

# COORDINATION OF THE EU ASSISTANCE AT THE NATIONAL LEVEL:

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**MOLDOVA**

**GEORGIA**

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## **LIST OF ABBREVIATIONS**

- AA – Association Agreement
- DCFTA – Deep and Comprehensive Free Trade Area
- EaP – Eastern Partnership Initiative
- EBRD – European Bank for Reconstruction and Development
- EIB – European Investment Bank
- ENPI – European Neighborhood and Partnership Instrument
- EU – European Union
- FDI – Foreign Direct Investments
- GRECO – Group of States Against Corruption
- IMF – International Monetary Fund
- ITA – International Technical Assistance
- KfW – Kreditanstalt für Wiederaufbau, German State Bank
- MEDT – Ukrainian Ministry for Economic Development and Trade
- ODIHR – OSCE Office for Democratic Institutions and Human Rights
- SSF – Single Support Framework
- UNDP – United Nations Development Programme
- VLAP – Visa Liberalization Action Plan

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## EXECUTIVE SUMMARY

During the years of bilateral cooperation, the European Union became the strategic partner for Georgia, Moldova and Ukraine. Today it continues contributing to the democratization of system and institutional changes. EU assistance – in the form of sharing experiences and best practices, as well as significant financial support – became an important factor for reforms in the studied countries. Signing Association Agreements in 2014 brought EU relations with the three partners to a qualitatively new level. This was accompanied by growing EU budgetary support.

Despite these positive developments, all three national governments still face multiple issues. These include volatile political environments, lack of institutional memory and settled mechanisms of aid coordination, lack of proper policy planning and further assessments of the effectiveness of implemented reforms, and questions of transparency.

Georgia, Moldova and Ukraine all show different progress with regards to the establishment and effective operation of foreign aid coordination institutions. Challenged by instability of political agreements, legacies of the past, obstacles from the present institutional set-up, overloaded decision-making, and outdated civil service, coordinating authorities in Georgia, Moldova and Ukraine can hardly claim they are operating in a supportive environment and thus often face both domestic and foreign criticism.

A well-established legal framework is often not enough when meeting bureaucratic realities. Personal characteristics of the agency leaders, not formal procedures, play a crucial role in determining the effectiveness of EU financial support coordination. Political affiliation of executives hinders proper cooperation in the different phases of programming external assistance.

In this respect, civil society makes significant contributions in the economic integration and political convergence with the European Union by the promotion of human rights, participatory citizenship, regional economic development and public awareness. It enriches the process of the European integration in the three studied nations through topical expertise, engagement of all relevant stakeholders (thus developing a shared responsibility), and invaluable public oversight, increasing transparency and quality of governance in each country.

As the importance of civic engagement and monitoring of the process of implementation of the bilateral agreements with the EU becomes more obvious, the governments display different degrees of willingness in cooperating with the non-governmental sector. This ranges from the creation of multi-lateral cooperation platforms – supported by the EU, yet often hindered by domestic realities – to the lack of any healthy debate with public experts, forcing the latter to take by-passes or rely on obsolete and non-productive rudimentary institutions. Moreover, public councils often play a role in advisory bodies, their opinion ignored. The situation also varies in each individual ministry or state agency depending on the availability of qualified staff, technical assistance provided and bureaucratic procedures.

Governments also demonstrate uneven progress in terms of providing full, up-to-date and reliable information about the foreign aid provided to each country. Even though in all three cases a version of an informational database had been created and made publically available, there is still room for improvement. Stakeholders are often reluctant to add information on their projects due to time constraints, lack of staff or unwillingness to ensure full transparency. Institutions also rarely publish reports concerning the implementation of budget support programmes, therefore limiting civil society's ability to monitor the impact of the foreign aid.

To address these issues, the EU should continue to focus on support for public service reforms, aiming at professional (and not politically-motivated) public servants, while also supporting initiatives of open data access and enhanced public oversight to fight corruption.

