



ANNEX 2

of the Commission Implementing Decision on the 2019 Annual Action Programme (Part 1) in favour of Ukraine

Action Document for U-LEAD with Europe: Phase II

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	U-LEAD with Europe: Phase II CRIS number: ENI/2019/41-703 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 with regional offices in all 24 regions; and a central programme unit will be based in Kyiv.	
3. Programming document	Ukraine Single Support Framework 2018-2020	
4. Sustainable Development Goals (SDGs)	SDG 10: Reduce Inequality SDG 11: Sustainable development of cities and communities SDG 16: Peace, justice and strong institutions	
5. Sector of intervention/ thematic area	Strengthening institutions and good governance	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 40 000 000 Total amount of European Union (EU) contribution EUR 40 000 000	
7. Aid modality(ies) and implementation modality(ies)	Project Modality <ul style="list-style-type: none"> • Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH 	
8 a) DAC code(s)	15112 - Decentralisation and support to subnational government : 100%	

b) Main Delivery Channel	13000 - Third Country Government (Delegated co-operation)			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<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	Principal 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"/>
	10. Global Public Goods and Challenges (GPGC) thematic flagships	Not applicable		

SUMMARY

Decentralisation is one of the most successful reforms moved forward by the Government of Ukraine since spring 2014. Important legislation was adopted and changes in the budget code introduced to stimulate the formation of new local governments accountable to citizens. Notwithstanding all achievements and popularity, the reform has not yet become irreversible. There is increasing resistance by stakeholders whose political and financial power is shrinking as the reform progresses. At the same time the new responsibilities and challenges require an unprecedented re-enforcement in administrative capacities at the level of local community (hromada) as well as regional and national administration. This causes further need for tailored efforts to support capacity development. The reform of district (rayon) and regional (oblast) level is under preparation. Its implementation will require substantial ad hoc expertise and analysis to the central government and sub national level on various items appearing within the progress of the reform. 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 further advancement of multilevel governance in Ukraine, which is transparent, accountable and responsive to the needs of the population.

The action will focus on better policy-making and enhanced capacity for effective multilevel governance within the decentralisation reform and related regional policy to strengthen its implementation.

1 CONTEXT ANALYSIS

1.1 Context Description

Ukraine has a population of approx. 43.9 million 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 24 regions, the Autonomous Republic of Crimea and the cities of Kyiv and Sevastopol. The second tier consists of 490 districts (rayons), 185 cities of oblast subordination and 705 (as of November 2018) amalgamated territorial municipalities. On the lowest administrative level there are towns, settlements and villages.

The Ukrainian Constitution defines the country as a unitary state and guarantees principles of local self-governments to be applied in the country. Prior to the ongoing decentralisation reform, Ukrainian local self-governmental bodies were not able to realize their potential due to years of overcentralized policies and an extremely limited financial autonomy.

After the change of government in spring 2014, the concept on “Reformation of Local Self-Government and Territorial Organisation of Powers” was approved in April 2014, setting the ground for an ambitious reform. In the following years the necessary legislation was adopted, including laws on fiscal decentralisation (Amendments to Budget and Tax Code), on voluntary cooperation and amalgamation of local communities, on state regional policy, and on accession of rural councils to larger cities.

The first stage of the reform, the amalgamation of hromadas, has meanwhile well advanced. Since 2015, almost 4000 village councils have amalgamated into more than 800 new hromadas, covering roughly 20% of the population. At the same time, local budgets have increased. Due to revenues from new locally generated taxes, the reform has also created incentives for local leaders to deliver quality administrative services and foster economic development. A new concept of horizontal fiscal equalization was introduced, reducing the leverage for arbitrary transfers from central government to local governments.

The State Strategy for Regional Development, adopted in 2014, fixes key state priorities for regional development by the year of 2020, in particular, the formation of a single Ukrainian space, enhancement of the competitiveness of the regions and effective governance for regional development. The State Fund for Regional Development has increased from approx 15 million EUR in 2015 to 185 million EUR in 2018 and 240 million EUR in 2019.

The reforms of school education and the health care system, adopted in 2017, are further changing the profile of local governments. Primary health care has no longer to be provided by local governments, while management of primary schools became more autonomous. Both allow municipalities and cities to focus on their core tasks, namely provision of public services like waste management, clean water, etc.

Those new opportunities for local self-governance foster a consensus-based policy making at the local level, close to the preferences of citizens and are well recognized by citizens.

