



This action is funded by the European Union

**ANNEX 2**

of the Commission Implementing Decision on the Special Measure 2015 for Private Sector Development and Approximation in favour of Ukraine

**Action Document for Technical Cooperation Facility**

**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: 5.3.1 Grants – Twinning calls for proposals (direct management); and in the following section concerning grant awarded directly without a call for proposals: 5.3.2 Grant: direct award to EU Agency – European Aviation Safety Agency (EASA) (direct management).*

<b>1. Title/basic act/ CRIS number</b>	<b>Technical Cooperation Facility</b> CRIS number: ENI/2015/037-834, financed under European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Neighbourhood East The action shall be carried out at the following location: Ukraine
<b>3. Programming document</b>	Not available (programming process for 2014-2017 was halted due to the ongoing unrest and uncertainty in Ukraine)
<b>4. Sector of concentration/ thematic area</b>	Governance, Technical Barriers to Trade, Financial Services, Statistics, Energy, Transport
<b>5. Amounts concerned</b>	Total estimated cost: EUR 15.3 million  Total amount of EU budget contribution: EUR 15 million  This action is co-financed in joint co-financing by:

	-World Bank for an amount of EUR 0.3 million.			
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Direct management: <ul style="list-style-type: none"> <li>• grants – Twinning calls for proposals</li> <li>• grant – direct award</li> <li>• procurement of services, supplies</li> </ul> Indirect management with the World Bank			
<b>7. DAC code(s)</b>	15110 - Public Sector Policy and Administrative Management			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality (including Women In Development)		X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	X	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	n/a			

## SUMMARY

Action aims at supporting Ukraine in designing and implementing key reforms stemming from the EU-Ukraine Association Agreement (AA), including a Deep and Comprehensive Free Trade Area (DCFTA), as well as from other bilateral agreements.

The action will therefore provide policy advice, advice on legal approximation process with the EU, capacity building and infrastructural support in priority areas covered by the EU-Ukraine Association Agreement. Particular attention will be paid to governance issues, including judiciary reform, home affairs; economic governance, including statistics, technical barriers to trade, financial services; transport; social reforms and energy.

# 1 CONTEXT

## 1.1 Sector/Country/Regional context/Thematic area

### 1.1.1 Public Policy Assessment and EU Policy Framework

The EU-Ukraine Association Agreement (AA), which includes a Deep and Comprehensive Free Trade Area (DCFTA), was signed on 21 March 2014 in Brussels. On 16 September 2014, the AA was simultaneously ratified by the European Parliament and the Verkhovna Rada of Ukraine.

As of 1 November 2014, AA provisions in areas including the respect for human rights, fundamental freedoms and rule of law; political dialogue and reform; justice, freedom and security; economic and financial cooperation are provisionally applied. Provisional application of the DCFTA part of the Agreement has been delayed until 1 January 2016, as part of the overall efforts towards a comprehensive peace process in Ukraine, respecting its territorial integrity and right to decide on its own destiny.

The Association Agreement will be a key instrument for carrying out the much-needed reforms in Ukraine in the years to come, underpinned by the EU's support.

On 17 September 2014, the Government of Ukraine adopted the Action Plan on Implementation of the AA for the period of 2014-2017. This Plan is expected to be complemented by detailed sectoral implementation plans covering each chapter of the AA.

Furthermore the Government adopted in October 2014 the Ukraine 2020 Strategy, which sets out a vision for the development of the country and identifies ten priority areas for medium to long-term reform and development. The oversee of the reform process, the National Reform Council bringing together Parliament, Government and Civil Society, has been set up under the Presidential Administration. The Strategy provides the basis for the Coalition Agreement that orients to new Government in its annual work plans. It also provides a potential framework for streamlining dialogue with the international donor community to improve the coordination of the different flows of assistance.

### 1.1.2 Stakeholder analysis

The key stakeholders will be the concerned ministries and other central executive bodies, relevant civil society groups and also, though indirectly, the donor community. This action will primarily impact on the public authorities in the areas covered by the AA and the DCFTA.