Continuing cooperation with EU partners in the area of promotion of good governance principles, including accountability, transparency, rule of law, responsibility, inclusiveness and participation of all relevant stakeholders (including civil society and regional authorities) remains crucial. The EU should further share know-hows from the member states about pre-accession aid coordination, support decentralization, development of responsible civil service and initiatives that enhance transparency in order to guarantee longer-term sustainability of ministries and state agencies.

The EU should continue to support non-governmental sectors in the three countries by allocating earmarked support to public organizations (distributed through a grant competitive basis) and by demanding mandatory involvement of civil society from the national governments as a necessary condition for further financial assistance.

The EU should continue cooperating with national governments and partners from the non-governmental sector, further enhancing the capacity of the latter to access and analyze the information necessary for quality public oversight. The governments should be encouraged to ensure transparency at all stages of foreign aid coordination.

## **INTRODUCTION**

This policy paper is the final product of the project “Coordination of the EU assistance at national level: Ukraine, Moldova, Georgia”, carried out by the Open Society Foundation, Ukraine, and supported by the Eastern Partnership Civil Society Forum. The authors of this paper are focused on EU assistance in implementing the Association Agendas in Georgia, Moldova and Ukraine, as well as efficiency and transparency of coordination mechanisms at the national level.

The situation in all the three countries, analyzed separately as case studies, is different both in terms of the EU support provision and aid coordination.

In Moldova, the Single Support Framework was developed in support of the implementation of the Association Agenda. The indicative allocation for the 2014-2020 is EUR 610 – 746 million based on successful reform implementation. In Georgia, the Single Support Framework was established in July 2014, with an indicative financial allocation for 2014 – 2017 of EUR 335 – 410 million. Both Moldova and Georgia have prioritized public administration reform, rural development and police/justice reform.

In Ukraine, there is no single approach to public administration reform. Police reform is assisted by the EU Advisory Mission (EUAM) while rural development is addressed by a sectoral budget support package with relevant technical assistance projects. The EU announced EUR 85 mln for economic recovery, including small and medium enterprises support, and EUR 15 mln for enhancing national legislation approximation to the EU law. In addition, not all Comprehensive Institution Building programmes were launched. Particularly, state aid control and Association Agreement implementation programs were not launched. Ukraine hasn't started fully utilizing the EU budget support scheme (worth EUR 50 mln) for the regional development policy.

In Georgia and Moldova, the function of EU support coordination is granted to an office/department at the level of the government chancellery. In Ukraine, the function of technical assistance coordination is granted to the Ministry of Economic Development and Trade, whereas coordination of Twinning and TAIEX is overseen by the National Agency for Civil Service.

Considering such a variety in national political contest and institutional set-up, our task of producing genuine policy recommendations applicable to EU assistance in general was challenging. Yet, the expertise of project partners allowed us to rise above the level of abstraction and analyze the situation in general. In this regard, Open Society Foundation thanks the authors for their continuous commitment (this is our second project in this composition) and high-level insights.

The paper proceeds as follows. The analysis is equally divided between three sections: a general overview of EU support, a look at the legal and institutional mechanisms in place and engagement of civil society and information access. Each section starts with a general overview before examining details and case studies from Georgia, Moldova and Ukraine. The paper ends with both general and country-specific recommendations, as well as a separate box of recommendations for non-governmental organizations interested in getting more actively engaged in the process of development and monitoring of foreign aid agenda and outcomes in their nation states.

## **EU ASSISTANCE FOR REFORMS: THE STATE OF PLAY**

During the years of bilateral cooperation, the European Union became the strategic partner for Georgia, Moldova and Ukraine. Today, it continues contributing to the democratization of system and institutional changes. EU assistance – in the form of sharing the experiences

and best practices, as well as significant financial support – became an important factor for reforms in the studied countries. Signing Association Agreements in 2014 brought EU relations with the three partners to a qualitatively new level. This was accompanied by growing EU budget support.