According to surveys¹, the decentralisation reform is one of the most popular reforms among Ukrainian citizens.

However, notwithstanding this progress and popularity, the reform has not yet reached the point of no return. The reform is facing resistance of those administrative tiers which would significantly lose power if the decentralisation reform was finalized. In particular increasing resistance can be observed at a systemic level from:

a) District ("rayon") councils and administrations. Districts are managed by an administration subordinated to the President and Government of Ukraine and elected district councils. Most of the administrative functions of districts are taken over by newly amalgamated hromadas. In result, both district councils and administration duplicate the work of newly amalgamated hromadas, risking becoming redundant. As a result, some district councils and administrations are increasingly worried about their future within a further progressing reform, .

b) Regional administration and councils: similar to the district level, the oblast administrations are part of the national administration, and combined with an elected regional council. Administrative and political powers of both decreases with an increasing number of newly amalgamated hromadas in the regions. Although oblast administrations will continue to play a relevant role, this function might be down-scaled. Thus, a number of oblast councils and administrations have shown reluctance to the decentralisation reform.

Amendments to the Constitution which would turn the achieved changes irreversible will therefore be a priority for the future of the reform.

Over 2016-2019, U-LEAD with Europe has supported the voluntary amalgamation process and the transfer of powers under sector and fiscal decentralisation. Despite the volatile environment, U-LEAD has built a nationwide and flexible infrastructure since 2016, comprising a programme unit on the national level and 24 regional centres (one in each oblast, including Luhansk and Donetsk). Alongside the programme unit on national level, these regional centres provide support both to municipalities and regional state administration and contribute to capacity development and improving multi-level governance, helping to consolidate Ukraine's decentralisation reform and related regional policy. At the same time, the regional centres developed into an important regional outreach and contact points for information on EU and other EU funded projects.

Continuation and follow-up of support of the overall reform process and to new local governments across the country via an extension of "U-LEAD with Europe" is crucial to ensuring progress and sustainability of the decentralisation reform.

1.2 Policy Framework (Global, EU)

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

¹ See e.g. <http://www.slg-coe.org.ua/wp-content/uploads/2015/12/AReport-Decentralization-f-en.pdf> or <http://www.slg-coe.org.ua/wp-content/uploads/2016/12/Analitical-Report-Decentralization-Wave-2-ENG.pdf> or <https://www.iri.org/resource/ukraine-poll-shows-rising-economic-optimism-continuing-satisfaction-local-level>

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."² 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.³

1.3 Public Policy Analysis of the partner country/region

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 the delivery of basic service functions effectively.⁴ 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) is currently not subject to discussions.

The reform sets incentives for amalgamations of local communities using a "carrot approach": amalgamations are voluntary but only bigger cities and newly amalgamated communities immediately benefit from the reform having access to increased budgets and more autonomy. Smaller, less competitive communities receive fewer subsidies and benefit only in case of amalgamation with others. As of November 2018, 828 new *hromadas* were formed, covering roughly 7 million habitants, or approximately 20% of the population of Ukraine.

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. In summer 2015 the process of introducing constitutional amendments was replaced by a reform legislation taking a step by step approach.

One of these steps was a law which optimised administrative service provision. The law allows delegating powers to provide administrative services to local self-government bodies of respective level: individuals registration at the place of residence, issuance of national identity documents, state registration of legal entities and individuals, entrepreneurs,

² Source: http://eeas.europa.eu/ukraine/docs/st06978_15_en.pdf

³ 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

⁴ See further: OECD Territorial Reviews: Ukraine 2013 and OECD-Report "Maintaining the Momentum of Decentralisation in Ukraine" 2018

associations of citizens, civil registration, registration of proprietary rights, dealing with land issues, etc.

The latest law, adopted on 3 April 2018, set the legal ground for including cities of oblast significance to the amalgamation process. In addition, the Government developed further draft laws for the decentralisation reform. Attempts to formulate a new legal base for civil service in Local Self-Government Bodies were not successful so far, but are continuously pursued with increasing support from the international community.

On 8 November 2018 the Prime Minister called in a new initiative to enshrine amendments into the constitution that would provide a clear definition of tasks and territorial-administrative functions of all administrative tiers of the state and making the decentralisation reform process irreversible⁵.