Given indicative thematic priorities of this action the following Ukrainian stakeholders will play a major role in the action's implementation process:

Sector	Stakeholders
Governance Reforms / Home Affairs	National Agency on Civil Service Ministry of Justice National Academy of Public Administration State Border Guard Service Ministry of Interior Ministry of Finance Ombudsman Office

Sector	Stakeholders
	Judiciary bodies Prosecutor General Office National Association of Advocates (Bar) of Ukraine <sup>1</sup>
Economic Governance and Trade	State Statistics Service Ministry of Economic Development and Trade Antimonopoly Committee State Veterinary and Phyto-Sanitary Service Ministry of Agrarian Policy and Food New National Standardisation Body (currently being established on the basis of Ukrainian Scientific, Research and Training Centre of Standardisation, Certification and Quality) Ministry of Finance The National Bank of Ukraine The National Commission for Securities and Stock Market The National Commission on State Regulation of Financial Services Market (or, in case, of reorganisation, another entity charged with the regulation and supervision of insurance market)
Transport	Ministry of Infrastructure of Ukraine State Aviation Administration of Ukraine Ministry of Regional Development, Construction and Housing
Energy	Ministry of Energy and Coal Industry
Social	Ministry of Social Policy

### ***1.1.3 Priority areas for support/problem analysis***

Several ministries are in the process of developing or revising their sector strategies in response to the changing context of the re-orientation towards the EU. The EU has been actively supporting these efforts mostly funded from similar mixed support mechanisms as proposed under the current action.

This action in particular will ensure further support with regard to policy development and implementation, legal approximation process with the EU and capacity building measures in the following priority areas:

- Governance reforms, including judiciary reform and home affairs (border management and law-enforcement);
- Economic governance and trade, including statistics, competition policy, technical barriers to trade, financial services and development of geographic indications system;
- Energy, including gas transmission system modernisation;
- Transport, including aviation;
- Social including labour markets.

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<sup>1</sup> <http://unba.org.ua/>

Background information and problem analysis related to the above mentioned priority areas are provided in the sub-sections below:

#### *1.1.3.1 Governance reforms, including judiciary reform and home affairs (border management)*

Implementation of Ukraine's commitments under the AA will require a stable, effective and politically neutral public administration. Public administration reform is also essential for democratic governance. Furthermore, a well-functioning public administration directly impacts upon Government's capacity to provide public services and to foster economic growth.

The main problems of Ukraine's public administration are:

- excessive discretionary powers of head of state bodies accompanied with limited internal and external oversight mechanisms leading to conflict of interest and corruption;
- inadequately paid, politically depended, fragmented and unstable civil service system leading to weak institutional capacity of state bodies in general;
- unachieved process of distribution of powers and competences between state bodies;
- lack of a general law on administrative procedures leading to red tape, low quality of public service provision and corruption.

A key success factor for the governance reforms is creation of a new framework for civil service oriented toward a career-based system. According to EU/OECD SIGMA this will allow to build an independent, professional and politically neutral civil service empowered and enabled to act in the interests of the country as a whole.

As far as the home affairs issues are concerned, the Crimea Crisis and the conflict at the Eastern part of Ukraine has required a conceptual revision of the mandate and functioning of the State Border Guards Service (SBGS) and other law enforcement bodies involved in border management.

The Integrated Border Management Strategy adopted by the Government of Ukraine in 2010 for the period of 2007-2015 and a relevant implementation plan are at the completion phase and momentum has now risen to build a strategic vision for the SBGS and border management in general for the next decade.

The events of late 2013 and early 2014 have finally brought much anticipated legislative changes that pave the way for further justice sector reforms. In early April 2014, the Ukrainian Parliament adopted a law on "Restoration of trust in the Judiciary". The law aims at changing the undue administrative subordination of judges to court presidents and making court presidents and judges independent vis-a-vis the political authorities. All incumbent court presidents have been dismissed and re-elected, with many of the past court presidents returning to the office again.

On 14 October the Parliament adopted a new law on the Prosecutor's Office, largely taking into account the Venice Commission's recommendations.

### *1.1.3.2 Economic governance and trade*

It is of utmost importance to promote a national Statistics Web Portal in conformity with European standards in order to facilitate the implementation of the AA and in particular the entry into force of the DCFTA postponed to the beginning of 2016.

This measure will aim at further strengthening the capacity of the national statistical system, focusing on the sound legal basis, adequate data and metadata dissemination policy and user-friendliness.