Despite these positive developments, all three national governments still face multiple issues. These include volatile political environments, lack of institutional memory and settled mechanisms of aid coordination, lack of proper policy planning and further assessment of the effectiveness of implemented reforms, and question transparency.

To address these issues, the EU should continue to focus on support for public service reforms, aiming at professional (and not politically-motivated) public servants, while also supporting initiatives for open data access and enhanced public oversight and fighting corruption.

## Georgia: Question of Reform's Effectiveness

European Union assistance is one of the most important factors for the sustainable and dynamic development of reforms in Georgia. Over many years of cooperation, despite certain challenges, the EU and Georgia have formed solid partnership relations, which significantly contributed to the democratization of the Georgian system – and institutional changes.

Cooperation between the EU and Georgia started in 1992 and today the EU is one of Georgia's key strategic partners. EU support has been based not only on the sharing of reform experience and knowledge, but the EU also has contributed substantial financial aid for the implementation of democratic reforms in Georgia.

By signing the *Association Agreement* in June 2014, the EU and Georgia brought relations to a qualitatively new level. Although this was a significant achievement, the country still has to undergo considerable challenges in effective and good governance. The EU and Georgia have also agreed on the EU-Georgia Association Agenda, which defines a set of priorities for the period 2014-2016 with a view to implementing the AA/DCFTA. Association Agreement priorities are consistent with the Government's programme and relevant sector strategies but are still not enough to reach the effectiveness necessary in managing EU assistance.

Since 2007, EU Assistance to Georgia has been mainly implemented by the following instruments:

- **Geographical Instruments** (ENPI);
- **Thematic Instruments** (Neighborhood Investment Fund and European Instrument for Development and Human Rights);
- Investment projects of the financial institutions (EBRD, EIB, KFW);
- EU Programmes and Agencies.

The main aim of the EU Assistance is to support priority directions of the EU-Georgia cooperation within a legal and political framework. Although significant progress had been achieved in important reform areas, little has been done with regards to proper impact assessment: It often remains a weak side of project evaluation.

Another important document that was signed between the EU and Georgia is the Memorandum of Understanding on Single Support Framework (SSF),<sup>1</sup> which defines the main priority directions of EU assistance to Georgia and determines the amount of aid in 2014-2017. The assistance will be directed towards the support of the government's democratic reform process (amounting to EUR 335 to 410 million in 2014-2017). The Single Support Framework program, in general, aims to support Georgia in implementing commitments within the framework of agreements signed with the European Union (AA, DCFTA and VLAP). In this document, Georgia and the EU agree to cooperate in the reform process in the following priority sectors (See Table 1).

<sup>1</sup> "Single Support Framework for EU Support to Georgia (2014-2017)" (EUROPEAN EXTERNAL ACTION SERVICE, EUROPEAN COMMISSION DIRECTORATE GENERAL FOR DEVELOPMENT AND COOPERATION – EUROPEAID, n.d.), [http://eeas.europa.eu/enp/pdf/financing-the-enp/georgia\\_2014\\_2017\\_programming\\_document\\_en.pdf](http://eeas.europa.eu/enp/pdf/financing-the-enp/georgia_2014_2017_programming_document_en.pdf).

**Table 1. Key reform areas in Georgia, supported by the EU.**

Intervention area <sup>2</sup>	Indicative allocation (in %)	Comment
Public Administration Reform	25	Targeted support for the reform of the central and local public administration; professionalization of civil service; consolidation of support for the reform of the public finance management system; support for enhanced public oversight and fight against corruption.
Agriculture and Rural Development	30	Targeted support to increase productivity in the agricultural sector, to stimulate rural diversification, and to minimize the impact of climate change and natural disasters through the identification of mitigation and adaptation measures and better environmental measures.
Justice Sector Reform	25	Extension of on-going support to Criminal Law and respect for Human Rights; diversification into new areas of Civil and Administrative Law/practices; Support for the Judiciary and Access to Justice.
Complementary support (outside the sectors described above): Capacity development, institution building and other agreement-related support	15	Support for the implementation of the EU-Georgia Agreements (AA, DCFTA and VLAP). Legal Approximation and Assistance Coordination.
Support to Civil Society Organizations	5	Targeted support will be provided to civil society organizations.

