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ANNEX IV

of the Commission Implementing Decision on the Annual action plan in favour of Ukraine for 2021

Action Document for Technical Cooperation Facility 2021

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title	Technical Cooperation Facility 2021				
CRIS/OPSYS					
	Annual action plan in favour of Ukraine for 2021				
Basic Act	CRIS number: NDICI-GEO-NEAR/2021/043-027				
	Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)				
2. Team Europe Initiative	No				
3. Zone benefiting from the action	The action shall be carried out in Ukraine				
4. Programming document	Multi-annual Indicative Programme (MIP) 2021-2027 for Ukraine ¹				
5. Link with relevant MIP(s)	The action will contribute to the implementation objectives under the Priority areas 1- 5, as well as Support measure on Cooperation facility, in particular:				
objectives/expected results	Priority area 1: A resilient, sustainable and integrated economy, specific objective 3 : Fostering more decent work, better employability (including skills development), a high-quality, innovative, accessible and inclusive education system, including vocational education and training;				
	Priority area 2: Accountable institutions, the rule of law and security, specific objective 1 : Improving the overall performance of the Ukrainian public administration, including citizens' access to administrative and social services, ensuring merit-based, depoliticised and gender-sensitive recruitment of civil servants, and introducing general administrative procedures; specific objective 2 : Strengthening the rule of law and reducing corruption, including high level corruption,				

¹ Commission Implementing Decision C(2021)9351 of 13.12.2021.

	41010 – Environmental policy and administrative management – 21%
8 a) DAC code(s)	15110 – Public sector policy and administrative management – 40%
	Goal 5. Achieve gender equality and empower all women and girls
	Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all Goal 10. Reduce inequality within and among countries
	Goal 3. Ensure healthy lives and promote well-being for all at all ages
	learning opportunities for all
	Goal 4. Ensure inclusive and equitable quality education and promote lifelong
	Goal 13. Take urgent action to combat climate change and its impacts
	Goal 12. Ensure sustainable consumption and production patters
	Other significant SDGs (up to 9) and where appropriate, targets:
Development Goals (SDGs)	Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
7. Sustainable	Main SDG (1 only):
6. Priority Area(s), sectors	PRIORITY AREAS AND SECTOR INFORMATIONGood governance and support to resilient and inclusive society - Government & Civil Society (150)Environmental and climate resilience - General Environment Protection (410), Energy (230), Mineral Resources & Mining (322)Digital transformation and education - Education (110) Reconstruction Relief & Rehabilitation (730)
	economic, social and cultural rights of minorities and gender equality; specific objective 4: Contributing to a robust healthcare system, including by addressing COVID-19 and aligning public health with provisions of the Association Agreement.
	Priority area 5: A resilient, gender-equal, fair and inclusive society t, specific objective 1: Supporting conflict-affected and vulnerable regions through social and economic recovery and enhanced human security, including by pursuing humanitarian demining activities and enhancing Ukraine's capacities to address risks from mines and other explosive remnants of war and by ensuring protection rights of the conflict-affected population; specific objective 3 : Promote social cohesion, including political,
	Priority area 4: A resilient digital transformation, specific objective 1: Supporting digital transformation and innovation to promote sustainable economic growth;
	Priority area 3: Environmental and climate resilience, specific objective 1 : Supporting conducive reforms and enhancing strengthening the investment climate, also contributing to sustainable economic growth investments, by to supporting the green transition, reduction of greenhouse gas emissions and pollution, and increasing energy efficiency leading to sustainable economic growth; specific objective 2 : Promoting sustainable use of natural resources, pollution reduction and biodiversity enhancement protection, including through sustainable food systems and agriculture, as well as enforcement of environmental legislation, by increasing energy efficiency, promoting circular economy and supporting adaptation to climate change and risk disaster prevention;
	through continuation and reinforcement of comprehensive justice and anti-corruption reforms;

	23110 - Energy policy and administrative management - 11%32210 - Mineral/mining policy and administrative management - 11%73010 - Immediate post-emergency reconstruction and rehabilitation - 9%15160 - Human rights - 8%			
8 b) Main Delivery Channel	Private sector institutions - 61000 Third Country Government (Deleg Non-governmental organisations a Recipient Government - 12000	-		
9. Targets	 □ Migration ⊠ Climate ⊠ Social inclusion and Human Development ⊠ Gender □ Biodiversity ⊠ Education ⊠ Human Rights, Democracy and Governance 			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance			
	Aid to environment		\boxtimes	
	Gender equality and women's and girl's empowerment		\boxtimes	
	Trade development	\boxtimes		
	Reproductive, maternal, new- born and child health			
	Disaster Risk Reduction		\boxtimes	
	Inclusion of persons with Disabilities			
	Nutrition	\boxtimes		
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	\boxtimes		
	Combat desertification	\boxtimes		
	Climate change mitigation		\boxtimes	
	Climate change adaptation	\boxtimes		
11. Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity		\boxtimes	

	digital governance		\boxtimes		
	digital entrepreneurship				
	job creation				
	digital skills/literacy				
	digital services		\square		
	Connectivity		\boxtimes		
	Tags: transport		\boxtimes		
	people2people				
	energy		\boxtimes		
	digital connectivity		\boxtimes		
	Migration	\boxtimes			
	Reduction of Inequalities		\boxtimes		
	COVID-19		\boxtimes		
	BUDGET INFOR	MATION	·		
12. Amounts	Budget line(s) (article, item): 14.02	20111 - Eastern 1	neighbourhood		
concerned	Total estimated cost: EUR 66 000	000			
	Total amount of EU budget contrib	oution: EUR 66 (000 000		
	MANAGEMENT AND IMPLEMENTATION				
13. Implementation	Project Modality				
modalities (type of	Direct management through:				
financing and management mode)	- Grants				
management moue)	- Procurement				
	Indirect management with the en set out in section 4.3.4.	tities to be select	ted in accordance	with the criteria	

1.2. Summary of the Action

The Technical Cooperation Facility 2021 aims at strengthening institutional and administrative capacities of the Ukrainian public authorities in selected priority areas to implement reforms and commitments under the AA/DCFTA and EU agreements.

The Action has four priority areas:

Priority Area 1: Capacity building for the implementation of key reforms and AA/DCFTA;

Priority Area 2: Digital transformation;

Priority Area 3: Building capacities and attracting investments for green transition;

Priority Area 4: Protection of national minorities' rights.

The main outputs under Priority Area 1: Capacity building for the implementation of key reforms and AA/DCFTA are enhancing government capacities to coordinate the reform and AA/DCFTA implementation, to pursue reforms, implement the provisions of the AA/DCFTA and EU agreements and transpose the EU acquis in Ukrainian legislation in selected priority areas. The selected priority areas are health, energy, environment, transport, phytosanitary, anti-money laundering and customs. The Action also includes activities supporting EIB's Ukraine Recovery Programme providing multi-sector investment schemes in the municipal and social infrastructure sectors in the east of Ukraine. Support to strengthening

capacities of the non-state actors to support and monitor the reform implementation at the central and local level, particularly in the healthcare, is also foreseen.

Under Priority Area 2: Digital transformation, the action will support building the government capacities to implement digitalisation of government and education services and ensure further approximation with the EU Digital Single Market. Priority Area 3: Building capacities and attracting investments for green transition will support government capacities to develop and implement policies and enhance collaboration towards achieving green transition.

Under Priority Area 4: Protection of national minorities' rights, the action will contribute to improving the conditions for political, social, cultural, and economic rights of national minorities prioritised in accordance with their specific needs through capacity building, legislative revision and promotion activities for enhancing cultural diversity and facilitating equal political and economic rights.

2. RATIONALE

2.1. Context

The EU-Ukraine Association Agreement (AA), which includes a Deep and Comprehensive Free Trade Area (DCFTA), entered into force as of 1 September 2017. AA provisions regarding the respect for human rights, fundamental freedoms and rule of law, political dialogue and reform, economic and financial cooperation have been provisionally applied as of 1 November 2014 and the DCFTA as of 1 January 2016. Ukraine's Constitution includes a provision defining European integration as a strategic priority in line with the amendments approved in 2019.