1.4 Stakeholder analysis

The progress made and emerging consensus of most of political parties on the need for continuation of the decentralisation reform create momentum for a further improvement of multilevel governance in Ukraine which is both effective and close to the citizens. However, the practical realisation and implementation of the reform agenda remain a major challenge. As a comprehensive public administration reform is in the making, there are still 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 are unable to take advantage of new possibilities. Newly formed hromadas face numerous legal, financial and governance challenges. The necessary re-organisation of district and oblast level creates further demand for capacity building.

Main Stakeholders:

- Central Government: Cabinet of Ministers, Ministry of Regional Development, Construction, Housing and Communal Services, Ministry of Health, Ministry of Education (lead ministries), Ministry of Economic Development and Trade, Ministry of Finance, Presidential Administration, etc.
- Regional and local authorities at oblast, rayon and hromada level, national and regional associations of local municipalities.
- 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, World Bank, etc.

1.5 Problem analysis/priority areas for support

With an increasing number of amalgamated hromadas, rayon and oblast administrations get concerned about their own future role. In consequence, the formation of new hromadas is a

⁵ See <https://decentralization.gov.ua/en/news/10049>

threat to the future existence of rayon and oblast administrations. As amalgamated hromadas receive their budget directly from the Ministry of Finance, oblast and rayon administrations lose influence over villages. Likewise, Members of Parliament (MP), who previously could lobby budgets from the central government to villages in their constituencies, are also losing influence. In addition, amalgamated hromadas are entitled to a significant share in local tax revenues. Interested in increasing their own revenues, they are encouraging local business to leave the shadow economy and to become tax compliant.

As a result, rayon and oblast administrations, their councils, as well as businesses operating in the shadow, are putting obstacles to the emergence of bigger, financially independent amalgamated hromadas across Ukraine.

The speed of Ukraine's reform agenda risks leaving the amalgamated hromadas struggling to keep up. With the first wave of amalgamations less than four years old, subsequent waves since, and further waves expected through 2019, these hromadas are in their infancy. The task of forming new organisations, and forging new democratic relationships with a larger constituency of local citizens, would be challenging even in a stable policy environment. Instead, amalgamation has been accompanied by sector and fiscal decentralisation, in parallel with policy transformation, making the reform context both comprehensive and complex.

In the area of education, for example, the concept of the 'New Ukrainian School', which came into force in September 2018, not only modernizes teaching, but focuses on developing the skills and motivation to learn, not just the ability to repeat facts. It will also fundamentally change the relationship between parents, children, schools, local self-government and higher levels of the state. Similar radical reforms can be found in healthcare. In both sectors, there are changes to funding formulas that will generate both opportunities and dilemmas for amalgamated hromadas as they seek to optimise their school and primary healthcare networks.

At the same time, the overall framework for public/municipal finance is evolving, with the adoption of programme budgeting and gender-responsive budgeting soon to be followed by multi-annual budgeting. Hence, amalgamated hromadas have new freedoms to allocate their funding to local priorities, offset by emerging responsibilities, all within an ever-changing fiscal environment.

This context provides a strong rationale for further 'hand-holding' support to hromadas, as they adjust to new circumstances and embed new ways of working.

The shake-up at the hromada level has not been matched at the other levels of government, however. There are consequences for rayons, oblasts and central government of the amalgamation and decentralisation processes that are not yet fully reflected in the assignment of both functions and finance. Furthermore, there is increasingly an overlap with the territorial boundaries of amalgamated hromadas, which raises questions about the *raison d'être* of the rayons. While these territorial-administrative reforms remain incomplete and multi-level governance is work-in-progress, analysis and expert advice to central government will continue to be a priority.

At the same time, there is an ever-present risk that reform fatigue will take hold before the full benefits are realised, given the heady pace of progress. So far, amalgamation and decentralisation have proven to be popular policies. While amalgamated hromadas do not command universal approval in every territory of Ukraine, the majority of the public has seen the benefits through better maintained roads, improved street lighting, refurbished