In the area of technical barriers to trade, Ukraine has already started implementing the measures foreseen by the AA/DCFTA. An institutional and regulatory reform has taken place, important conflicts of interest (combination, under one roof, of regulatory, implementing and commercial activities) have been removed. Presently, there is a clearer delineation between institutions responsible for formulating public policy in respective sectors (ministries) and those that implement various aspects of the approved public policy (services, agencies and inspectorates). Furthermore, significant progress has been made in the adoption and implementation of the EU-compliant horizontal and technical legislation. That includes the new framework legislation on standardisation, metrology, accreditation, market surveillance, general product safety and liability for defective products; as well as the technical legislation (technical regulations) governing specific groups of non-food products.

In particular, the new Law on Standardisation was adopted in June 2014 and it entered into force from 1 January 2015. One of the measures foreseen by the new Law is the establishment of an independent National Standardisation Body (NSB), in line with the practice that exists in the EU Member States. The Ministry of Economic Development and Trade is preparing the secondary legislation/by-laws necessary for the establishment of NSB. On 26 November 2014, the Cabinet of Ministers decided to establish the NSB on the basis of the Ukrainian National Scientific, Research and Training Centre on Standardisation, Certification and Quality.

In the area of financial services, currently the efforts of Ukrainian Government and of the donor community are focused on the most pressing problem of stabilising the banking system, finding solutions for the problem banks and prevention of further banks' failures. That leaves the other issues of the sector, such as the lack of a consolidated and coordinated sector policy and the insufficient capacity of supervisory authorities, largely unaddressed. The implementation of AA/DCFTA obligations will represent a challenge, as so far only a small progress has been made.

Under the DCFTA, Ukraine undertook to protect approximately 3000 EU Geographical indications (GIs) as opposed to two GIs on the Ukrainian side. Such protection will lead to the abandonment of the use of generic products names of great economic importance. At the same time Ukraine requested technical assistance to facilitate the transition to the new GIs system.

In mid-2011 the EU Delegation to Ukraine commissioned a study of the wine and spirits as well as dairy sectors. The study defined the main steps to be taken for the development of the GIs system in Ukraine and for the phasing out EU GIs in these sectors such as Cognac, Champagne or Feta, among others. The proposed road map includes institutional measures such as amendments of the legal framework, improvement of the administrative capacity,

modification of technical standards, establishment of independent laboratory and establishment of collective organizations. Additionally, direct support to private sector in terms of marketing (mainly rebranding) and adaptation to the new standards was recommended.

#### *1.1.3.3 Energy, including gas transmission system modernisation*

The modernisation of the Ukrainian gas transmission system (GTS) and ensuing engagement with International Financial Institutions (IFI) to promote investments in this area, has been an EU priority since the March 2009 Joint EU-Ukraine International Investments Conference on the Modernisation of Ukraine's Gas Transit system. As a result substantial loan agreements have been signed recently by EIB and EBRD with the Government of Ukraine between EIB and EBRD. Implementation of these loans depends on a project implementation unit within Naftogaz/Ukrtransgaz financed under an EU/World Bank Trust Fund set up as part of the 2009 commitment in promoting reforms in the Ukrainian gas sector.

The Trust Fund could only be operationalised after the change in regime following the Euro-Maidan events in February 2014. With the EU contribution expiring end of 2016 an extension is required to assist in the full implementation of the reform and realisation of the decided investment programmes.

#### *1.1.3.4 Transport, including aviation*

Transport is an important area of cooperation in the framework of implementation of the Association Agreement and Eastern Partnership. The ongoing programme for implementation of 49 directives included in the AA, many of them during next three years, is ambitious. Given the economic potential of further improvements in the sector further EU support is important for the transposition, implementation and enforcement of the transport acquis.

Important areas requiring further support, in particular through twinning are in cycle infrastructure management, railway safety and maritime management

Aviation EU regulation is a part of the Common Aviation Area Agreement the signature of which is still pending. Expecting the Common Aviation Area Agreement (CAA) is signed in 2015, jointly with the Memorandum of Understanding (MoU) on the convergence of certification systems of aircraft and aeronautical products, an assistance project on the latter led by European Aviation Safety Agency (EASA) would be needed to support Ukraine in adapting its important industrial expertise in the sector to EU standards through an alignment of the regulatory approach.