Following the presidential and parliamentary elections in 2019, the President, Parliament and Government of Ukraine have reaffirmed their commitment to continued implementation of the AA/DCFTA. AA implementation is defined as a priority in the Government programme, and contains a dedicated section on the AA/DCFTA. The Ukrainian Government includes a position of Deputy Prime Minister for European integration, who coordinates the implementation of the AA/DCFTA and works closely with the Parliament Committee on EU integration. A Government-Parliament platform established in 2019 was re-launched following the appointment of a new Deputy Prime Minister in June 2020. A joint Government-Parliament Road Map on legislation linked to the AA was updated in 2019. Ukrainian civil society continues to play an important role in the pursuit and monitoring of reform progress by close involvement through the Eastern Partnership Civil Society Forum and the EU-Ukraine Civil Society Platform provided for in the AA.

The EU publishes annually Association Implementation Report on Ukraine, which outlines the state of play of Ukraine's implementation of its commitments under the AA. In 2020 report, EU has marked an important progress achieved in 2020 in the AA and reform implementation in certain areas, in particular in intellectual property rights, standardisation and technical regulations, agrarian and rural development, banking and digital sectors. It was noted at the same time that the impact of the global COVID-19 pandemic in 2020, combined with some abrupt changes to Government and state agency personnel, have slowed down the pace of reforms. There have also been some tendencies to resort to protectionist and non AA-compatible policies to address economic problems triggered by the pandemic.

Despite the commendable stabilisation efforts of recent years, the COVID-19 pandemic hit the Ukrainian economy hard. The economic activity noticeably contracted in 2020 due to the limitations imposed by the Covid-19 related lockdown. Against the backdrop of the economic recession, unemployment increased, though moderately, from 8.6% in 2019 to 9.9% at the end of 2020. In contrast to the positive GDP growth in 2016-2019 in the range of 2.4-3.4% annually, in the 2020 the real GDP dropped by 4%. For 2021, the

government forecasted GDP growth at 4.6%, while International Monetary Fund (IMF) estimated 4% GDP growth.

The economic recession in 2020 has resulted in the increase of the budgetary deficit. The IMF approved on 9 June 2020 an 18-month Stand-by Arrangement for Ukraine of USD 5 billion, of which USD 2.1 billion in the form of budget support was immediately disbursed. The programme aims to help Ukraine to cope with COVID-19 pandemic challenges and advancing key structural reforms. This support is conditional on Ukraine's commitment to safeguarding achievements to date and advancing a small set of key structural reforms. Following the agreement of the new Stand-by Arrangement with the International Monetary Fund, the EU approved and disbursed for its part a EUR 500 million loan as part of its fourth EU macro-financial assistance (MFA) programme to Ukraine. In order to help limit the economic fallout from the coronavirus pandemic in Ukraine, the EU launched the new MFA programme of EUR 1.2 billion and disbursed the first tranche of EUR 600 million in December 2020.

In 2017, the government created an online monitoring system "Pulse of the Agreement" for tracking the progress achieved in 24 areas of the Association Agreement. Overall, the monitoring system tracks progress of 8 thousand activities within 2 thousand tasks foreseen by the Action Plan for the AA implementation approved by the Cabinet of Ministers of Ukraine in 2017. The progress is tracked by achieving annual goals and overall progress by 2024 for each area. In 2019, the online system was opened to public at https://pulse.kmu.gov.ua/. The Ukrainian Government publishes its own AA implementation reports since 2014. The latest report was published in spring 2020 for the year 2019 which has estimated the overall achievement of 43% of commitments under the AA/DCFTA.

The Government is engaged in renewed efforts to prioritise legislative reforms relating to AA commitments and coordination with the parliament and the President's Office in this regard. A joint Government-Parliament Road Map on legislation linked to the AA was updated in 2019. Ukrainian civil society continues to play an important role in the pursuit and monitoring of reform progress by close involvement through the Eastern Partnership Civil Society Forum and the EU-Ukraine Civil Society Platform provided for in the AA.

Civil society scene has been traditionally vibrant in Ukraine. Civil society organisations play an active role in monitoring and contributing to drafting and implementation of public policies. Dialogue between government and civil society has been restored end of 2019, after initial challenges to establish dialogue with the newly appointed government. They are also active in issues related to fight against corruption, monitoring of elections, etc.

The implementation of reforms and further legal approximation to meet the commitments taken under the AA/DCFTA require continued support to institution building and capacity development for Ukrainian public authorities. The key sectors requiring further support are digital transformation and education, health, energy, environment, transport, anti-money laundering, fight against serious economic crimes and national minorities rights.

The COVID-19 pandemic, combined with frequent changes in the leadership of the Ministry of Health have had an impact on the reform in the health sector. Healthcare financing reform was successfully rolled out at secondary and specialised care level in April 2020, but subsequent adjustments by the Government may affect its character and financial sustainability. The subsidies to the Central Procurement Agency have been temporarily reintroduced and the creation of an adequate regulatory framework for medical procurement is still in progress. In September 2020, the Parliament approved the Law on blood safety in compliance with relevant EU Directives, but relevant legislation is still pending finalisation. Re-organisation of Public Health Center was delayed and its capacities in epidemiological surveillance and disease prevention have to be strengthened.

The Coronavirus outbreak draw attention to the importance of having a well-functioning epidemiological surveillance system, adequate capacity of laboratories to detect the disease and possibility to employ necessary response measures timely. The government was slow in rolling out COVID-19 testing and vaccination. Experts also report a decline in collection of blood because of donors' reluctance to go to the blood collection establishments. Reduction of donor numbers before, during and after COVID-19 outbreak is a major risk for blood services. For potentially useful treatment for COVID-19, systems should be in place to enable re-entry of infected donors after recovery for collection of convalescent plasma. Plasma from recovered COVID-19 patients contains antibodies that may help fight the disease that causes the illness.

Participation in the pilot phase of Public Administration Reform allowed the Ministry of Health to start reorganizing the whole ministerial set up aimed at strengthening strategic and policy making. The staff of the Ministry of Health need further operational and specific health sector related competencies development and large-scale support to tackle public health challenges mentioned in the AA and specific challenges caused by the COVID-19 pandemic.

Ukrainian agriculture suffers from a number of serious pests and diseases and there has been in the past few years an increase in quantity and areas of outbreaks of quarantine organisms. A moratorium on inspections has been in place for a number of years and substantial efforts are needed to re-establish a modern phytosanitary control system covering the whole of the food chain "from farm to fork" and continue professional development of those involved in developing, implementing and enforcing these controls. In terms of legislation, if food safety and animal health areas are adequately covered and progress in these fields have been noticeable, there are still about 80 EU plant / phytosanitary pieces of legislation / legislative acts to be approximated.

In the energy sector, unbundling of NAK Naftogaz was driven forward successfully with the establishment of a new gas transmission system operator in 2020, although the company requires further implementation of the corporate governance reform in line with OECD principles as well as capacity building to become fully operational. The opening of electricity wholesale market remains equally challenging despite some legislative steps forward. The government and the Energy Regulator kept strong price regulations at wholesale and retail level, which contributed to a deep financial crisis in the sector, further affected by the economic consequences of the COVID-19 pandemic.

Since October 2019 the Ukrainian authorities have been in discussions with investors on further amendments to the existing support scheme for investment in renewable energies, which proved costly for the Ukrainian market. In June 2020, the Government and some domestic and foreign investors signed a memorandum covering set of commitments on both sides, including the obligation of Ukrainian authorities to improve electricity market functioning. Later, in July Parliament adopted a law N 810-IX amending the support scheme and reducing the feed in tariffs as of 1 August. The implementation of other provisions of the Memorandum is delayed and the debt of the market to investors for electricity produced from renewable energy sources has been growing since March 2020. The situation improved in November 2021 when the electricity TSO (Ukrenergo) issued a Eurobond, raising funds for EUR 825 million, which were later transferred to the electricity Guaranteed Buyer which has partly turned them to RES investors for debt reimbursement. However, the reimbursement is still incomplete (the company DTEK has not yet been paid) while structural issues on RES support cost-recovery in the electricity market still have to be solved. In July 2021, a Memorandum of Understanding on strategic partnership in (critical) raw materials between the EU and Ukraine including batteries was signed.

In the area of transport, the key draft laws foreseen by the AA on market opening, including on railway and dangerous goods and multimodal transport have not been adopted. Similarly, the Strategy and the Complex Action Plan for reforming infrastructure projects, which are important to provide the basis for the introduction of EU standards for infrastructure management, are still not in place. The law on the inland water transport

and the Action Plan for the Implementation of the National Transport Strategy have been recently adapted, but adoption of the secondary legislation and implementation measures still remain. The financial situation of the unreformed Ukrainian Railways company remains critical.