kindergartens, etc. They have also started to feel the less visible effects of engaging more in civic life, sharing in the decision-making authority that hromadas lacked in the past. Ultimately, however, the gains from decentralisation will only come to fruition when people experience a better quality of life, through more accessible and higher quality municipal services, which also stimulate economic development to the advantage of local society. Unless citizens see public investment improving their local services concretely, there is a risk that the momentum of amalgamation will stall.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Reform process blocked by vested interests and potential discontinuation of decentralisation reform as a result of national elections in 2019.	H	Continuous policy dialogue at all levels. Mobilise relevant stakeholders (national and regional associations of new local governments, citizens, opinion leaders) to sustainably support the reforms.
Local governments cannot adapt to the speed of reforms and struggles to handle new tasks and functions.	M	Focus on capacity building at level of local governments in close coordination with central government, institutions of education and training of local civil service. Capacity will be strengthened through intensive trainings. Provide constant feedback from local governments to central level on local capacities to implement reforms.
No clear distribution of task, functions, and territorial-administrative structure of higher tiers of administration.	M	Lobbying at all levels for a comprehensive reform of the territorial-administrative organisation.
Assumptions		
<ul style="list-style-type: none"> • Government of Ukraine remains committed to the decentralisation reform. • International donors remain committed to unite and coordinate efforts to support the decentralisation process and regional development in Ukraine. 		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

The EEAS's most recent *Association Implementation Report on Ukraine - Joint Staff Working Document* (November 2017) summarised the state-of-play, noting important legislative developments that had taken place, the progress with amalgamation, and "the active role of civil society in the promotion, design and oversight of reforms", especially in the area of decentralisation among others. It concluded that: "In order to attract the investment necessary for sustainable economic development and for an improvement in standards of living across

the country, including for the most vulnerable segments of the population, the authorities are being urged by civil society and international partners to redouble their efforts in the pursuit of meaningful reform”.

The *ROM report* on the GIZ component (C1) of U-LEAD with Europe (December 2017) reached a positive assessment regarding its relevance and effectiveness. It found that: “The decentralisation reform poses a major challenge to administrative staff because their current skills and expertise are insufficient to adapt to the changing reality, especially at the local level”. In this context, the ROM concluded that the programme is “highly relevant to the needs of the target groups and end beneficiaries and is well adapted to the capacities of the key stakeholders at the national (Ministry of Regional Development), regional (Oblast State Administration and Councils) and local levels (amalgamated hromadas). All key stakeholders are committed to the reform except for the rayon level, whose competencies and resources are deeply affected by decentralisation”. Furthermore, “the implementation mechanism chosen for the programme, despite the component’s large size and complexity, is efficient and conducive to achieving the expected results”.

The Chatham House study on *Rebuilding Ukraine: An Assessment of EU Assistance* (financed by Horizon 2020 and published in August 2018) commended the EU’s post-2014 paradigm shift towards longer and larger technical cooperation programmes under the Support Group to Ukraine (SGUA), and its sector-focused approach, which “allows for a comprehensive strategy – from capacity-building to policy implementation”, which is “more effective than isolated and sporadic interventions aimed at single state institutions or policy measures”. The study draws attention to the merits of delegated agreements as innovative, due to “the more proactive way in which they enable the identification and deployment of member states’ relevant expertise, and how they support more flexible, needs-based implementation. The agreements demonstrate how the EU and its member states’ assistance portfolio can be adapted to new methods of implementation”, specifically citing U-LEAD with Europe as an example.

3.2 Complementarity, synergy and donor co-ordination

U-LEAD with Europe is an innovation in terms of coordination between Member States and EU. The ongoing programme receives funding or contributions in kind from Denmark, Estonia, Germany, Poland and Sweden. The possibility of active involvement of Member States is also foreseen for the extension of the Programme.

International donors provide multifaceted support to the decentralisation reform and made significant funds available for its implementation throughout the country since the reform started in 2015.⁶ With the increasing number of programmes and projects on decentralisation the EU initiated the formulation of a Common Results Framework in 2016. To create a platform for regular exchanges on strategic issues, to ensure complementarity and to avoid duplication of donor’s actions the EU subsequently set up in close coordination with other donors and the Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine a Donor Board on Decentralisation Reform in Ukraine in 2017⁷. The

⁶ For an overview on all programmes please see <https://donors.decentralization.gov.ua/en/projects>

⁷ See https://donors.decentralization.gov.ua/en/donor_board

Donor Board meets regularly and stimulates a wide range of synergies among all donor-funded programmes

The plan to extend U-LEAD with Europe has been communicated to other donors to enable them to orient their own planning on support for the next years. The second biggest support programme after U-LEAD with Europe, the USAID funded programme on “Decentralisation Offering Better Results and Efficiency” (DOBRE, 50 Mio. USD, lasting until 07.06.2021) is expected to be continued as well. In the current setting DOBRE is focusing support to only 75 selected new hromadas. Tailor made solutions are developed for each of them to provide high quality public service and economic development at local level. DOBRE and ULEAD are coordinating actions to disseminate positive examples from hromadas covered by DOBRE across Ukraine via the large support structure of ULEAD with Europe.

