four major donors, EU, Germany, Sweden and Poland to join efforts and work closer together in a joint programme.

With the funding volume currently available from various donors, it is possible to cover the whole territory of Ukraine. Donors have expressed a willingness to combine efforts and agree on comprehensive support packages to be made available to regional and local authorities. The United States Agency for International Development (USAID) committed to coordinate the regional scope and targeted communities of the upcoming action with the EU Delegation to Ukraine to avoid potential overlap and to ensure complementarity.

EU programmes between Ukraine and EU (bilateral level):

- a) **EU Support to Ukraine's Regional Development Policy, SURDP (EUR 6 million Technical Assistance, 2013-2016 + EUR 25 million grants for regional development projects 2014 - 2017).** The programme supports the decentralised implementation of Ukraine's regional development policy and provides a valuable case study in the requirements and difficulties of decentralisation (project selection and implementation; sound financial management and auditing; evaluation and monitoring; achieving a balanced partnership between national or central policy-making and decentralised implementation; etc.). Also it is visible to the Ukrainian people through a range of investment projects as well as projects designed to ease the problems of Internally Displaced Persons.
- b) **EU Support to Ukraine's Regional Policy (EUR 55 million, 2014-2018).** This Budget Support will provide Ukraine with additional financial resources to implement the State Strategy for Regional Development 2020. The technical assistance component of this programme will focus on local governance finance and fiscal control.
- c) **EU Community Based Approach CBA Phase III (EUR 23.8 million, 2014-2017).** This programme implemented by UNDP promotes sustainable socio-economic development at local level by strengthening participatory governance and encouraging community –based initiatives.

- d) EU direct support to NGOs:** The EU is supporting 13 NGO projects, selected through competitive calls for proposals, for the total amount of over **EUR 3 million**. These projects will address various aspects of decentralisation and regional policy reform in Ukraine. Seven ongoing projects on administrative services have a national scope with specific activities taking place in Kyiv, Lviv, Zaporizhzhia, Kherson, Mykolaiyv, and Ivano-Frankivsk. A project with the aim of monitoring regional development policies is based in Chernihiv and involves think tank organisations from 12 other regions. The most recent project on decentralisation and local self-government reform focuses on six pilot regions (Donetsk, Luhansk, Kyiv, Odesa, Lviv and Ivano-Frankivsk) and foresees EUR 260 000 in sub-grants to local civil society organisations.
- e) EU Direct support to Local Authorities: EUR 1 million** from the 2015 Local Authorities programme allocation is planned for a project on further support and extension of the administrative services reform in Volyn (Lutsk) and Rivne Oblasts, to be implemented in partnership with the Centre for Political and Legal Reform. The project would start in January 2016 in complementarity with the action described in this document.
- Another EUR 1 million** project 'Transparent, accountable and efficient public budgeting at the local level in Ukraine (TAB Project)' is under preparation and will be implemented by the Association of Ukrainian Cities (AUC).
- f) EU SURE: EU Support to Ukraine Recovery of the Economy (EUR 55 million; 2016-2020).** The action includes 2 main components: 1) At national level, the EU SURE programme will provide technical assistance/policy advice to complete the ongoing SMEs deregulation and will create a web info portal for SMEs. 2) At the regional level, it will provide business advice and enhance entrepreneurial skills for SMEs, through a network of Business Support Centres. It will also facilitate access to finance by exploiting the synergies between the business advice services provided by this action and a complementary EU funded action run in parallel (Ukraine – NIF/EIB Guarantee Facility worth EUR 40 million: this facility will provide local commercial banks with an effective risk management tool to increase their capacity to absorb increased funding demand from SMEs).
- g) The EU's Instrument contributing to Stability and Peace (IcSP): Support to strengthening of local governance in government-controlled areas of Donetsk and Luhansk Oblasts (EUR up to 10 million; 2016-2017).** The action will seek complementarity with the overall decentralisation programme, but will focus on specific areas of weakness arising from the impact of the conflict. The action will have three components targeted at reinforcing the administrative capacities of the local administrations; strengthening community security through introduction of practices supporting conflict and gender sensitivity; enhanced social cohesion through strengthened public participation and accountability mechanisms across the first two components.
- h) Eastern Europe Energy Efficiency and Environmental Partnership (E5P):** Together with other donors, the EU supports urban energy efficiency (public buildings, district heating) and water/sanitation projects with Ukrainian municipalities or municipal enterprises (grant – loan blending). So far a total grant volume of about EUR 41 million has been committed for municipal projects (bilateral EU contribution EUR 40 million; total pledges to bilateral window for Ukraine: EUR 108 million).