#### *1.1.3.5 Social including labour markets*

In line with the Article 21 Chapter 419 of the AA both parties agreed to strengthen their dialogue and cooperation on promoting a decent work agenda, employment policy, health and safety at work, social dialogue, social protection, social inclusion, gender equality and anti-discrimination. In practical terms cooperation will address the following goals: more and better jobs with decent work conditions, promote social fairness and justice, while reforming labour markets, promote conditions of labour markets that combine flexibility with security,

reduce the informal economy by transforming undeclared work, improve the level of protection of health and safety at work, including by education and training on health and safety issues, promotion of preventive measures, prevention of major accident hazards, the management of toxic chemicals, and the exchange of practice and research in this area, aim at gender equality and ensure equal opportunities between women and men in employment, education, training, economy and society, and decision-making.

The Government of Ukraine has already started the process of reform and made the decision to set up a new State Service on Labour (SSL) that will be responsible for achieving the above mentioned goals. This new institution will have set up the new revised legal basis to be adjusted to the EU norm and standards and to be in line with 24 operational EU legal acts (directives). SSL will require substantial support for capacity building and training plus support to legislation approximation in all three pillars: safety at work place, sanitary norms, and controlling the implementation of labour legislation by legal entities to exclude discrimination and violations of labour rights.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Limited capacity of the Government to effectively perform functions of policy coordination, policy analysis and impact assessment.	M	Policy dialogue and assistance to ensure strengthening of policy coordination function and align various policy instruments.
Priorities of the Government (e.g. in the area of civil service reform, border management, transport) are not supported by sufficient budget resources leading to inability of competent state bodies to implement relevant reforms.	H	Monitoring of key focal sectors by the EU and its partners. Intensive policy dialogue in the context of public finance management.
Non-adoption or inconsistent legislation, as well as deviation from the declared policy objectives during actual implementation.	H	Intensive policy dialogue, especially, in the area of democratic governance and economic policy.
Public policy making is undermined by conflicts of interest. Quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation are weak and undermined by political influence.	H	Open and frank dialogue at all levels with Ukrainian counterparts, and indirectly through support to civil society and the media raising these issues.  Advisory support to finalisation and adoption of the new law "On civil service" and law "On administrative procedure".



## **Assumptions**

- Ukraine pursues its objective of effective implementation of the EU-Ukraine Association Agreement;
- Ukraine pursues its efforts to improve its public administration based on European principles;
- Government enhances its donor coordination effort and supports improvement of decision-making processes in line with European principles;
- Continued Government commitment to implement the National Transport Strategy;
- EU – Ukraine Common Aviation Area Agreement is signed in 2015.

### **3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES**

#### **3.1 Lessons learnt**

The past EU assistance to Ukraine was often characterised by limited capacity of the beneficiary institutions in terms of strategic management, instability of senior and middle level civil servant and strong dependence of the projects' outputs on the approval of new legislation/regulations by the Government or the Parliament. Consequently, political support at a high level is a crucial trust factor for the successful implementation of assistance projects.

With regard to reform formulation and implementation process, experience shows that a lack of coordination, unclear division of tasks and insufficient budget allocations to the sector may affect greatly the progress of reforms.

This action will therefore promote a strategic approach to providing assistance, meaning that each assistance project shall be directly linked to clearly identified reform strategy and well-designed and budgeted implementation plan.

#### **3.2 Complementarity, synergy and donor coordination**

The action will complement actions in support of preparation for the implementation of the AA launched under 2011-2013 Annual Action Programmes and provide follow-up assistance with regard to the budget support programme in the area of border management and to the 2014 State Building Contract for Ukraine.

The action is also complementary to the programme on private sector development which is part of the Special Measure for Ukraine 2015 in what it refers to the development of the Geographical Indications System (GIS). The former will support private companies from the wines, spirits and dairy sectors to adapt to the new requirements on GIs established under the AA/DCFTA.

The SIGMA Programme will be engaged in institutional assessment and targeted support related to policy making, administrative legal framework and civil service reform.

The existing Government-Donor coordination mechanism will be used for the overall coordination of this action. It will be led by the Ministry of Economic Development and Trade (for technical assistance) and the National Agency on Civil Service (for Twinning). Donor coordination in specific thematic areas will be led by relevant state bodies.