Little reform progress has been made in 2020 in the environmental sector, and discussions on amending Annex XXX to the AA are ongoing. The reform of the Environmental Inspectorate did not take place. A new Ministry for Environmental Protection and Natural resources was created. In the area of climate action, two important Laws were adopted in December 2019, on monitoring, reporting and verification of greenhouse gas emissions and on ozone depleting substances. The key documents planned for 2020, an updated Nationally Determined Contribution under the Paris Agreement and an Integrated Energy and Climate Strategy have not yet been delivered. The development of a national Strategy on Adaptation to the Climate Change has been delayed.

In digital transformation, Ukraine has made considerable progress in 2020. The newly-formed Ministry of Digital Transformation proceeded with e-government and administrative service modernisation reforms including development of the network of unified service centres at the local level. The Ministry has also led the effort of moving forward with a unique government inter-operability system TREMBITA, creating new interface "DIYA" for users of digital public services, and implementing some flagship public service initiatives, such as "e-baby".

In the electronic communications sector, the Law on Electronic Communications is an important step on the way for an in-depth sectoral reform and approximation with the EU Digital Single Market acquis. The on-site assessment of Ukraine's commitments on telecommunication services under Appendix XVII-3 of the AA/DCFTA showed that notable progress has been made in the fields of legislative developments and regulatory capacity building. However, with a view to fully benefitting from the AA/DCFTA, further initiatives and improvements are required, in particular when it comes to ensuring the effective independence of the telecoms regulator. The EU will continue to provide support for formulating concrete action plans for policy and administrative capacity improvements.

Education reform was maintained as a Government priority in 2020. The New Ukrainian School is a crucial reform of the Ukrainian Government, which has been ongoing for four years and aims at modernisation of the school and providing students with knowledge and skills necessary for life. In September 2017, the new Law "On Education" was adopted, which regulates the basic principles of the new education system. The new Law "On General Secondary Education" was adopted in June 2020. Since the COVID-19 pandemic lockdown, the system shifted to on-line teaching/learning mode. For many, this has been the first time they have fully used digital technologies for teaching and learning. Digitalisation of education is considered a new direction of the secondary education reform. The Ministry of Education plans to develop the Digital Education Action Plan to pave the way for truly inclusive and high quality digital education.

Under the AA Ukraine has committed to respect the democratic principles, human rights and fundamental freedoms, and other relevant human rights instruments, among them the UN Universal Declaration of Human Rights and the European Convention on Human Rights and Fundamental Freedoms. These elements also constitute, according to Article 2 of the AA, essential elements of the Agreement. Ukraine has ratified most of the core human rights international instruments and cooperates well with the respective bodies monitoring their implementation. Major reforms are ongoing in judiciary, prosecutorial system and law enforcement institutions, as well as legislative work related to the introduction and implementation of the core legislation in the area. Political risks in terms of a deteriorating human rights situation and possible undermining of democratic structure in the country remain overall moderate, although the risk of human rights violations in No-Government Controlled Areas, as well as in Crimea, continues to remains high.

The National Human Rights Strategy, adopted in 2015, reached the end of its five year duration in 2020. A new Strategy has been elaborated by the current administration, following a consultative process, and it is

pending approval. Following the adoption of the new Strategy, a new Human Rights Action Plan is foreseen to be elaborated, under the lead of the Ministry of Justice, containing clearer results indicators.

The EU addresses the main issues in the area human rights through the regular EU-Ukraine Human Rights Dialogue, such as the rights of Internally-displaced persons (IDPs), Lesbian, gay, bisexual, and transgender persons (LGBT) and ethnic, linguistic, religious, and national minorities, the need to investigate attacks against civil society and the media, as well as the need to take into account the Venice Commission opinion on the draft law on the use of state language.

The COVID-19 crisis has exacerbated existing inequalities, discrimination and social exclusion in Ukraine, and groups that are marginalised and in situations of vulnerability are at increased risk of being left behind. The recent OHCHR report² on the impact of COVID-19 on human rights in Ukraine highlighted the disproportionately negative impact of the pandemic on those who already faced limited enjoyment of the rights to health, work, education, social protection and an adequate standard of living before the pandemic, such as women, Roma, homeless persons, persons with disabilities and older persons, especially those in institutions. Women among these groups are often particularly marginalized. The crisis also revealed vulnerabilities among healthcare workers, 83% of whom are women, 95% who are on the frontline of the COVID-19 response.

In the area of justice, rule of law and the fight against corruption, a noticeable progress has been achieved on the establishment of the legal and institutional framework for anti-corruption. Ukraine's institutional framework now includes the High Anti-Corruption Court (HACC), which began working on high-level corruption cases in September 2019 and handed down its first verdict in June 2020. Cooperation between the National Anti-Corruption Bureau of Ukraine (NABU) and the Specialised Anti-Corruption Prosecutor's Office (SAPO) has improved, though the rate of convictions from corruption investigations remains low for the time being. In 2020 the Constitutional Court of Ukraine (CCU) declared certain provisions of the anti-corruption legislation unconstitutional, creating legal uncertainty, undermining NABU's and National Agency for Prevention of Corruption functioning. The President and the parliament have undertaken actions to keep the anti-corruption system within the constitutional crisis and removed the head of the constitutional court from his position.

Major reform efforts are ongoing related to the judiciary, the prosecutorial system and a number of law enforcement institutions. An anticipated law on judiciary was put on hold following a negative opinion of the Venice Commission late 2019 and a CCU ruling in March 2020. New legislation addressing these reservations was submitted to Parliament in July 2020, and is under consideration in the Legal Policy Committee. A Venice Commission Opinion on the draft law was published in October 2020, accepting a reform in stages, on the condition that the High Qualification Commission of Judges (HQCJ) be made autonomous from the High Council of Justice (HCJ) and the reform of HCJ will be launched in parallel. An Intelligence Service law, establishing democratic control and oversight over agencies with intrusive powers, including the Security Service, was adopted. Consideration of new broader legislation on the Security Service continues, along with work on the establishment of the Economic Security Bureau.

On the election process, Ukraine has recently had a good track record of conducting free, fair and competitive elections in 2019 and 2020. The outcome of the presidential, parliamentary and local elections held after Euromaidan was largely recognised by candidates/parties, observers and international community. The 2020 nationwide local elections were competitive and were characterised overall positively by domestic and international observers, despite minor irregularities and legal shortcomings as well as additional challenge to the organisation of the elections posed by COVID-19.

² https://www.ohchr.org/Documents/Countries/UA/Ukraine_COVID-19_HR_impact_EN.pdf

Ukraine is yet to adopt a Law on National Minorities, which is a recommendation made by the Venice Commission on Ukraine's adoption of the Law on State Language in May 2019. The State Service of Ukraine on Ethnic Policy and Freedom of Conscience was established during the second quarter of 2020, and is expected to develop - in close cooperation with representatives of national minorities and international interlocutors - a national strategy for minorities, and to contribute to the Law on National Minorities.

In April 2019, the Ukrainian parliament adopted a law requiring that Ukrainian language be used in most aspects of public life. The law raised concerns about sufficient guarantees for the protection and use of minority languages. Some representatives of minority groups continued to voice concerns regarding the diminishing space for their linguistic identity in the absence of a dedicated law that that sets outs and regulates these rights. OHCHR documented incidents of hate speech and threats against national minorities, including Hungarians, and foreign students, as well as persons perceived as pro-Russian due to their use of the Russian language or critical opinions about the Law on State Language. Amongst national minorities, Roma people continued to be the most targeted by hate speech online, leading in some cases to violence. The Roma minority continues to remain a particularly vulnerable minority group due to a lack of access to identification documents, adequate education or poverty reduction actions. Decentralisation reform has led to a shift of funding and management responsibilities from central and regional/sub-regional state authorities to new structures of local self-government.

This action will contribute to the implementation of policy priorities of the Commission, in particular Governance and Human Development, Green Deal, and Digitalisation and Digital Skills. The activities in the area of digital education are aligned with the EU Communication on the Digital Education Action Plan of 2018 foreseeing making better use of digital technology for teaching and learning, developing digital competences and skills for the digital transformation.