It should be noted that after signing the Association Agreement, coordination mechanisms significantly improved and enhanced in some areas. The Annual Action Plan<sup>3</sup> was developed around the issues the Association Agreement agreed upon during bilateral negotiations, and the government assumed a commitment to their implementation.

Since the beginning of bilateral co-operation, EU financial aid to Georgia has amounted to more than one billion dollars, out of which nearly half was transferred in the wake of the 2008 Russian-Georgian war.

**Table 2. Assistance provided to Georgia within the Annual Action Plans in 2007-2015, EUR mln.**

Year	Programmes supporting the sector polic	Expert assistance programmes	Support to regions affected by the conflict and trust restoration	Total
2007	16	4	4	24
2008	16	6.8	6	28.8
2009	19	6.4	3	28.4

<sup>2</sup> Shall political circumstances permit, the interventions planned under the three priority sectors below may be extended to cover actions in the Georgia's breakaway territories of Abkhazia and South Ossetia.

<sup>3</sup> "2015 National Action Plan for the Implementation of the Association Agreement," n.d., <http://www.eu-nato.gov.ge/sites/default/files/AA%20National%20Action%20Plan%202015%20-%20FINAL%20ENG.docx>.

Year	Programmes supporting the sector polic	Expert assistance programmes	Support to regions affected by the conflict and trust restoration	Total
2010	30	7.2	0	37.2
2011	37	9.7	4	50.7
2012	40	20	0	60
2013	51	19	0	70
2014	94.54	0	0	94.53
2015	80	10	0	90
<b>Total</b>	<b>383.53</b>	<b>83.1</b>	<b>17</b>	<b>477.63</b>

The EU annual budget support program started in 2007 and since then continues to grow. It should be noted that the assistance is mostly distributed over three years and is transferred to a country in exchange for the implementation of reforms.

In the case of budgetary support, the most important document is the financing agreement between the EU and Georgia, which stipulates the terms and conditions of funding. Evaluation of the programme, as well as external audits, may be carried out if so decided by the European Commission. In such a case they may be entrusted to independent consultants or the European Court of Auditors. At the same time, the European Union does not monitor all projects or budget support. Instead, the monitoring is carried out based on a risk assessment and priorities.

The EU budget support is a kind of political message toward Georgian authorities, indicating that it is seen as a reliable partner. In order to get budget support, it is essential to get the government's readiness to implement structural reforms and to display long-term strategies for future development.

First Deputy State Minister of Georgia on European and Euro-Atlantic Integration, Archil Karaulashvili,<sup>4</sup> explains that while working on the Association Agreement the Georgian government was considering priorities listed in the document «Georgia's socio-economic development strategy – Georgia 2020» and tried to bring them together.

Because the Georgia Action Plan is scheduled for one year (unlike Ukraine and Moldova, where the Association Action Plans are scheduled for three years), it is particularly important for the government to constantly consider its relation to long-term development strategies.

Georgia works out National Action Plans so the Ministry of European Integration can annually implement the Association Agreement and the Association Agenda. All other ministries have to submit quarterly reports on all activities carried out according to the National Action Plan. The reports are published on the web sites of ministries, which allow all interested parties to get acquainted with the activities carried out within the competence of the respective Ministry.

In order to assess the dynamics and effectiveness of the reforms carried out in the framework of the Association Agreement, we need a clear criteria and constant monitoring that will allow us to measure the progress and challenges of the plans. It should be noted that unfortunately no system has been established so far to evaluate the implemented policy «impact assessment.» Georgia has not developed a systematic approach to the development of criteria for policy analysis, either.