### **3.3 Cross-cutting issues**

The key cross-cutting issues covered by this action are presented below:

*Human rights and the rule of law* are essential elements of the AA. The following two main outcomes are expected in this regard: increased knowledge of EU standards and practices will raise democratic standards, involvement of civil society organisations will be a guarantee for an efficient and stable surveillance of the reform progress in main area covered by this action.

*Integrity of public administration*: this action will envisage specific measures aimed at improving transparency of public administration and at eliminating or minimising opportunities for corruption and misuse of public funds;

*Other issues*: in implementation of this Action attention will be paid to ensure equal opportunities, gender equality, and sustainable environment as appropriate.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

#### ***Overall objective:***

To effectively raise Ukrainian public authorities' capacities in designing and implementing key reforms stemming from the Association Agreement and DCFTA, including capacity to carry out legal approximation process with the EU. Priority areas of this action are governance reforms; economic governance and trade reforms, including statistics, technical barriers to trade and financial services; energy; transport; and social reforms.

#### ***Specific objectives:***

SO1) To improve effectiveness of Ukrainian public administration through support to major governance reforms, including civil service reform, judiciary reforms and reforms in the area of home affairs (border management and law-enforcement);

SO2) To improve economic governance and trade environment in Ukraine through strengthening statistics services, financial services, competition policy framework, reducing the technical barriers to trade and developing a geographical indications system;

SO3) To improve energy independence of Ukraine and secured supply of gas to the EU through support to modernisation of gas transmission system of Ukraine and other measures supporting reform of the Ukrainian gas sector;

SO4) To support development and modernisation of the transport sector in Ukraine through the reform in the infrastructure management cycle, implementation of the Association Agreement and future EU-Ukraine Common Aviation Agreement;

SO5) To support the Government of Ukraine in the implementation of crucial social reforms such as the setting up of a fully functional and modern State Labour Inspection.

### **Results**

R1) Improved ability of public administration to address major reforms and implementation of the Association Agreement and DCFTA;

R2) Strengthened economic governance and trade environment;

R3) Improved energy independence.

## **4.2 Main activities**

The expected activities are presented through the main specific objectives:

<b>Specific objective</b>	<b>Main activities</b>
SO1) To improve effectiveness of Ukrainian <b>public administration</b> through support to major <b>governance reforms</b> , including civil service reform, judiciary reforms and reforms in the area of home affairs (border management and law enforcement).	<ul style="list-style-type: none"> <li>- Policy advice, capacity building measures and infrastructural support in the area of civil service reform, reform of administrative procedures and administrative services, public finance management, judiciary reform;</li> <li>- Policy advice, capacity building and infrastructural support in the area of border management and law enforcement.</li> </ul>
SO2) To improve <b>economic governance and trade</b> environment in Ukraine through strengthening statistics services, financial services, competition policy framework, reducing the technical barriers to trade and developing geographical indications system.	<ul style="list-style-type: none"> <li>- Policy advice and infrastructural support to state statistics services of Ukraine;</li> <li>- Policy advice and capacity building measures in the area of competition policy;</li> <li>- Legal advice and capacity building measures related to the development of geographical indications system;</li> <li>- Support to the establishment of independent laboratory for wine and spirits;</li> <li>- Establishment of a statistics web portal to promote production, analysis and dissemination of reliable data through a network of 25 regions and the central State Statistics Service of Ukraine (SSSU);</li> <li>- Establishment of an independent National Standardisation Body and bringing its activities up to the level of its peers in the EU Member States;</li> <li>- Policy advice in the area of financial services, notably on the implementation of relevant AA/DCFTA commitments;</li> </ul>

Specific objective	Main activities
SO3) To improve <b>energy</b> independence of Ukraine and secured supply of gas to the EU through support to modernisation of gas transmission system of Ukraine and other measures supporting reform of the Ukrainian gas sector.	- Policy advice and infrastructural support to modernisation of gas transmission system of Ukraine.
SO4) To support development and modernisation of the <b>transport</b> sector in Ukraine through the reform in the infrastructure management cycle, implementation of the Association Agreement and future EU-Ukraine Common Aviation Agreement.	- Policy advice and capacity building of relevant state authorities for implementation of the reforms in the transport sector; - Assisting the transposition and implementation of the respective EU acquis.
SO5) To support the Government of Ukraine in the implementation of crucial social reforms such as the setting up of a fully functional and modern State <b>Labor Inspection</b> .	- Approximation of legislation and strengthening institutional capacity in the area of labour market (including the setting up of a new labour inspection state body).