The action is designed in line with the priorities of the EU action plan on human rights and democracy 2020-24 reaffirming the EU's commitment to promoting the EU's values on human rights and democracy, and to strengthening the global system for human rights and democracy. The activities will support strengthening partnerships with governments, businesses and social partners and use new technologies to mainstream and help improve human rights.

EU has wide experience and internal knowledge when it comes to the design and implementation of the AA/DCFTA implementation and transposition of the EU legislation in the national legislation. The priorities for the AA/DCFTA implementation are jointly discussed at the EU-Ukraine summits and Association Council. Strong working relations are established between the EU institutions and the Ukrainian ones, resulting in work-level contacts and collaboration on a wide range of issues. The priorities of the Action are in line with the Commission priorities, a number of EU policies on governance, human development, digitalisation, and energy.

The action will complement the Special Measures adopted in 2015-2017 and programmes designed under the focal sectors of the current SSF in 2018-2019. It continues the support to the implementation of EU-Ukraine Agreements provided through *Technical Cooperation Facility 2015-2020*.

It also complements and will comply with commitments made under the ongoing comprehensive support programmes in the area of good governance, such as *Support to Comprehensive Reform of Public Administration, Support to Public Finance Management Reform, EU Anti-Corruption Initiative,* and *Support to Rule of Law Reforms.* Particularly, support to reform architecture is fully aligned and contributes to public administration reform implementation in the short- and mid-term. In the area of green transition, the Action will complement ongoing actions including the programme *Climate package for a sustainable economy: (CASE).*

The action will complement the activities under the e-government and digital programme EU4DigitalUA, supporting development interoperability/registers, electronic identity/electronic trust services, electronic services, cybersecurity, data protection. The action will also complement the broadband support and EU Digital Policy support initiatives which are aimed to assist the Ministry of Digital Transformation of Ukraine to improve their capacity in formulating, adopting and following up on digital economy policy. The action priorities related to digitalisation of education are also complementing the EU programme on the modernisation of the vocational education system in Ukraine, which is crucial for providing quality skills for the local labour market.

The donor coordination mechanism for International Technical Assistance was revised in 2020. The mechanism enables coordination and policy dialogue on all levels in a more structured manner than before and will be instrumental in setting the agenda and implement of Ukraine's development priorities. The mechanism is based on cooperation on three levels: 1) high-level meeting at Prime Minister-level normally once or twice per year, 2) policy dialogue meetings at the level of Heads of Cooperation and Vice Prime Minister, and 3) meetings in over 20 thematic Sectoral Working Groups.

The EU is the permanent co-chair of the Heads of Cooperation group bringing together all development partners in Ukraine. The EU Delegation is also co-chairing several Sector Working Groups (SWGs) and taking active part in all of them. Donor coordination in specific thematic areas will be done via the relevant sector working groups.

EU together with EU MS representatives in Ukraine have agreed on launching a joint programming process in order to strengthen the links between EU and EU MS political action and reform support This has been done adopting the Team Europe approach aiming to develop joint objectives and joint key messages based on our joint analyses and collective experiences of cooperation with Ukraine in a number of broad and central reform areas. The result over the last 12 months is the development of five thematic fiches/policy briefs.

Although a full joint programming document is not developed, the aim of this work is to enhance the effectiveness and coherence of our cooperation programmes, to increase the impact and to deliver better results, to reduce fragmentation and to increase transparency, predictability and accountability of our aid-funded programmes. Since the key messages are also policy centred the links between our political action and reform support has also been strengthened. The developed joint positions are in line with the Association Agenda, the Eastern Partnership priorities and the Sustainable Development Goals.

2.2. Problem Analysis

Priority Area 1: Capacity building for the implementation of key reforms and AA/DCFTA

Short problem analysis

The new Government has committed in its programme to implement the necessary reforms in all sectors covered by the AA and transpose EU acquis envisaged by the AA. However, in view of the lack of internal capacities to sufficiently address the reform implementation, the reform support architecture for Ukraine will continue being a useful and visible tool to support the Government in delivering on a number of target reforms. The main element of it is the Stabilisation and Sustainable Growth Multi-Donor Account established in July 2014, which is expected to continue support provided through reform support teams in selected priority ministries and agencies which help transforming management within these institutions in line with the 2016-2021 PAR Strategy and soon to be adopted 2021-2025 PAR Strategy and will continue building-up the future cadre of the civil service. Additional support can also be provided through short-term support to reform initiatives or conducting specialised studies and desk research.

The implementation of reforms and further legal approximation require continued support to institution building and capacity development for Ukrainian public authorities. The key priority sectors requiring capacity building under this action are health, energy, environment, transport, phytosanitary, anti-money laundering and customs.

In particular, in the health sector this will imply strengthening of the capacities of the Ministry of Health to progress with the implementation of the health sector reforms, improve operational processes and proceed with the legal approximation foreseen under the AA in the sphere of public health, including on blood safety, cells and tissues of human origin, epidemiological surveillance/control and tobacco use.

In phytosanitary, further approximation and implementation of the EU legislation, as well as improvement of standards in phytosanitary services, control, surveillance and national emergency response capacity through institutional restructuring and capacity building of the State Service of Ukraine on Food Safety and Consumer Protection. The transformation of this body into a modern control body implementing risk-based methodologies aligned with EU rules will require a complete institutional re-shuffle and digitalisation of its services.

In transport, continued support to sector reform implementation, approximation of EU legislation and implementation of relevant EU directives is required. In the energy sector, the assistance with compatibility assessments of the Ukrainian energy legislation against the provisions of the AA (in particular Annex XXVII) and to further support the development and implementation of the legal, regulatory and operational framework in the gas, electricity, coal, energy efficiency and renewable sectors in line with the provisions of the AA are required. The implementation of the Memorandum of Understanding on a Strategic Energy Partnership laying down the basis for the integration of Ukraine's energy market with that of the EU requires further logistical, legal and technical support.

In the area of environment, the capacities of the beneficiaries to implement the EU Water Framework Directive and Floods Directive have to be reinforced through provision of an operational and efficient monitoring network and preparation of River Basin Management Plans and Flood Risk Management Plans for designated river basins.

In the area of social services and infrastructure in and around conflict-areas regions of Ukraine, further capacity building assistance and advisory support at local level are needed to ensure the identification, preparation, implementation and monitoring of infrastructure rehabilitation projects under the Ukraine Recovery Programme (URP) of the European Investment Bank (EIB). URP is a framework loan to finance priority investments in the recovery of areas affected by the conflict in eastern Ukraine and basic infrastructure needs of internally displaced population in other parts of the country.

In anti-money laundering efforts, as of 2020 Ukraine has achieved compliance with 11 of the 40 Financial Action Task Force (FATF) Recommendations constituting the international anti-money laundering/counter terrorist financing (AML/CFT) standard. The new AML/CFT Law was adopted by the Parliament in December 2019. It aims at transposing provisions of the 4th EU AML Directive into Ukrainian legislation, fulfilment of FATF and MONEYVAL recommendations with an overall goal of making Ukrainian AML/CFT system more efficient. However, the adoption of the secondary legislation required to make AML fully operational after it entered into force in April 2020, is still ongoing. In 2020-2021, there have been several attempts to weaken certain provisions of the AML law yet they have not been successful so far. Further support to the implementation of the AML law and increasing capacities of country's intelligence and investigation, law-enforcement and judicial systems, as well as support to improving the legal and regulatory framework is required, to meet UA's commitments under the AA and to increase Ukraine's compliance with MONEYVAL recommendations.

Responding to a longstanding need of having a modern framework for combating serious economic and financial crimes, the Ukrainian authorities decided to create a Bureau for Economic Security. While the legal framework remains to be completed, work has started on the establishment of the agency which is to become operational in 2021. Given the challenge and importance of this reform, it is proposed to support the operations of the new agency through building up the institutional capacity and developing technical infrastructure.

In the area of interconnectivity of customs transit systems, Ukraine intends to join the Convention of 20 May 1987 on a common transit procedure in line with AA Chapter 5 "Customs and trade facilitation". In order to proceed with the New Computerised Transit System NCTS deployment, Ukraine requires connection to the common network (CCN/CSI), managed by DG TAXUD and used by the parties to the Convention. For accession and neighbouring countries, the costs of participation in the programme are covered by the EU Customs Programme. In order to facilitate the access of Ukraine to the common network.