- i) **Special Measure 2016:** A special measure to support Public Administration reform is currently envisaged. In case this measure will be realized, particular emphasis should be given to increase administrative capacity at the decentralized level, thus complementing and reinforcing the current action.

EU programmes at multi-country-level:

- a) **European Neighbourhood Instrument (ENI) Territorial Cooperation (EUR 12.5 million; 2015-2017):** This comprises four territorial cooperation programmes including 2 for Ukraine: Belarus – Ukraine (Chernivtsi, Odessa, Vinnytsya Oblast) and Moldova – Ukraine (Volyn, Rivne, Zhytomyr, Kyiv, and Chernihiv Oblasts). Both programs aim to strengthen cross border contacts between local authorities, communities and civil society organizations to help develop joint solutions to common social and economic development challenges. While there was the first call for proposals announced within Moldova-Ukraine program, Belarus-Ukraine program has not started yet.
- b) **European Neighbourhood Instrument (ENI) Cross Border Cooperation (2014-2020):** Ukrainian regions are eligible for the following programmes which are co-financed by the European Neighbourhood Instrument and the European Regional Development Fund: 1) **Black Sea Programme** (EUR 39 million; Odessa, Mykolaiv, Kherson, Sevastopol, Zaporizhzhya and Donetsk Oblasts); 2) **Poland/Belarus/ Ukraine** (EUR 176 million; Volynska, Lvivska and Zakarpatska Oblasts); 3) **Hungary/Slovakia/Romania/Ukraine** (EUR 74 million; Zakarpatska, Ivano-Frankivsk Oblasts); 4) **Romania/Ukraine** (EUR 60 million; Ivano-Frankivsk, Zakarpatska, Chernivtsi, Odeska Oblasts).
- c) The Chernivetska, Ivano-Frankivska, Zakarpatska and Odessa Oblasts are eligible to participate in the **transnational territorial cooperation programme for the Danube** region managed by the Directorate-General for Regional and Urban Policy of the European Commission. Part of this support would be directed to supporting the participation of these *oblasts* in the EU macro-regional strategy for the Danube region. Confirmation of European Neighbourhood Instrument (ENI) financing is awaited in order for this to be effective.
- d) **Projects in Support of the Covenant of Mayors:** The EU is providing support to a number of projects related to the Covenant of Mayors, where Ukraine is one of the main beneficiaries. This includes:
- **Branch office of the Covenant of Mayors Secretariat (CoMO-East):** This project aims at providing support to local authorities that sign up to the Covenant in the Eastern partnership region and in Central Asia (EUR 4 million). Project activities include awareness raising, capacity building, access to finance, exchange of best practices and experiences. The programme started in 2011 and will end in December 2015. The CoMO-East programme will be continued by a similar technical assistance programme in February/March 2016: CoMO-East II (EUR 4.5 million).
 - **Sustainable Urban Demonstration Projects (SUDEP):** 11 grants for a total value of EUR 8 million have been awarded to small and medium sized municipalities in Ukraine, all signatories of the Covenant of Mayors, to support sustainable urban energy projects (2014-2018). Ukraine is one of the countries outside the European Union with the highest number of signatories of the Covenant of Mayors (95 cities as of September 2015). Targeted support to

these signatories has also been given through a regional Technical Assistance project over the period 2011-2015 (EUR 4 million). A new call for proposals is foreseen 2016/2017 as part of the new programme in support of the Eastern Partnership Flagship initiative on Municipal Development.