### 4.3 Intervention logic

The action is aimed at creating the necessary conditions for effective implementation of the EU-Ukraine Association Agreement, particularly, through targeted policy advice and assistance in legal approximation process in the selected priority areas, as well as provision of capacity building measures and infrastructural support, to relevant state authorities.

## 5 IMPLEMENTATION

### 5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a Financing Agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### 5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **60 months** from the date of entry into force of the Financing Agreement.

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

## 5.3 Implementation modalities

### 5.3.1 Grants: up to 6 calls for proposals in the framework of the Twinning programme (direct management)

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

The Twinning calls for proposals modality will be used for implementing of some of the actions under specific objectives SO1 and SO2.

Expected results are listed below:

- Progress on the EU-Ukraine Association Agreement commitments and overall reform process is achieved by closer EU-Ukraine cooperation;
- Improved capacity of the Ukrainian public authorities for policy making in line with the national reform agenda and the priorities of the approximation process with the EU;
- Selected public authorities have the capacity to implement the undertaken commitments under the EU-Ukraine agreements.

#### (b) Eligibility conditions

In line with Article 4(10)(b) of Regulation (EU) No 236/2014, participation in Twinning calls 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%<sup>2</sup>.

#### (e) Indicative timing to launch the call

The calls for proposals for twinning projects are launched in line with the quarterly programming. The first call for proposal under this Programme is expected to be launched in the first trimester of 2016. It is expected that the remaining calls for proposals will be launched and finalised by the end 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. This system of unit costs and flat rate financing exceeds the amount of EUR 60 000 per beneficiary of a Twinning contract.

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<sup>2</sup> As provided for in the Twinning Manual

### **5.3.2 Grant: direct award to EU Agency – European Aviation Safety Agency (EASA) (direct management)**

#### *(a) Objectives of the grant, fields of intervention, priorities of the year and expected results*

The objective of the grant is to help the State Aviation Administration of Ukraine to implement the Convergence document that will need to be prepared according to Article 2 of the Memorandum of Understanding on Convergence of certification systems and related Working Arrangements with the EASA (the MoU). The Convergence document will identify regulatory requirements; compare both EU and Ukrainian certification systems and determine actions required for convergence. The ultimate goal of the project is to support the State Aviation Administration of Ukraine in implementation of the actions needed for convergence.

Actions required for convergence of the Ukrainian initial and continuing airworthiness system with the EU one will be identified. State Aviation Administration of Ukraine will be supported in implementation of the actions needed for convergence. Confidence building and awareness in order to achieve convergence is promoted between EU and Ukrainian stakeholders. This will ensure an equivalent level of aviation safety. This will be the basis for considering a Bilateral Aviation Safety Agreement (BASA) between the EU and Ukraine at a later stage.

#### *(b) Justification of a direct grant*

The Common Aviation Area (CAA) Agreement was initialled in the margins of the Vilnius Summit on 28-29 November 2013. Signature of the CAA Agreement was envisaged in the first half of 2015, but it is still pending. The connected Memorandum of Understanding on Convergence of certification systems (MoU) and related Working Arrangements with the EASA is to be signed jointly with the CAA.

The CAA Agreement foresees consecutive recognition of Ukrainian certificates, licences and approvals in Air crew certificates and Air Traffic Management /Air navigation certificates. No recognition of certificates in the field of initial and continuous airworthiness or flight operations, despite the strong initial demand by the Ukrainian side is foreseen. The EU and Ukraine keep their own certification methods and are working towards the MoU on the convergence of certification systems.

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the EU Agency – European Aviation Safety Agency (EASA).

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the action has specific characteristics requiring a specific type of beneficiary for its technical competence on aviation safety management and oversight, including certification of aircraft products and the oversight of approved organisations and EU Member States.

#### *(c) Essential selection and award criteria*

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

*(d) Maximum rate of co-financing*

The maximum possible rate of co-financing for this grant is 80 %.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(e) Indicative trimester to conclude the grant agreement*

1<sup>st</sup> trimester of 2016.