In the course of the implementation, other priority areas defined by the AA/DCFTA may require additional support. In this case the priority sectors under this Action may be adjusted.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The Cabinet of Ministers and all ministries will be involved in the activities related to the reform support architecture and the implementation of the AA, and will act as a coordinator on the government side of AA monitoring and implementation, public administration reform and gender equality. The government stakeholders involved in the priority sectors, such as the Ministry of Health, the Ministry of Energy, the Ministry of Infrastructure, Ministry of Economy and Agriculture, Ministry of Environment and Ministry of Finance will be closely involved and will benefit from the outputs produced in these areas. State Service of Ukraine on Food Safety and Consumer Protection State Service of Ukraine on Food Safety and Consumer Protection is the single body of executive power in the field of food and feed safety, phytosanitary measures, veterinary medicines, animal health, and animal welfare requiring transformation into a modern control body in line with EU standards. Civil society organisations acting in the area of health will be involved in activities related to monitoring of health reform progress.

Priority Area 2: Digital transformation

Short problem analysis

Digital sector a priority of the EU-UA co-operation as highlighted in the EU-Ukraine Summit in 2020. Significant progress has been made in digitalising government services in 2019-2020, advances have also been in made in approximating legislation with the EU acquis and overall digital eco-system.

Ukraine has a fast-growing digital economy sector. The country consistently ranks high in terms of educational achievements in STEM (science, math and technology) and it has an emerging and dynamic high-tech sector. The growth of the tech sector has induced the emergence of new start-up companies developing their products at a high level of technical excellence progressively more integrated into global value chains. Many Ukraine's cities host a vibrant start-up and innovation scenes, and its start-ups compete on a global scale since their inception, leveraging particularly artificial Intelligence and block-chain technologies. The success in digital innovation further increase investors' interest and inspire a strong sense of entrepreneurship in the local tech community.

Ukraine has significant potential for further developing an innovation-based economy driven by its talents and entrepreneurial skills. Features like well-educated workforce, a tradition of research, natural resources, increasing access to markets in Europe and a large and successful knowledge diaspora provide great potential for Ukraine to rapidly advance in the area.

The main challenge is that the government's innovation-related policies are not well coordinated neither properly implemented nor funded. Innovation programs at the regional level are uneven. Ukraine's science and technology institutions have weakened since independence and are poorly structured and funded for innovation. The structure of research institutes is tied to traditional areas of economy rather than emerging sectors. Access to finance is a major barrier to growth. Most investments in innovation are internally financed by companies. Equity financing through stock market is mostly unavailable due to weak institutions and rule of law.

The education system also needs support and capacity building to enable the digitalisation of education, at the regional and local level. There are high pre-service and in-service teacher training needs in schools of all levels of education as well as principal leadership training. Besides, it is essential to add an intense focus on the initial training of teachers on information and communication technologies later in their work in schools.

The Ministry of Education and Science has prepared a draft strategy for the digitalisation of education, which is currently under consultations. The starting point for digitalisation of education in Ukraine is weak: teachers' digital skills are low, digital tools are lacking. Moreover, further support is needed to develop the relevant infrastructure for effective use of digital education all over Ukraine.

New proposed action aims at addressing two major gaps in the EU support and cooperation with Ukraine in the digital sector: supporting the digital innovation ecosystem and developing digital skills in education. The EU support in those areas is necessary in further promoting digital innovations and contributing to unprecedented opportunities for long-term economic growth. Digital education needs to be reinforced particularly in the context of ongoing COVID-19 and the need to step up the possibilities for distance learning.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

Key stakeholders under this priority are the Ministry of Digital Transformation, national regulatory authorities (telecom, media), Ministry of Education and Science, digital ecosystem actors including knowledge generating and sharing actors as well as financial institutions.

The development of learning institutions should be based on a national strategy. Ministry of Education and Science, together with Ministry of Digital Transformation should create guidelines for the development of information and communication technologies, invest in the infrastructure and development projects and see to pre-service and in-service education for the teachers. Institute of Modernisation of Content of Education and Institute for Education Development, National Academy of Educational Sciences, Universities and other relevant stakeholders shall be consulted during the preparation of those guidelines. Regional and Local communities should create the premises for regional development, build networks for the in-service education for the personnel, ICT infrastructure, and support the administration of the educational institutions.

Priority Area 3: Building capacities and attracting investments for green transition

Short problem analysis

Ukraine has announced its interest in promotion of the green agenda and synchronisation of the energy, environmental, economic and infrastructure policies, and has at several occasions highlighted its interest to be more involved in the European Green Deal (EGD) since it was announced.

A focused dialogue on EGD/Ukraine green transition was launched with a kick off meeting between Prime Minister Denys and Vice President Timmermans in February 2021, as agreed during the 6th October 2020 EU-Ukraine Summit. The first two high level meeting of the focused dialogue took place in May and September 2021 in Brussels and Kyiv, involving experts on both sides. Topics discussed so far include climate

governance, green transition financing, waste and circular economy, forests, biodiversity enhancement, coal transition, hydrogen technologies, EU industrial alliances, Energy Efficiency. Ukraine recognizes that the EU is the main partner able to steer coordination with other donors and International Financial Institutions (IFIs), given that the green transition of Ukraine is being developed on the basis of the European Green Deal and due to the importance of the EU-UA Green Deal Dialogue.

However, the country has enormous needs in the development of the policy framework, building up institutional capacity for implementation and changing the government policy design approach to facilitate the integration of the green transformation approach into policy making. The Ukrainian government has to develop and implement a strategy for "green" sustainable growth. The green transformation also requires significant investments to support green transition financing, as well as adaptation of the legal framework to attract public and private investments to the relevant sectors.

The EU is already mobilising a substantial amount of funding to support green transition efforts in Ukraine, from environment, climate, to energy, agriculture and transport through a wide range of ongoing projects. These include more technical assistance and capacity building to key actors, and in particular to government for the approximation of relevant legislation with EU acquis. This includes a dedicated programme "Climate package for a sustainable economy: (CASE)" adopted in 2020 focusing on implementation of a comprehensive "green" transformation program, including consultancy and local actions/grants aiming to support pilot replicable projects. The EU also works through cooperation with IFIs, through blending mechanisms.

This Action under the priority area 3 will complement the ongoing programmes and activities under priority area 1 (such as activities on energy, transport and environment), by focusing on institutional capacity building, policy development capacities aiming to enhance Ukraine's green transition path, including through activities in collaboration with International Financial Institutions.

This includes areas such as energy and energy efficiency. Assistance to support the coal regions in transition based on EU experience and best practices, including measures for the economic development of these regions to introduce the new economic opportunities leveraging region's human and natural resource.

In view of the global decarbonisation and transition to renewable energy sources, the Ukrainian Government requires support in the conversion of coal regions through economic diversification, business development and qualification. Intensifying the cooperation between the EU and Ukraine in the field of raw materials requires sustainable development of the mineral resources and closer integration of critical raw materials value chains including batteries.

At the same time, the development of new segments of the renewable energy is also key in Ukraine. This includes the production, use, transmission and storage of hydrogen is one of the priority areas with great potential. The EU can contribute to facilitate the production and efficient and safe transportation of green hydrogen from Ukraine to EU markets.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The Cabinet of Ministers will coordinate the activities related to development and implementation of the policy framework and coordination of the key Ministries contributing to the Green Deal agenda. Key Government stakeholders for this priority area include the Ministry of Energy, Ministry of Environmental Protection and Natural Resources, Ministry of Infrastructure and Ministry for Communities and Territories Development, which are responsible for different policy areas covered by Green Deal. Other relevant stakeholders at the central government level which could be involved include the Ministry of Science and Education (in charge of innovation policy and of mainstreaming EU research and innovation programmes), the Ministry of Digital Transformation, and the Ministry of Economic Development, Trade and Ministry of

Agrarian Policy and Food. Local authorities and civil society organisations are important stakeholders, participants and advocates of the practical implementation of the government initiatives. Involvement of other international partners including International Financial Institutions in the process should also be ensured.