- The EU has contributed EUR 12 million for the **Municipal Project Support Facility (MPSF)** through the Neighbourhood Investment Facility which will support investments estimated at EUR 500 million in countries of the Eastern Partnership. The MPSF will target municipalities in the region that have signed up to the Covenant of Mayors and support investment projects with regard to energy efficiency in all urban sectors (including district heating, urban transport, street lighting, renewable energy, etc.), water supply and sanitation, and solid waste management.
- e) **"Mayors for Economic Growth" (M4EG)** (EUR 5 million): is to support the local authorities in the Eastern Partnership countries to become active facilitators for economic growth and job creation in the region. The project will encourage and support local authorities in Eastern partnership countries to design and implement Local Economic Development Plans (LEDP) and strengthen the technical skills and capacities of local authorities to implement economic strategies in line with the principles of good governance and sound financial management. In substance, the purpose is to facilitate economic growth and job creation at the local level. This will be implemented through a technical assistance (TA) component in 2016.
- f) **Council of Europe Programmatic Framework** (EUR 30 million, 2015-2017): This programme provides assistance to the Eastern Partnership countries in the field of human rights, justice, rule of law, information society and democratic governance. A specific component on local governance is included. The programme provides support to reform processes and promotes ethical behaviour of locally elected representatives.

Other main donors:

- a) **USAID** is preparing a package of programmes worth USD 63 million (2015-2020) to support a more participatory, transparent and accountable governance process by strengthening local governance to deepen democracy, improve conditions for development of communities and promote stability. Main areas of intervention include: adaptation of legislative framework; building –up local governance capacity (training and implantation of performance based budgeting at least in 50 cities); and citizen oversight and engagement in decentralization implementation.
- b) **Germany:** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH implements a number of projects to support Decentralisation and local self-governance reforms: 1) Reform of municipal services in Eastern Ukraine 2) Municipal Development and Rehabilitation of the Old City of Lviv 3) Support to Public Finance Management Reform 4) Reform Advisory Fund 5) Energy Efficiency in Municipalities 6) Establishment of Energy Agencies in Ukraine. A project on integrated city development is planned and expected to start shortly.
- c) **Sweden** (SEK 31.7 million; 2014-2017): Support Ukraine's decentralization on the following main areas: fiscal decentralization; reform within the education sector; political administrative reform; public communication of reforms; distribution of authority; and

public outreach through citizen's dialogue and public participation); e-governance and fiscal decentralisation. Sweden also supports a specific project on Gender Budgeting.

- d) **Poland (PLN 4,5 million in 2015):** According to the Memorandum of Understanding signed on 17 December 2014 between the Polish MFA and the Ukrainian Ministry of Regional Development, Housing and Public Utilities, Poland is supporting the decentralization reform in Ukraine through advisory activities by Polish- experts and NGOs, training, and sharing experiences based on the implementation of the decentralization reform in Poland.
- e) **Polish-Canadian Democracy Support Programme for Ukraine** (PLN 15 million; 2014-2017): Capacity-building efforts for Ukraine's democratic transition by facilitating the sharing of lessons learned from Poland in the areas of local governance, civil society and freedom of press.
- f) **Switzerland:** 1) Decentralization Support to Ukraine project (DESPRO; 2013-2017) - quality public services at the community level and strengthening national dialogue on reform of local self-government and decentralization (Vinnytsia, Dnipropetrovsk, Ivano-Frankivsk, Poltava and Sumy Oblasts); support to Central Reform Office; expertise in development of legislation; 2) E-Governance for Accountability and Participation (EGAP; 2013-2019); 3) Development of Citizenship Competences in Ukraine (2013-2017): improved qualification of teachers, school principals and representatives of local authorities.
- g) **The Department of Foreign Affairs, Trade and Development of Canada** is implementing a programme to support long-term social and economic growth and prosperity in Ukraine by improving local economic development and democratic governance in 16 cities in 4 regions (Ivano-Frankivsk, Vinnytsya, Zaporizhzhya and, Poltava). Main areas of intervention include: support civil society, elected officials, and political parties to strengthen multi-party democracy in Ukraine; open and democratic governance models to strengthen accountability and encourage participatory decision-making processes in the decentralized context.
- h) **Council of Europe:** The Council of Europe implements several donor-financed programmes and provides support to decentralization and constitutional reform: expertise in development of legislation; expert support to regional reform offices; benchmarking, leadership academy.
- i) **United Nation Development programme (UNDP)** is working on a comprehensive programme to assist the re-establishment and re-enforcement of the administration and reform, in government controlled areas of Lugansk and Donetsk. This is currently funded by Switzerland and Sweden and will be further supported through the EU's Instrument contributing to Stability and Peace (IcSP) (see above).