Three different monitoring models have been prepared to be discussed by the government. In addition the ministry has prepared policy papers according to the sectorial priorities, which outline the current situation, identify problems, and highlight obligations, as well as what and how should be done year-by-year. These documents should be made public after consultations with the European Union.

4 "Interview with Archil Karaulashvili, First Deputy of State Minister of Georgia on European and Euro-Atlantic Integration," October 23, 2015.

According to the Office of State Ministry on European and Euro-Atlantic Integration European and Euro-Atlantic Integration, policy evaluation criteria have been established since 2015. However, their reports were not public. The seventh chapter of the Association Agreement clearly states that the Georgian side should establish specific mechanisms and pay more attention to the monitoring of EU projects.

The Ministry Representative<sup>5</sup> expects clear evaluation criteria in the Association Action Plan of 2016. It should be noted that the ministries carry out monitoring of the Association Agreement progress at present too, but only the progress report is being made public, not all details of the monitoring results. The government doesn't report on the implementation of certain projects financed by the European Union. The EU-financed projects are divided into thematic groups and the Office of State Ministry on European and Euro-Atlantic Integration releases quarterly reports containing general information on the activities carried out. These reports are available to the public.

The European Union releases one of the most important reports on the reform implemented on the European integration track on an annual basis, in the form of a country report. A Joint EU-Georgia evaluation and monitoring system does not exist so far. The Georgia government states this model was rejected by the EU, as the EU avoided discussions on these particular issues.

Information on the EU-funded projects is available to the public and all interested parties are able to get all data about funds received and spent by the sectorial ministries. In this regard, the main challenge is not transparency, but whether the projects' planning and implementation was effective and purposeful.

The Association Agreement defines the main directions of assistance to Georgia, which have been agreed upon during joint consultations. Currently, the most important issue is the effectiveness and efficiency of this assistance. In order for the assistance to be effective and efficient, it is necessary for both sides to have close coordination in identifying and accurately applying the evaluation criteria which would serve as a key mechanism of policy evaluation and monitoring.

## Moldova: Unforeseen Political Instability

Since 2010, the Republic of Moldova has upgraded its relations with the European Union by entering a phase of political and economic association. Moving further to the East, the EU acknowledged the need to deal more closely with its neighbors. Thus, in 2009 it launched the Eastern Partnership Initiative (EaP), a programme promoted consistently by Sweden and Poland. EaP has provided a new framework of cooperation between the EU and six Eastern neighbors (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) which by joining the EU engaged in ample reforms involving legal approximation and compliance with EU market requirements.

Due to the EaP, on a bilateral track, Moldova has passed from the Partnership and Cooperation Agreement and the ENP Action Plan – previously used in guiding the EU-Moldova relations – to a more consistent cooperation agreement, namely the EU-Moldova Association Agreement, including a Deep and Comprehensive Free Trade Area and an Association Agenda. The AA/DCFTA was signed on June 27, 2014, after 15 rounds of negotiations (including 7 separate rounds of negotiations regarding DCFTA) dating back to 2010. After being ratified by the Parliament of the Republic of Moldova (July 2nd, 2014) and the European Parliament (November 13th, 2014), the ratification of the AA/DCFTA by all EU Member States is still pending. For Moldova, a major part of the AA/DCFTA provisionally took effect on 1 September 2014 and as of January 2016 the agreement will be fully operational for the territory of the Republic of Moldova (except the Transnistrian region).<sup>6</sup> The refusal of the Transnistrian authorities to gradually put into practice the AA/DCFTA provisions may lead to a permanent 5% decline in the region's GDP as EU will apply the Most-Favored Nation tariffs to goods