Priority Area 4: Protection of national minorities' rights

Short problem analysis

Ukraine is a signatory of a number of international conventions aimed at anti-discrimination and protection of minorities, starting with the European Convention on Human Rights (and Protocol 12) and the Framework Convention for the Protection of National Minorities (CoE FCPNM), as well as CERD, ICCPR and CEDAW. The commitments related to non-discrimination on racial or ethnic decent basis have mostly been transposed into national legislation (Law on National Minorities, the Law 'On the Principles of Preventing and Combating Discrimination in Ukraine' – linked to the EU visa free regime, anti-discrimination clauses in the Civil Code of Ukraine, the Civil Procedure Code, the Labour Code of Ukraine, the Law 'On National Police' and the Code of Administrative Procedure). Inconsistencies between different pieces of legislation still exist; changes in existing legislation and standing policies are periodically subject to contentious national debates.

Ukraine continues to develop its legal framework related to minorities with the recent creation of the State Service of Ukraine on Ethnic Policy and Freedom of Conscience and plans to prepare a law on minorities. At the same time, many issues persist – starting with the complaint of lack of involvement of minorities in local governance and policymaking. Lack of budget allocations allowing the minority groups to exercise their cultural and social rights, fostered further mistrust between minority representatives and national and local government. A comprehensive legislative review of the national minorities' legislation as well as building capacity of the State Service for ethnic policy is required.

Different ethnic minority groups face different types of issues in Ukraine. Actions promoting antidiscrimination and advocating diversity value are much needed in order to allow for a constructive national level dialogue around modern Ukrainian identity and the role that the inheritance of historical and recent ethnic minorities play in shaping it.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

State Service of Ukraine on Ethnic Policy and Freedom of Conscience in charge of the legislative development and policy implementation in the area, regional and local authorities, civil society organisations protecting human rights and rights of national minorities

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to support Ukraine in the implementation of the key reforms and commitments under the AA/DCFTA and EU agreements in selected priority sectors.

The Specific Objective (Outcome) of this action is to strengthen institutional and administrative capacities of the Ukrainian public authorities in selected priority areas to implement reforms and commitments under the AA/DCFTA and EU agreements, and strengthen capacities of the civil society to support the reform process and ensure equal access to policy dialogue at the central and local level.

The Outputs to be delivered by this action contributing to the Specific Objective are:

1.1: Enhanced government capacities to coordinate the reform and AA/DCFTA implementation, and to pursue reforms, implement the provisions of the AA/DCFTA and EU agreements and transpose the EU acquis in Ukrainian legislation in selected priority areas, as well as capacities of the state and non-state actors to support and monitor the reform implementation at the central and local level;

1.2: Enhanced government capacities to implement digitalisation of government, education and science services, and ensure further approximation with the EU Digital Single Market;

1.3: Enhanced government capacities to develop and implement policies and enhance collaboration to support green transition

1.4: Improved conditions for political, social, cultural economic rights of national minorities prioritised in accordance with their specific needs.

3.2. Indicative Activities

Activities related to Output 1.1:

- Activity 1. Technical assistance (expert advice and training) in development, coordination and monitoring of the implementation of Government reform plans and AA/DCFTA implementation plans at the level of the Cabinet of Ministers;
- Activity 2. Targeted temporary expert support in selected ministries in the design and implementation of priority sector reforms, including with the purpose of transformation of the ministries in the context of public administration reform;
- Activity 3. Technical assistance (expert advice, analytical support, desk research, studies) and supplies complementing the primary capacity building activities in the priority areas of AA/DCFTA implementation. Priority areas under this Action indicatively include health, energy, mining, environment, transport, phyto-sanitary, and anti-money laundering but may be extended to cover other areas of AA/DCFTA in the course of implementation. Technical assistance under Activity 3 will include:
 - Activity 3.1. Capacity building to progress with further health sector reforms, improve operational processes and proceed with the legal approximation foreseen under the AA, promotion of healthy lifestyle and awareness raising in public health areas;
 - Activity 3.2. Capacity building and institutional restructuring for legal approximation and implementation of the EU legislation, as well as improvement of standards in phytosanitary, non-animal origin food products safety and related areas;
 - Activity 3.3. Technical assistance and capacity building for legal approximation and implementation of the EU legislation in transport; support evidence based policy and partnership dialogue and support formulation and preparation of projects in the prioritized area of the EU-Ukraine cooperation in transport;
 - Activity 3.4. Technical assistance (legislative review, capacity building, feasibility studies) to implement energy sector reforms in the gas, electricity, energy efficiency and renewable sectors focusing on further approximation of Ukrainian energy legislation in line with the provisions of Annex XXVII of AA, MoU on Energy including support to the gas TSO in implementing the corporate governance reform and feasibility studies;
 - Activity 3.5. Capacity building for legal approximation and implementation of the EU legislation in environment, focusing on water, river basins and flood risk management;

- Activity 3.6. Capacity building for improving the legal and regulatory framework and implementation of the anti-money laundering and counter terrorist financing legislation and recommendations ensuring alignment with international standards;
- Activity 3.7. Capacity building and digitalisation of the agency combating serious economic crimes;
- Activity 3.8. Technical assistance to strengthen the implementation of the EIB's Ukraine Recovery Programme aimed at supporting multi-sector investment schemes in the municipal and social infrastructure sectors that have been adversely affected as a consequence of the conflict in the east of Ukraine, as well as to relieve increased pressure on social services and other infrastructure in other regions of the country due to the influx of IDPs and other conflict-affected disruptions. The activities will include capacity development of final beneficiaries, including from local government and civil society, and support for all phases of the construction/renovation project cycle;
- Activity 3.9: Technical assistance to provide transport solutions to the most disadvantages villages along the contact line in the east of Ukraine.
- Activity 4. Coverage of Ukraine's participation in the EU Customs programme;
- Activity 5. Grants supporting the monitoring of health reform progress and transparency of governance and political decisions, protection of human rights related to health, access to services, equality and dignity, healthy lifestyle promotion and awareness raising in public health areas.

Activities related to Output 1.2:

- Activity 6. Technical assistance (expert and legal advice, training, analytical work, feasibility studies) for the capacity building on the approximation with the EU Digital Single Market acquis, supercomputing and data handling, support on development of the national innovation policy;
- Activity 7. Technical assistance (expert and legal advice, training, analytical work) and investment (works, supplies) to support the implementation of the Strategic Framework (Concept) of Education and Science Digitization, including training for the development of IT skills of students, teachers and lecturers, development of comprehensive recommendations and methodology for online learning, building up the ICT infrastructure for educational and scientific institutions.

Activities related to Output 1.3:

- Activity 8. Technical assistance (expert and legal advice, training, analytical work) supporting the development, coordination and implementation of the legal framework necessary for the green transformation, enhancing institutional capacity building, governmental policy development capacities, improving policy framework and implementation arrangements enhancing Ukraine green transition path.
- Activity 9. Technical assistance (expert advice, feasibility studies, legislative review, legal approximation, capacity building, development of new economic incentives) to support the coal regions in transition for the economic development of these regions;
- Activity 10. Technical assistance (expert advice, feasibility studies, legislative review, legal approximation, capacity building) to support the production, use, transmission and storage of hydrogen and facilitate the efficient and safe transportation of green hydrogen from Ukraine to EU markets
- Activity 11. Technical assistance (legislative review, legal approximation, capacity building, new economic opportunities and industrial policy) in line with the provisions of the Memorandum of Understanding on strategic partnership in (critical) raw materials between the EU and Ukraine including batteries.

Activities related to Output 1.4:

- Activity 12. Legislative review of the national minorities legislation and capacity building to the beneficiaries in legislative revision and implementation;
- Activity 13. Support to the grass roots initiatives on three priority strands: 1) economic empowerment, though employment and entrepreneurship initiatives; 2) cultural identity preservation and valorisation (informal education, local media, culture and cultural heritage); 3) political empowerment, participation in local governance and human rights protection;
- Activity 14. Diversity promotion activities aimed at the population of Ukraine, raising awareness and fighting stereotypes concerning national minorities.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

Outcomes of the Environmental Impact Assessment (EIA) screening (relevant for projects and/or specific interventions within a project)

The EIA screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design of specific activities in the area of energy, environment and Green transition).

Outcome of the Climate Risk Assessment (CRA) screening (relevant for projects and/or specific interventions within a project)

The CRA screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as this action is labelled as G1. This implies that at the level of implementing contracts implementing partners will ensure compliance with gender equality standards, including promoting more women into the top management positions and ensuring equal pay, and establish monitoring mechanisms allowing data disaggregation by gender.