The extension of U-LEAD with Europe will also seek synergies with other EU funded projects in other sectors. The extension of European Union Anti-Corruption Initiative (EUACI) provides the chance to include tools for anti-corruption policies at subnational level, developed by EUACI, into the work of ULEAD with Europe with new hromadas and cities of oblast significance. In addition synergies are sought for the activities in a variety of sectors which are supported to increase the citizen-oriented delivery of municipal services in the areas such as health, education, energy efficiency, transport and mobility, waste management, water, public safety etc.

Another large programme of EU – the support to the East of Ukraine – Recovery, Peacebuilding and Governance, 2018-2022 covering 25 million Euros, financed through the SM 2017 "EU support to the East of Ukraine" is thought to ensure synergies with ULEAD. As the multi-year programme to the East focuses among others on gender-responsive decentralisation and local governance, and structural adjustments in health, education and public infrastructure the two programmes complement each other naturally. An extension of ULEAD would provide necessary background information and guidance within the ongoing decentralisation reform for the implementation of these parts of the support to the East of Ukraine – Recovery, Peacebuilding and Governance, 2018-2022.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

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

The following **specific objective** is envisaged:

To enhance the capacities of key actors at national, regional and local levels to further implement Ukraine's decentralisation and related regional policy are enhanced, and to contribute to define the functions for each level of government within specific policy areas.

The **expected results** are:

- R1 Selected sector reforms are better aligned with the overall decentralisation process;
- R2 Increased awareness of all citizens of multilevel governance, decentralisation reform and regional policy;

R3 Relevant actors and public officials at different levels of government have acquired or strengthened competences appropriate to their roles in the decentralisation process and regional policy;

R4 Vertical and horizontal coordination mechanisms for shaping the decentralisation reform and related regional policy are enhanced.

Main components and activities

Better policy-making and enhanced capacity for effective multilevel governance and strengthening the implementation of the decentralisation reform (advice and development, designed and delivered in a gender-responsive manner)

A1 Support to the Cabinet of Ministers of Ukraine (CMU), Ministry of Regional Development, and ministries responsible for the steering and monitoring of the decentralisation reforms in Ukraine;

A2 Demand-driven thematic advice on a wide range of topics related to multilevel governance, such as functional mapping and assignment, municipal amalgamation, decentralisation, municipal service delivery and local and regional development, tailor-made to the needs of the level of government (state-level, *oblast*, *rayon*, *hromada* level) requesting the thematic support;

A3 Support to awareness-raising, communication and consultative dialogue with citizens and other stakeholders (economic and social partners, civil society, think tanks, associations, universities, etc.) in policy design and implementation.

A4 Capacity development of the State administration at central and regional levels, through expert consultations, training, workshops, study visits, summer schools, mentoring, coaching and/or other forms of knowledge transfer and development;

A5 Training and other forms of capacity development to support professional education (e.g. expert consultations, training, workshops, study visits, summer schools, mentoring, coaching and/or other forms of knowledge transfer and development) for relevant actors and local authorities pre- and post-amalgamation on relevant themes (e.g. strategic planning, managing human resources and municipal finances, gender-responsive planning and budgeting, communicating and engaging with citizens, managing education and healthcare at the local level, stimulating economic development and social cohesion, etc.) also using package solutions and blended learning solutions where and if appropriate;

A6 Support to platforms for horizontal exchanges, networking and learning between practitioners, including facilitation of contacts to EU local administrations and actors.

4.2 Intervention Logic

The project design is divided in two main components in line with the specific objectives. The first and second component will cover the coordination and capacity building efforts at both vertical and horizontal levels from the central body/decentralisation secretariat including Cabinet of Ministers of Ukraine (CMU) and ministries responsible for the strategic planning, steering and monitoring of the decentralisation reforms and related regional policy in Ukraine and other line ministries down to the *oblast*, *rayon* and *hromada* levels. The geographical coverage will be all 24 regions of the Republic of Ukraine.