3.3 Cross-cutting issues

Good governance, human rights, and gender equality will be directly targeted cross-cutting issues. Decentralisation/Regional policies are per se cross-cutting and multi-sectoral. Successful Decentralisation and Regional Policy reform will help to improve governance, fight corruption and solve conflicts of interests across all sectors. The action will also lead to an increased involvement of civil society and local communities into policy-making. Through the support to the development of concrete regional and local development actions, various

cross-cutting issues are likely to be tackled, including environmental sustainability, gender equality, and good governance.

In addition, special attention will be paid to: gender responsive budgeting, e-governance, environment, energy efficiency (for the new administrative service centres to be set up). The recruitment of all experts under this action will be conducted in a gender sensitive way.

Civil society organisations will play an important role for the implementation of this action. In particular, civil society organisations will be involved in analysing and contributing to budget proposals, monitoring and tracking public revenues and expenditures, and supporting citizens' budget literacy on local and regional level.¹⁵ They will also be involved in the monitoring of the quality of administrative services.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The **overall objective** of the action is to contribute to the establishment of multilevel governance which is transparent, accountable and responsive to the needs of the population.

The **specific objectives** are:

SO1) To enhance the capacity of key actors at central, regional and local levels to implement the regional policy and decentralisation reform.

SO2) To improve delivery of local administrative services for the benefit of the citizens.

The **expected results** are:

Under SO1:

R1.1 Elected members of councils and public servants at different levels of government have acquired skills appropriate to their new roles (e.g. managerial accountability, modern management processes in line with new responsibilities resulting from the decentralisation process).

R1.2 Local administration capacity for sound financial management enhanced.

R1.3 Enhanced capacity of line ministries and key agencies for the implementation and monitoring of the decentralisation and regional policy reform, in particular of the Ministry of Regional Development Construction, Housing and Communal Services in its coordination role.

R1.4 Increased capacity of regional and local authorities for evidence based policies.

R1.5 Improved ability of local authorities to access funding from international and national sources, including the State Fund for Regional Development.

R1.6 Increased awareness of citizens on decentralisation and regional policy reforms.

Under SO2:

¹⁵See further: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The roots of democracy and sustainable development: Europe's engagement with Civil Society in external relations. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0492:FIN:EN:PDF>

R2.1 At least 600 administrative service centres across the country are functional and provide citizens with good quality services.

R2.2 Citizens' awareness about rights and access to information in relation to their local government is increased.

R2.3 Transparency and public participation in decision making in local affairs is enhanced.

4.2 Main activities

Component 1: Enhanced capacity to implement decentralisation and regional policy reform

A1.1 Training and mentoring of local authorities at all levels (e.g. on strategic planning, budget formulation, monitoring, e-governance, sound financial management including public procurement/ internal control/ audit procedures).

A1.2 Demand driven thematic advice on a wide range of topics related to regional/local economic development, investments, delivery of services (primary healthcare; pre-school and school education; gender; culture; sports; land and water codes; land registration; landscaping and communal services; police and public order; fire service; social services; innovation, entrepreneurship, urban planning; e-governance, environment, tourism, energy efficiency, transport infrastructure etc.), tailor-made to the needs of the level of government (state-level, *oblast, rayon, hromada* level) requesting the thematic support.