**5.3.3 Procurement (direct management)**

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Software and IT equipment to build-up a statistics portal in Ukraine; Support to development of Geographical Indications System in Ukraine. Policy advice, capacity building and infrastructural support in public administrative and governance reforms.	Supplies and services	6	First and Second trimester of 2016
Assistance for further development and modernisation of the transport sector in Ukraine; assistance for setting up the State Labour Inspection.	Services	2	First trimester of 2016
Evaluation/audit	Services	2	First trimester 2017
Communication and visibility	Services	1	First trimester of 2016

**5.3.4 Indirect management with international organisation**

A part of this action may be implemented in indirect management with the World Bank (WB) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails support to modernisation of gas transmission system of Ukraine. This

implementation is justified because it builds upon the expertise acquired by the WB in managing the ongoing support project which will terminate in 2016. WB provides an efficient institutional platform as well as acknowledged experience in the corporate energy sector in Ukraine. Additionally the WB leads the coordination of the endeavours of the major IFIs in this sector in the country, supporting it in the steering mechanisms.

The entrusted entity would carry out the following budget-implementation tasks: recipient executed management of funds for a project implementation unit for gas transmission system modernisation, procurement and grant award procedures and management of corresponding contracts and payments.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

#### **5.4 Scope of geographical eligibility for procurement and grants**

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

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

#### **5.5 Indicative budget**

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution (amount in EUR)</b>
<b>Specific objectives SO1,SO2,SO4,SO5</b>		
<b>Twinning</b> calls for proposals (direct management)	2 500 000	
<b>Procurement</b> concerning statistics, transport sector development, labour inspection, public administrative reforms, economic governance and development of GIs system in Ukraine (direct management)	8 300 000	
<b>Sub -Total 1</b>	<b>10 800 000</b>	



	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution (amount in EUR)</b>
<b>Specific objective SO3</b>		
Indirect management with the World Bank	2 000 000	300 000
<b>Sub -Total 2</b>	<b>2 000 000</b>	300 000
<b>Specific objective SO4</b>		
Direct grant to EASA	500 000	
<b>Sub-Total 3</b>	<b>500 000</b>	
Evaluation/Audits	<b>200 000</b>	
Communication and visibility	<b>500 000</b>	
Contingencies	<b>1 000 000</b>	
<b>TOTALS</b>	<b>15 000 000</b>	<b>300 000</b>

## **5.6 Organisational set-up and responsibilities**

On the Ukrainian side, this action will be coordinated by the Ministry of Economic Development and Trade acting as National Coordinating Unit for the EU assistance, and by the National Agency on Civil Service acting as the Coordinator for Twinning/TAIEX/Sigma programmes and the CIB coordinator.

## **5.7 Performance monitoring and reporting**

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

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for

independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.8 Evaluation**

Having regard to the importance of the action, a final or ex-post evaluation will be carried out for this action or its components via independent consultants. The Commission may, during implementation, decide to undertake a mid-term evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

A final or ex-post evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

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 for each individual action which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget of each individual action.

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

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

## APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and will be quantified and 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.

	<b>Intervention logic</b>	<b>Indicators</b>	<b>Baselines</b> (incl. reference year)	<b>Targets</b> (incl. reference year)	<b>Sources and means</b> <b>of verification</b>	<b>Assumptions</b>
<b>Overall objective: Impact</b>	To effectively raise Ukrainian public authorities' capacities in designing and implementing key reforms stemming from the Association Agreement and DCFTA, including capacity to carry out legal approximation process with the EU.	To be completed at a later stage for each individual action financed under this technical cooperation facility.				
<b>Specific objectives</b>	<p>SO1) To improve effectiveness of Ukrainian public administration.</p> <p>SO2) To improve economic governance and trade.</p> <p>SO3) To improve energy independence and secured supply of gas to the EU.</p> <p>SO4) To support modernisation of the aviation transport sector.</p> <p>SO5) To support the implementation of crucial social reforms (labour market).</p>	To be completed at a later stage for each individual action financed under this technical cooperation facility.				

**Outputs**

To be completed at a later stage for each individual action financed under this Technical Cooperation Facility.