Human Rights

All activities will mainstream participation and access to the decision-making process; non-discrimination and equal access; accountability and access to the rule of law; transparency and access to information. Activities relating to Output 4 will contribute to non-discrimination and equal access to the services by the national minorities.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that disability is not specifically addressed by the components of the action.

Democracy

The action will support strengthening of institutions and increasing transparency of policymaking and therefore contribute to strengthening the democratic process, including through more systematic inclusion of civil society in the policy development and monitoring.

Conflict sensitivity, peace and resilience

Activities related to equality of national minorities will contribute to building trust and resilience between different ethnic groups. Activities supporting multi-sector investment schemes in the municipal and social infrastructure sectors will help building resilience in the areas affected by the conflict in the east of Ukraine and regions with high IDPs influx resulting from conflict.

Disaster Risk Reduction

Activities in the area of environment will contribute to improving flood risk management.

Other considerations if relevant

All activities will ensure the respect to key Principles of Public Administration and will support the Government in implementing key recommendations of SIGMA Baseline Measurement Report of June 2018 aimed at improving the quality of policy planning, Government capability for aligning national legislation with the EU acquis and ensuring consistent use of inclusive and evidence-based policy and legislative development and impact assessment across ministries.

3.4. Risks and Lessons Learned

Category ³	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1	Change of government may cause staff turnovers in ministries and loss of trained professionals.	Medium	Medium	Ongoing PAR reform aiming to enhance stability of senior and middle level civil servants and reduce staff turnover, particularly with regards to political nominations.
1	Limited capacity of the Government to effectively perform functions of policy coordination, policy analysis (regulatory, fiscal, etc.) impact assessments, inter-ministerial coordination and public consultations.	Low	High	Policy dialogue and EU support on Public Administration and Public Finance Management reforms to ensure strengthening of policy coordination function and improve evidence-based policy and legislative development and organisation of public consultations.
1	Priorities of the Government are not supported by sufficient budget resources leading to inability of competent state bodies to	Medium	High	Monitoring of key focal sectors by the EU and its partners. Intensive policy dialogue EU support on public finance management reform.

³ The risk (category) can be related 1-to the external environment; 2-to planning, processes and systems; 3-to people and the organisation; 4-to legality and regularity aspects; 5-to communication and information.

Category ³	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
	implement			
	relevant reforms.			
1	Non-adoption or inconsistent legislation, as well as deviation from the declared policy objectives during actual implementation.	High	High	Intensive policy dialogue, especially, in the area of democratic governance and economic policy.
1	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. Capacity in the sector is undermined by unclear and overlapping policy responsibilities among institutions (especially ministries and agencies)	Medium	Medium	Policy dialogue and at all levels with Ukrainian counterparts, and indirectly through support to civil society and the media enabling them to act as watchdogs and raise these issues. EU support on Public Administration and Public Finance Management reforms to contribute to a rational structure of state administration. Support to concerned institutions to improve supervision and reporting obligations.

Lessons Learned:

The programme is designed based on the lessons learned from the implementation of the Technical Cooperation Facilities 2015-2020, as well as actions targeting the public administration reform and capacity building under sectoral programmes.

One of the main lessons learnt from previous EU support is that the high-level political support to the reform agenda and AA/DCFTA in the Government and the Parliament is in place and policies are pursued.

The implementation of capacity building activities with government institutions depends on successful implementation of public administration reform in terms of ensuring strategic management, stability of senior and middle level civil servants, clear division of tasks and sufficient budget allocations.

Policy and legislative development needs to be evidence-based, costed and subject to appropriate internal and external stakeholder consultations at the right time of the legislative and policy-making process. This is a key in ensuring implementation and enforcement of adopted policies and legislation.

This action will therefore promote a strategic approach to providing assistance, meaning that each assistance project shall be directly linked to the clearly identified reform strategy and the implementation plan. In the areas involving several of institutions, it is essential to establish mechanisms of enhanced coordination.

One of the lessons learnt from the European Neighbourhood Policy review is a need of greater flexibility, to enable the EU and its partners to respond to changing needs and circumstances. For this reason, under this action, the specific amounts for specific activities can be adjusted if necessary in view of the latest developments and updated needs assessment.

3.5. The Intervention Logic

The underlying intervention logic for this action is that foreseen activities in a wide number of sectors will create necessary conditions for the effective implementation of reforms and EU-Ukraine AA/DCFTA. Different modalities of technical assistance and policy advice will contribute to the legal approximation process and reform implementation in the selected priority areas by building capacity of relevant institutions. Acquis alignment and policy development is ensured in line with the inclusive and evidence-based approach to public governance: draft legal and policy proposals should be based on evidence, the cost of their implementation should be calculated and budgeted and they should be consulted at the right time of the process with internal and external stakeholders.

A large part of activities will contribute to green transition of the country, as well as progress in digitalisation and digital education. Activities promoting equality of national minorities and rehabilitation of the social infrastructure in the areas affected by the conflict in the east of Ukraine will contribute to building resilience between different regional and ethnic groups in Ukraine, thus improving the compliance on AA provisions on fundamental rights and freedoms. **3.6. Indicative Logical Framework Matrix**

Results	Results chain: Main expected results	Indicators	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
	To support Ukraine in the implementation of the key reforms and commitments under the AA/DCFTA and EU agreements in selected priority sectors	The rate and evolution of the reform process and degree of implementation of AA/DCFTA in the selected areas targeted by this Action	2021 - assessment of reform and AA/DCFTA implementation	2026 – progress on reform and AA/DCFTA implementation	AA implementation reports by the Government and the EU Association	
Impact					Council, Association Committee and relevant Sub- committees operational conclusions	Not applicable
Outcome	Strengthened institutional and administrative capacities of the Ukrainian public authorities in selected priority areas to implement reforms and commitments under the AA/DCFTA and EU agreements, and strengthen capacities of the civil society	 1.1 Number of reform measures implemented in the selected areas covered by this Action 1.2 Number of AA/DCFTA provisions implemented in the selected areas covered by this Action 	2020 - current state of play of reform implementation and legal approximation of Ukraine's legislation to that of the EU	2026 – progress on reform implementation and legal approximation of Ukraine's legislation to that of the EU	AA Implementation reports by the Government and the EU (including monitoring tool 'Pulse of the Agreement')	Ukraine pursues its objective of effective implementation of the EU- Ukraine AA/ DCFTA
	to support the reform process and ensure equal access to policy dialogue at the central and local level.	1.3 Degree of EU 'acquis' approximation and implementation in the			Public documents and statements of	Ukraine continues the reforms in the key sectors such as rule of

		selected areas covered by this Action			international and national stakeholders	law, public administration, public finance management in line with the best international and EU practices
Output 1.1	1.1: Enhanced government capacities to coordinate the reform and AA/DCFTA implementation, and to pursue reforms, implement the provisions of the AA/DCFTA and EU agreements and transpose the EU acquis in Ukrainian legislation in selected priority areas, as well as capacities of the state and non-state actors to support and monitor the reform implementation at the central and local level	internal and external consultations with national stakeholders with EU support 1.1.2 Number of legal/administrative acts implementing the AA/DCFTA and EU agreements developed	To be defined at the level of individual contracts	To be defined at the level of individual contracts	Projects' Terms of reference / Description of the Action defining targets Projects' progress reports	committed in

		1.1.5 Numberofcompletedpublicinfrastructureinvestmentprojectsimplemented in line with rulesand procedures				of decision- making processes in line with European principles
Output 1.2	1.2: Enhanced government capacities to implement digitalisation of government, education and science services, and ensure further approximation with the EU Digital Single Market	 1.2.1 Number of public policies on digitalisation and innovation developed and/or revised with internal and external consultations with national stakeholders with EU support 1.2.2 Number of people who have benefited from digital skills development interventions supported by the EU 1.2.3 Number of people who have benefitted from the access to digitalised public services, including education, thanks to EU support 	To be defined at the level of individual contracts	To be defined at the level of individual contracts	Projects' Terms of reference / Description of the Action defining targets Projects' progress reports	There is sufficient institutional and absorption capacity in beneficiary institutions to receive and benefit from the proposed actions
Output 1.3	1.3: Enhanced government capacities to develop and implement policies and enhance collaboration to support green transition	1.3.1 Number of public policies developed in the area of Green transformation with internal and external consultations with national stakeholders with EU support	To be defined at the level of individual contracts	To be defined at the level of individual contracts	Projects' Terms of reference / Description of the Action defining targets	

	in: ca	1.3.2 Number of governmen nstitutions benefited from the capacity building activities under this priority area			Projects' progress reports	
political, economic minorities	social, cultural leg rights of national pro- s prioritised in na ce with their specific an su su 1.4 ha ac ind EU pr	1.4.1Numberoegal/administrativeactprotecting the equality of thepational minorities developedand/or revised with internal andexternalconsultationswithnational stakeholderssupport1.4.2Number of people wheaccess to the public services onclusiveness activities by theEU-fundedpromotingequalrightsoninorities	at the level of individual contracts	To be defined at the level of individual contracts	Projects' Terms of reference / Description of the Action defining targets Projects' progress reports	

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

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

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 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 responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. 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 measures⁴.