The general **operational coordination** of the project will be ensured by one of the implementing partners and will include overall representation (incl. visibility measures) and coordination of the activities with an aim to ensure efficiency and coherence of the overall approach of the action. It is envisaged that the **political oversight** and coordination with other international donors and decentralisation stakeholders will be done through a Steering Committee taking into account the recommendations of a central body/decentralisation secretariat including representatives from the Ukrainian government, EU, Member States, international donors, international organisations, and representatives of local self-government bodies.

4.3 Mainstreaming

The action addresses important cross-cutting issues which include contributions focused upon the effects of the Ukrainian decentralisation on minority communities as well as the strengthening of gender equality. As concerns minority communities, the situations of national minorities within the context of the amalgamation process for municipalities are assessed and the action will use targeted information materials as well as training measures for local self-government officials from these localities to ensure that these communities are not ‘left behind’ by the reform.

With regards to the strengthening of gender equality, gender relevant, sex-disaggregated, data will be collected and gender-related aspects will be integrated in the capacity development measures of the action. Training participants will be selected with a gender-equality focus. Strengthening gender equality will also be ensured in the improvement of administrative services and the development of the further legislative framework of the reform. Gender-responsive budgeting in trainings for municipal finance experts and the implementation of modules focusing on empowering female leadership in municipalities will ensure the sustainable promotion of gender equality and integration of more women into local politics. The programme will also seek to avoid reinforcing gender inequalities and stereotypes by implementing a Do No Harm approach.

Through offering grant agreements to civil society organisations, the action will facilitate citizen participation in community development to foster the promotion of good governance. This includes a specific focus on women and youth involvement in community decision-making. The action shall continue to work in conflict-affected regions, in order to develop and promote constructive relationships between society and the government in these regions. Each Regional Centre, which directly supports the amalgamation process in their respective regions, identifies the special needs of internally displaced persons, supported by other EU projects, and the deployment of an approach sensitive to the ongoing conflict.

4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. The intervention contributes to the fulfilment of a broad range of SDGs and specific SDG indicators of Ukraine. The most relevant SDGs are:

SDG 10: Reduce Inequality

10.3 Ensure access to social services

Through a series of seminars on intermunicipal cooperation and the sharing of good practices (e. g. better service provision and access to medical services), the action actively promotes

inter-municipal cooperation between municipalities of Ukraine, ensuring regular exchanges on the topic, which includes better social service provision. Furthermore, contributions strengthening capacities of local self-governments and local primary healthcare providers enable the optimisation of facility networks and improvement of access to quality primary healthcare, especially in rural areas.

SDG 11: Sustainable development of cities and communities

11.2 Ensure development of settlements and territories exclusively based on integrated planning and participatory management

Through conferences and seminars the action will contribute to this SDG by focusing on investment opportunities in rural areas and through cross-border initiatives where participants shared ideas for agriculture, tourism, energy efficiency, human resource management and infrastructure development. Direct support will be provided by the action to the topics of integrated planning and participatory management, including the participation of CSOs and citizens in the development of their communities.

SDG 16: Peace, justice and strong institutions

16.6 Increase the efficiency of government bodies and local self-government

The action promotes the active participation of citizens in local decision-making as well as orienting the work of local administrations towards the needs and demands of its citizens. Targeted interventions in the areas of public financial management, evidence-based policymaking, accessing international funds, and public engagement will promote transparency and accountability in local governance. These include ethics trainings and the promotion of transparent public procurement processes. In sum, all capacity development measures of the action aim to increase the efficiency of government bodies and local self-government with regard to their internal procedures and services to the public.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is **54 months** from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁸.

5.3.1 Indirect management with an entrusted entity

A part of this action may be implemented in indirect management with GIZ. This implementation entails component 1 of this programme. The envisaged entity has been selected using the following criteria:

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; significant experience on the regional and local level all over Ukraine, and network with many employees in the country; Experience in implementation of similar actions under the indirect management mode; Management and logistical capacities.

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.

In case the envisaged entity would need to be replaced, the Commission's services may select another entity using the same selection criteria.

5.3.2. Changes from indirect to direct management mode due to exceptional circumstances

If due to exceptional circumstances outside of the Commission's control negotiations with the above entrusted entities fail, that part of this action may be implemented in direct management through procurement

Procurement would contribute to achieving the outstanding specific objectives and outputs described in section 4.1.