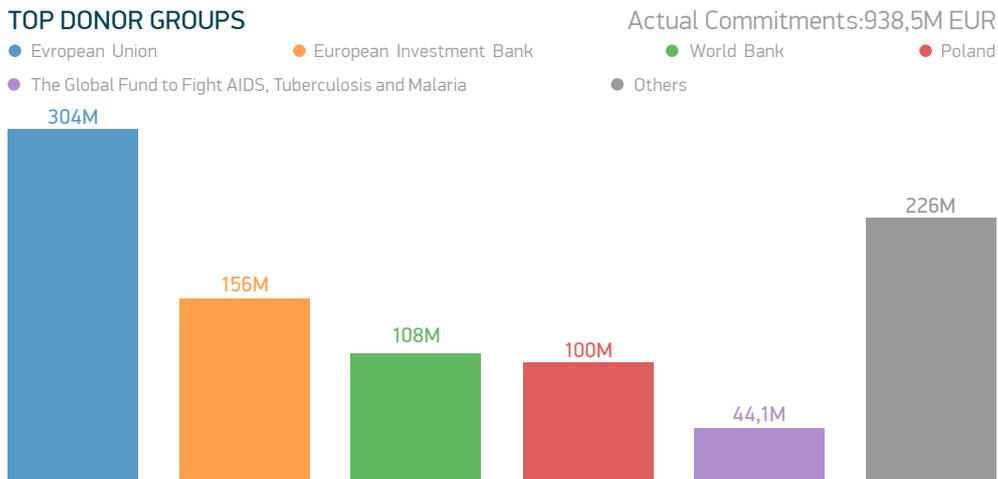
<sup>5</sup> "Interview with Roman Kakulia, the Head of EU Assistance Coordination Department," October 20, 2015.

<sup>6</sup> "Economic Challenges of Ukraine and Moldova on the Way to EU. Managing Political Instability, Enabling the Role of Civil Society and Applying Lessons from the Central Eastern European Experience" (Eastern Europe Studies Center, Foreign Policy Association, Polissya Foundation for International and Regional Studies, November 2015), [http://www.eesc.lt/uploads/news/id899/Economic%20Challenges%20of%20Ukraine%20and%20Moldova%20on%20the%20Way%20to%20EU\\_November2015.pdf](http://www.eesc.lt/uploads/news/id899/Economic%20Challenges%20of%20Ukraine%20and%20Moldova%20on%20the%20Way%20to%20EU_November2015.pdf).

coming from the Transnistrian region.<sup>7</sup> At present, 34% of the Transnistrian region’s exports are oriented to the EU, a number which has increased significantly since 2005, when the share was 20%.<sup>8</sup>

The new framework of cooperation not only enhanced the level of legal and economic harmonization, but also increased the financial and technical assistance offered by the EU, thus requiring more coordination between the two partners (the EU and the Moldovan Government) and between ministries and agencies. EU development assistance to Moldova has increased significantly since 2007, amounting to EUR 304 million out of the total of 938.5 million Euros offered by the top donors.<sup>9</sup> With new bilateral commitments in 2014 of EUR 131 million, Moldova became one of the highest recipients of EU aid per capita worldwide. For the next programme period of 2014-2017, Moldova is expected to be granted up to 410 million Euros.<sup>10</sup>

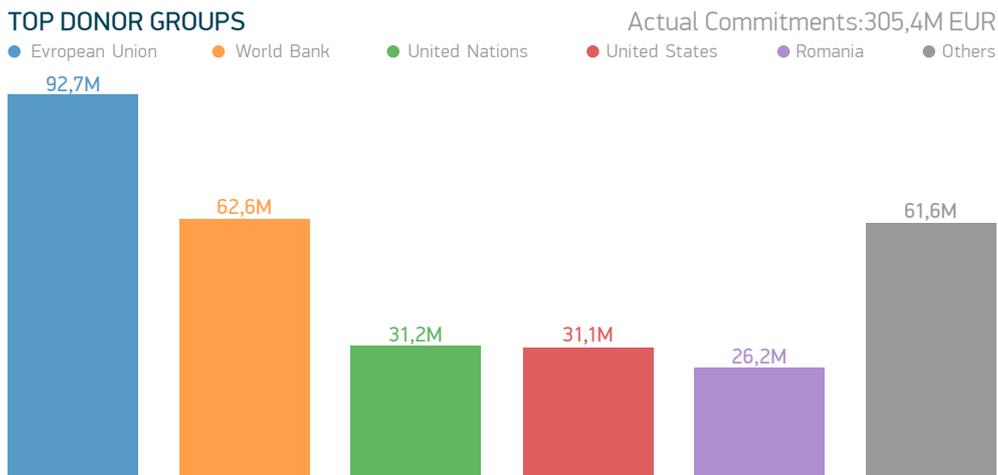
**Figure 1. The Actual Commitments of the top donor groups, Moldova**