A1.3 Ethics and integrity training for authorities of all levels with a view to enhancing civil servants' and local deputies' capacity to respect internal control standards, act with integrity and to fairly balance competing interests.

A1.4 Support to professional education for administrators of local and regional authorities, including improving curricula for Bachelor/ Master of Public Administration/Public Management.

A1.5 Support to platforms for horizontal exchanges, networking and learning between practitioners; facilitation of contacts to EU local administrations.

A1.6 Support to the central body/ decentralisation secretariat responsible for strategic planning, steering and monitoring of the decentralisation and regional policy reform process in Ukraine.

A1.7 Training on project cycle management: project design, drafting of projects proposals, support to participation in international and national calls for proposals (including the State Fund for Regional Development Fund), implementation, monitoring and evaluation.

A1.8 Dialogue, communication and awareness-raising initiatives to explain the decentralisation and regional policy reforms, tailor made for various target groups.

A1.9 Support to consultative dialogue with citizens and other stakeholders (economic and social partners, civil society, think tanks, associations, universities, etc.).

Component 2: Administrative service centres and awareness raising of citizens on local-self governance

A2.1 Comprehensive refurbishment works, and provision of equipment (furniture, and IT equipment) for the selected administrative service centres. Administrative centre's will be designed in such a way as to encourage transparency and efficiency.

A2.2 In-service training for local staff of the selected administrative service centres.

A2.3 Awareness raising campaign for specific local government activities employing a network of info points housed in the administrative service centres, town hall meetings, school debates, media campaigns, public service announcements, etc.

A2.4 Support to effective citizen participation and oversight in decision-making at local level. Promotion of public participation in all aspects of local governance.

4.3 Intervention logic

The project design is divided in two main components in line with the specific objectives. **Component 1** (to be implemented by GIZ) will cover the coordination and capacity building efforts at both vertical and horizontal levels from the central body/decentralisation secretariat including Ministry of Regional Development, Construction, Housing and Communal Services and other line ministries down to the *oblast*, *rayon* and *hromada* levels. The whole geographical coverage will be 15-24 regions, depending on agreement with other donors.

Component 2 (to be implemented by SIDA) will focus on setting up efficient administrative service centres, giving priority to the new amalgamated communities (*hromadas*), and public awareness raising.

The general **operational coordination** of the project will be done by one central coordination team for each component under GIZ and SIDA supervision respectively. It is envisaged that the **political oversight** and coordination with other international donors and decentralisation stakeholders will be done through a central body/decentralisation secretariat including representatives from the Ukrainian government, EU, Member States, international donors, international organisations, and main local self-government associations (such as the Association of Ukrainian Cities, the Ukrainian Association of Oblast and Rayon Councils and the All-Ukrainian Association of Village and Settlement Councils).

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 **48 months** from the date of entry into force of the Financing Agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation and audit	Services	4	Q1 2018 and Q1 2020
Visibility and Communication	Services	1	Q2/Q3 2016

5.3.2 Indirect management with a Member State agency (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, GIZ)

A part of this action may be implemented in indirect management with GIZ in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the implementation of Component 1 – Enhanced capacity to implement decentralisation and regional policy.

This decision is justified by the following reasons:

GIZ has a well-established record of experience on a global scale, in the Eastern Partnership region and in Ukraine in successfully working on all aspects of decentralisation, regional development, local self-government and public finance management including local taxation. GIZ has been working for over 20 years on the regional and local level all over Ukraine, has an established network and currently about 150 employees in the country. GIZ provides substantial support to Ukraine's Finance, Economic Development and Regional Development Ministries and other relevant institutions on the national, regional and local level.

As a Member State agency GIZ is apt to a prudent cooperation with trusted partners and to facilitating policy dialogue with a particular view to the political sensitivities of the decentralisation reform and to alignment with European standards for local self-government. GIZ has a recognised technical and financial management capacity to lead the reform process.