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

⁸ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

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 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 currency identified
Indirect management with GIZ (cf. section 5.3.1)	39 800 000	
Evaluation (cf. section 5.8)	200 000	
Audit/ Expenditure verification (cf. section 5.9)		
Total	40 000 000	

5.6 Organisational set-up and responsibilities

The implementation of the programme will be carried out by GIZ. 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 and the European Union. The SC will meet at least twice per year.

5.7 Performance and Results 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.

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

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 contracted by the Commission. The mid-term evaluation will be carried out for learning purposes, in particular with respect to possible improvements in the implementation of the foreseen activities.

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.

Evaluation services may be contracted under a framework contract.

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.

It is foreseen that audit services may be contracted under a framework contract.

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.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), 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 Requirements for European Union External Action (or any succeeding document) 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)

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	To contribute to further advancement of multilevel governance in Ukraine, which is transparent, accountable and responsive to the needs of the population	<p>Level of satisfaction/rating of local authorities' management.</p> <p>Ukraine scoring in international rankings (not exhaustive list):</p> <ul style="list-style-type: none"> - Doing business index; - Transparency international. <p>EU- Association Implementation Reports assessment of the progress of the decentralisation reform, and Council of Europe-Opinions on quality of draft decentralization legislation.</p>	<p>Sociological surveys.</p> <p>National Reform Council assessment</p>	<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	SO1: To enhance the capacities of key actors at national, regional and local levels to further implement Ukraine's decentralisation and related regional policy are enhanced, and to contribute to define the functions for each level of government within specific policy areas.	<p>SO1 indicators:</p> <p><i>Legal Framework indicator:</i> Number and quality of (existing or new) legislative and normative documents regarding tasks/ functions/ structure of national, regional and local institutions with regard to decentralisation adopted.</p> <p><i>Vertical co-ordination indicator:</i> Number of measures resulting from vertical co-ordination mechanisms implemented by the Ministry in charge of decentralisation.</p> <p><i>Horizontal co-ordination indicator</i> Number of measures implemented from inter-ministerial (horizontal) co-ordination mechanisms on national level on selected sectoral aspects of the reform.</p> <p><i>Institutional CD of municipalities indicator:</i></p> <ul style="list-style-type: none"> - Number of municipalities able to identify at least one specific example of how policies, strategies, plans, systems, processes or procedures have been introduced or enhanced, following management or specialist staff participation in training measures of the programme. 	<p>Passed laws and directives</p> <p>Ministry reports</p> <p>Protocols of CabMin</p> <p>User feedback reports</p> <p>Civil society reports</p>	<p>Government of Ukraine remains committed to the decentralisation reform in line with the European Charter for Local Self-Government</p> <p>The conflict in the East will not further destabilize or spread to other regions.</p> <p>International donors remain committed to unite and coordinate efforts to support the decentralisation process and</p>

		- Number of municipalities that have determined their own internal administrative structures according to Article 6 of the European Charter for Local Self-Governance in order to ensure effective management.		regional development in Ukraine.
Outputs SO1	<p>R1 Selected sector reforms are better aligned with the overall decentralisation process.</p> <p>R2 Increased awareness of citizens of multilevel governance, decentralisation reform and regional policy.</p> <p>R3 Relevant actors and public officials at different levels of government have acquired or strengthened competences appropriate to their roles in the decentralisation process and regional policy.</p> <p>R4 Vertical and horizontal coordination mechanisms for shaping the decentralisation reform are enhanced.</p>	<p>Quality and Number of (existing) legislative and normative documents regarding decentralisation reform were harmonized with selected sector reforms. <i>(and, if necessary, also harmonized with the requirements of the EU Association Agreement)</i></p> <p>Number of dialogue events with civil society, supported by the project, organised at national, regional and local level – the results of which were used for the decentralisation process.</p> <p>Level of participants’ satisfaction of the dialogue events on the shaping of the decentralisation reform.</p> <p>Percentage of training participants at local, regional and national levels training measures reporting that the obtained knowledge has contributed to better fulfil their tasks.</p> <p>Number of municipalities attending events organised with support from the programme to share best practices on implementation of municipal tasks.</p> <p>Number of forums for dialogue with relevant national and regional decision-makers organised by the municipalities.</p> <p>Number of inter-ministerial coordination mechanisms per year.</p>	<p>Ministry reports</p> <p>Experts assessment</p> <p>Civil society reports Media survey Sociological survey</p> <p>Project records</p> <p>Training Records</p> <p>Sociological survey</p>	