Source: Aid Management Platform, [www.amp.gov.md](http://www.amp.gov.md)

The actual disbursement amounts to EUR 92.7 million out of the total EUR 305.4 million, indicating the existence of factors which impede the full assimilation of the funds.

**Figure 2. Actual Disbursements of the top donor groups, Moldova.**



Source: Aid Management Platform, [www.amp.gov.md](http://www.amp.gov.md)

7 “The Impact of the EU-Moldova DCFTA on the Transnistrian Economy: Quantitative Assessment under Three Scenarios” (Berlin Economics and Expert-Grup, 2013), [http://get-moldau.de/download/policypapers/2013/2013.06.04\\_DCFTA%20Transnistria\\_en.pdf](http://get-moldau.de/download/policypapers/2013/2013.06.04_DCFTA%20Transnistria_en.pdf).

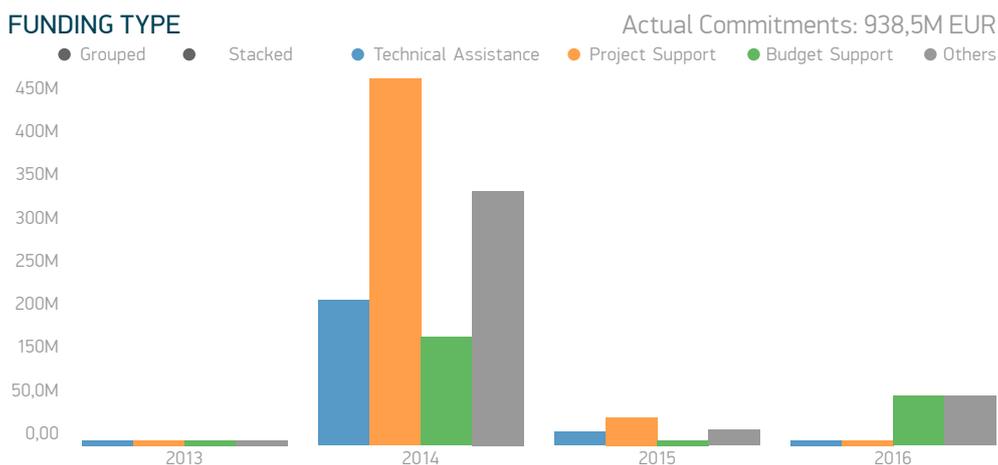
8 Adrian Lupusor, “Association Agreement in the Transnistrian Region: Mission Possible?,” September 2015, <http://www.expert-grup.org/en/biblioteca/item/1173-implementare-aa-transnistria@category=185>.

9 “Chart Nr.1: Actual Commitments of the Top Donor Groups, Source: Managing Foreign Assistance Platform” ([www.amp.gov.md](http://www.amp.gov.md), n.d.), <http://amp.gov.md/TEMPLATE/ampTemplate/dashboard/build/index.html>.

10 “Eastern Partnership, A Policy That Delivers,” May 21, 2015.