The entrusted entity would carry out following budget implementation tasks: procurement and grant award procedures and management of corresponding contracts and payments.

5.3.3 Indirect management with a Member State agency (Swedish International Development Cooperation Agency, SIDA)

A part of this action may be implemented in indirect management with SIDA in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the implementation of **Component 2 – Administrative service centres and public awareness raising**.

This decision is justified by the following reasons:

SIDA has 50 years of experience of development work and an extensive experience in providing relevant support to decentralisation in Ukraine. The organization has gained solid and well-recognised world-wide experience in fostering local democracy in complex

environments, including post-conflict recovery in the Balkan States and support to Eastern European countries to carry out reforms and to build up democratic institutions. In Ukraine, SIDA has been providing support to decentralization and local self-governance on both central and local level for twenty years. This includes innovative solutions of service delivery on local level, creating the legal basis, strengthening capacity for policy dialogue as well as for public financial management.

SIDA’s current portfolio in Ukraine covers comprehensive work on the local level, in particular gender- responsive budgeting (covering all oblasts); introduction of rule of law principles in local service provision (12 cities throughout Ukraine); and piloting e-governance solutions to promote transparency, accountability and good governance on local and national levels. SIDA’s value added includes putting a strong focus on ownership, coordination, transparency, cost-efficiency and a gender perspective. SIDA has well-established partnerships with the relevant Ministries and a wide network of contacts on the local level. Special attention is given to awareness raising through cooperation with association of local authorities and civil society.

In this action, SIDA would also contribute with the experience of setting up public service development agencies (Public Service Halls/ Houses of Justice) in Georgia, which has become a model for promoting civic engagement on the local level.

The entrusted entity would carry out the following budget-implementation tasks: procurement and grant award procedures and management of corresponding contracts and payments.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in EUR
Component 1 – Indirect management with GIZ	58 500 000	6 500 000 (6 000 000 by Germany + 500 000 by Poland)
Component 2 – Indirect management with SIDA	30 000 000	(500 000 by Poland)
Evaluation and Audit	500 000	-

	EU contribution (amount in EUR)	Indicative third party contribution, in EUR
Communication and Visibility	1 000 000	-
Totals	90 000 000	7 000 000

5.6 Organisational set-up and responsibilities

The implementation of the action will be carried out by GIZ/SIDA, based on benchmarks to be agreed with project beneficiaries and Commission services. It will include periodic assessment of progress and delivery of specified project results towards achievement of action objectives.

In order to ensure co-ordination between the action components and the numerous stakeholders, a Steering Committee (SC) will be established to guide action implementation. The SC will include representatives of the beneficiaries, the implementing partners, the contributors and the European Union. The SC will meet at least twice per year.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

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

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to what extent expected results are being achieved and proposing mitigation measures in case of deviations.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this is a large programme with a wide geographical coverage.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate

efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

5.10 Communication and visibility

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

This action shall contain communication and visibility measures 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 5.5 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 LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To contribute to the establishment of multilevel governance which is transparent, accountable and responsive to the needs of population.	<ul style="list-style-type: none"> – Level of satisfaction/rating of new local authorities' management. – Ukraine position in international rankings (e.g. doing business index; transparency international). 	<p>Social progress Index 2015: 65.69/100, rank 62-133</p> <p>Doing business index 2015: Distance to frontier: 61.52, Rank: 96</p> <p>Corruption perception index 2014: Ukraine's rank: 124/175, Score: 26/100</p> <p><i>Further indicators to be established by baseline study</i></p>	<i>Target indicators to be established by study</i>	Sociological surveys. National Reform Council assessment.	