4.3.1. Direct Management (Grants) - Support to Ukraine's participation in the EU Customs programme

(a) Purpose of the grant

The objective of the grant is to facilitate the access of Ukraine to the common transit system network by covering the fees of Ukraine's participation in the EU Customs programme as described in Section 3.2. The grant will contribute to achieving Output 1.1, Activity 4.

(b) Type of applicants targeted

The Grant will target the public authority in charge of the implementation and/or disbursements under the EU Customs programme.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the public authority of Ukraine in charge of the implementation and/or disbursements under the EU Customs programme in line with the relevant Ukrainian legislation. The legislation nominating the public authority in charge of the programme implementation still to be adopted. The Ukrainian authorities will nominate the above-mentioned entity before the signature of the grant agreement.

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 unique mandate of the entity nominated for the

⁴ 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.

programme implementation will be defined by the bilateral EU-Ukraine international agreement. (cf. art. 195 (c) of the Financial regulation).

4.3.2. Direct Management (Grants) - Support to healthcare reforms and promotion of the rights of the national minorities

(a) **Purpose of the grants**

The grants will contribute to achieving Output 1.1, Activity 5 by providing support to the monitoring and awareness raising of healthcare reforms and promotion of healthy lifestyles and Output 1.4, Activities 13-14 as these relate to the promotion of political, social, cultural and economic rights of national minorities.

(b) Type of applicants targeted

Grants will target legal persons, falling under the following categories:

• civil society organisations, including EU strategic partners for capacity building of CSOs (as per 2019 partnerships);

• relevant public bodies.

4.3.3. Direct Management (Procurement)

Procurement to support the public institutions in selected areas as defined under Activities related to Output 1.1 (Activities 3.1-3.5), Output 1.2 (Activity 6) and Output 1.3 (Activities 9-11).

4.3.4. Indirect Management with entrusted entities

A part of this action contributing to the implementation of the activities in the following priority areas may be implemented in indirect management with entrusted entities to be selected:

- contributing to the implementation of Output 1.1, in particular to support the government reform support architecture, reforms in the energy sector, including gas, electricity, coal, energy efficiency and renewable sectors, environment, anti-money laundering and countering the financing of terrorism, strengthening the institutional capacities and digitalisation of the agency combating serious economic crimes and capacity development and technical assistance for multi-sector investment schemes under Ukraine Recovery Programme in the municipal and social infrastructure sectors that have been adversely affected as a consequence of the conflict in the east of Ukraine, as well as providing transport solutions to the most disadvantages villages in the east of Ukraine;
- contributing to the implementation of Output 1.2, to support to the development and implementation of the digitalisation in education and science;
- contributing to the implementation of Output 1.3, to support to the capacity building for the development and implementation of the green transformation;
- contributing to the implementation of Output 1.4, which would entail capacity development and diversity promotion activities and grass roots initiatives aimed at economic and political empowerment of national minorities, preservation of cultural identity and fighting stereotypes.

The entities will be selected by the Commission's services using the following criteria:

- specific expertise or technical competence in the priority area for support relevant for achieving the Outputs 1.1-1.4 as described above, in particular public administration reform, good governance, energy, environment, green transformation, post-emergency reconstruction and rehabilitation, digitalisation or education, cultural promotion;
- prior experience in the priority area for support relevant for achieving the Outputs 1.1-1.4 as described above;

• strong management and operational capacity.

4.3.5. Changes from indirect management with the entrusted entities to direct management (and vice versa) mode due to exceptional circumstances (one alternative second option)

If due to exceptional circumstances outside of the Commission's control negotiations with the entrusted entities fail under 4.3.4, that part of this action may be implemented in direct management through grants or procurement as described in 4.3.2 and 4.3.3.

4.4. 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 on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5.	Indicative Budget	
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Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.3	
Total Grants (direct management) – cf. section 4.3.1- 4.3.2	4 500 000
Total Procurement (direct management) – cf. section 4.3.3	27 300 000
Indirect management with entrusted entities - cf. section 4.3.4	34 000 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	200 000
Communication and visibility – cf. section 6	N.A.
Totals	66 000 000

4.6. Organisational Set-up and Responsibilities

The EU Delegation will be responsible for the overall management of the action and will set up organisational set-up at the level of individual contracts per activities described in Section 3.2. Detailed terms of reference/description of the action will be developed for each individual activity, including the management structure, the experts' team, composition of the Steering Committee in charge of the supervision of the project. The entrusted entities selected for the implementation of activities under indirect management in the priority areas under Section 4.3.5 activities will be entrusted with the budget implementation tasks as per Description of the Action.

On the Ukrainian side, the Cabinet of Ministers of Ukraine acts as a coordinator for the EU assistance. The Government office for European Integration will ensure overall coherence and monitoring of activities in the

areas related to the implementation of the AA/DCFTA. Ministries and agencies being key stakeholders in the priority areas of support will be consulted in the process of design of individual activities and closely involved in the implementation and steering of the projects.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

The 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).

Roles and responsibilities for data collection, analysis and monitoring:

The Action will be implemented through a number of contracts with implementing partners contributing to the implementation of specific activities. While the implementing contracts are expected to contribute to the implementation of relevant indicators at Output level, the baselines will be defined in the Terms of Reference or Description of the Action for each contract. Implementing partners will be responsible for setting the relevant benchmarks, for the collection of data, monitoring and reporting at the contract level. The results achieved and recorded at the level of contracts in priority sector will be attributed to measuring the overall progress at the level of outputs. SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

5.2. Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the fact that this action is a set of sub-actions under the overarching objective to support the implementation of the AA/DCFTA.

The Commission shall inform the implementing partner at least 1 month in advance of the dates envisaged 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 following the best practice of evaluation dissemination. 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.

5.3. Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6. COMMUNICATION AND VISIBILITY

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the <u>Communication and Visibility Requirements</u> of 2018 (or any successor document), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries or entrusted entities. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the action. For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.

Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

List of Acronyms

AA	EU-Ukraine Association Agreement
AML	Anti-money laundering
CCN/CSI	Common Communication Network & Common System Interface
CCU	Constitutional Court of Ukraine
CEDAW	Committee on the Elimination of Discrimination against Women
CERD	Committee on the Elimination of Racial Discrimination
CFT	Counter terrorist financing
DAC	OECD Development Assistance Committee
DCFTA	Deep and Comprehensive Free Trade Area
DG TAXUD	Directorate-General for Taxation and Customs Union of the European Commission
EGD	European Green Deal
EIB	European Investment Bank
EU	European Union
EU MS	European Union Member States
FATF	Financial Action Task Force
FCPNM	Framework Convention for the Protection of National Minorities
GDP	Gross Domestic Product
HACC	High Anti-Corruption Court
НСЈ	High Council of Justice
HQCJ	High Qualification Commission of Judges
ICCPR	International Covenant on Civil and Political Rights
ICT	Information Communication Technologies
IDPs	Internally-displaced persons
IFIs	International Financial Institutions
IMF	International Monetary Fund
LGBT	Lesbian, gay, bisexual, and transgender
MFA	EU macro-financial assistance programme
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money
	Laundering Measures and the Financing of Terrorism
NCTS	New Computerised Transit System
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the High Commissioner for Human Rights (UN Human Rights)
PAR	Public Administration Reform
SAPO	Specialised Anti-Corruption Prosecutor's Office
SDGs	UN Sustainable Development Goals
SSF	Single Support Framework
STEM	Science, math and technology
SWGs	Sector Working Groups
UN	United Nations
URP	Ukraine Recovery Programme
USD	US Dollars