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Specific objective(s): Outcome(s)	SO1) To enhance the capacity of key actors at central, regional and local level to implement the decentralisation and regional policy reform.	SO1a) Number of communities with the level of subsidized expenditures more than 70%.	In 2014, 5419 local self-government budgets were subsidized by over 70%	In 2020 less than 3000 communities are subsidised by over 70%	Ministry of Finances Data	Government of Ukraine remains committed to the decentralisation reform.
		SO1b) Own-source revenues of local authorities increased.	2015: 16%	2020: 25%	Ministry of Finances Data/State Statistic Service	The conflict in the East will not further destabilize or spread to other regions.
		SO1c) Number of communities with the share of the development budget of more than 20 percent of the local budget.	To be reviewed in contracting phase	To be reviewed in contracting phase	Ministry of Finances Data/ State Statistic Service	International donors remain committed to unite and coordinate efforts to support the decentralisation process and regional development in Ukraine.
	SO2) To improve delivery of local administrative services for the benefit of the citizens.	SO2a) Number of Communities acting in line with minimum standards for provision of services (standards currently under development).	To be reviewed after development of minimum standards.	To be reviewed after development of minimum standards.	Ministry of Regional Development, Construction, Housing and Communal Services Data.	
		SO2b) Number of established centres for administrative services in amalgamated communities	2015: In 159 amalgamated <i>hromadas</i> , there are 12 established centres.	2020: 600 established centres.	Civil society reports.	
		SO2c) Number of local authorities providing administrative services via the Internet.	To be established by baseline study	To be established by baseline study	Ministry of Economic Development and Trade, e-governance agency.	
		SO2d) Level of user satisfaction .	n/a	2020: Minimum 66% of users assess quality of received services positively.	User feedback reports.	

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Outputs	– Training to elected members of councils and public servants.	Number of elected members of councils and public servants trained disaggregated by sex.	2015: 0	2020: 6000	Training Records	
	– Consultations to elected members of councils and administrative staff.	Number of consultations provided disaggregated by sex.	2015: 0	2020: 18000	Consultation Records	
	– Support to the coordination tasks of the central body/ decentralisation secretariat steering the whole decentralisation process and regional policy reforms in Ukraine.	Central coordination body set up and functional.	N/A	N/A		
	– Specific training on project cycle management, project design , drafting of projects proposals, participation in international and national calls for proposals .	Number of trainings Increased number of quality proposals submitted to the State Fund for Regional Development and international financial institutions.	2015:0 Baseline study	2020: 50 Study	Experts assessment	
	– Dialogue, communication and awareness-raising initiatives implemented, tailor made for specific target groups.	Number of publications in national and local media and outreach. Number of citizens aware of role of local self-governments	Baseline study 2015: 5% of citizens believe that local self-governments contribute to their quality of life	Baseline study 2020: 25% of citizens believe that local self-governments contribute to their quality of life	Media survey Sociological survey	

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
	<ul style="list-style-type: none"> – Comprehensive refurbishment works, and provision of equipment (furniture, and IT equipment) for the selected 600 administrative service centres. – Training for local staff on the basics for the well-functioning of the selected administrative centres. – Awareness raising campaign for specific local government activities, set up of info points housed in the administrative service centres, town hall meetings, school debates media campaigns, public service announcements, etc. – Support to effective citizen participation and oversight in decision-making at local level 	<p>Number of functional, fully equipped administrative service centres.</p> <p>Number of staff which confirms that the training improved their skills.</p> <p>Number of info points established and number of visitors</p> <p>Number of town hall meetings conducted</p> <p>Number of school debates.</p> <p>Number of publications in media. Outreach.</p> <p>Number of public service announcements.</p> <p>Number of participants disaggregated by sex.</p> <p>No. of citizens who say their awareness of the reform has improved.</p> <p>No. of local budgets prepared taking into account citizen inputs.</p> <p>No. of public meetings held between LA and citizens to discuss community issues.</p>	<p>2015: 0 (in selected <i>hromadas</i>)</p> <p>2015:0</p> <p>2015:0</p> <p>2015:0</p>	<p>2020: 600</p> <p>2020: 1800</p> <p>2020: 600</p> <p>To be established during contracting</p> <p>To be established during contracting</p>	<p>Registry of administrative service centres.</p> <p>Project records/</p> <p>Training records/evaluation</p> <p>Project records Media survey</p> <p>Project records</p>	