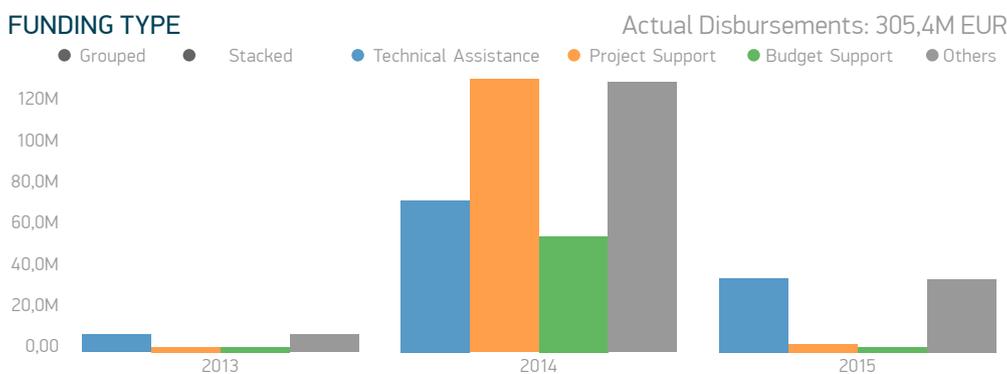
Furthermore, the progress of legal harmonization and reform was completely dependent on political unity and the will to implement the association’s agenda and follow the European pattern of development. Since December 10, 2014, Moldova has experienced continuous political instability, jeopardizing the country’s modernization programme. The periodically changing Governments have failed to ensure macro-financial stability while the banking sector crisis has raised concerns in the donor community. Therefore, the EU has frozen budget support payments until a programme with the International Monetary Fund is approved. This serves as a guarantee that the country will regain its economic and financial stability.

**Figure 3. Actual Commitments by funding type, Moldova.**



Source: Aid Management Platform, [www.amp.gov.md](http://www.amp.gov.md)

**Figure 4. Actual Disbursements by funding type, Moldova.**



Source: Aid Management Platform, [www.amp.gov.md](http://www.amp.gov.md)

**BOX 1. Transnistrian issue.**

Once the EU obtained observer status in the 5+2 format of negotiations, the Transnistrian settlement process became an inclusive part of the development assistance granted to Moldova. Since 2009, the EU has continuously supported programmes envisaging confidence building between both banks of the Nistru River by involving local authorities, civil society organizations, business community and other stakeholders, as well as economic and social development of local communities. In 2014, the EU granted EUR 28 million for confidence-building measures between both banks of the Nistru River and the Autonomous Territorial Unit Gagauzia, a significantly increased amount compared to previous years.<sup>11</sup>

<sup>11</sup> "Cooperarea Pentru Dezvoltare: Raport Anual 2014 Cu Privire La Asistenta Externă Acordată Republicii Moldova," 2014, [http://amp.gov.md/portal/sites/default/files/inline/raport\\_aod\\_2014\\_-\\_ro\\_3.pdf](http://amp.gov.md/portal/sites/default/files/inline/raport_aod_2014_-_ro_3.pdf).

On 15 February 2007, the EU special representative for Moldova was appointed with the mission to contribute to the peaceful resolution of the Transnistrian conflict while enhancing the effectiveness of border and customs controls and border surveillance activities in Moldova and Ukraine along their common border, with a particular focus on the Transnistrian section, notably through an EU Border Mission.<sup>12</sup> His mandates ran until 2011 and further Transnistria related programmes were coordinated by various implementation partners.

The United Nations Development Programme in Moldova (UNDP), with financial contributions from the EU, has designed a project aiming to establish cross-river partnerships and create parallel opportunities for stakeholders from both sides of the border, thus promoting economic cooperation and contributing towards confidence building among the population at large. Since 2009, the EU has significantly increased the amount of financial assistance provided for this particular project. Between 2009 and 2012, the EU has allocated EUR 3,7 million, while in the next stages of the project assistance has reached up to EUR 20 million (See Table 3).

**Table 3. Donor support for the Transnistrian issue, EUR.**

Donor	2012	2013	2014
European Union	1,445,807	5,299,328	2,754,866
UNDP	264,170	590,080	245,749

#### Delivery, EUR.

2012	1,699,758
2013	4,945,463
2014	3,448,512

Source: UNDP – Moldova,

<http://www.md.undp.org/content/moldova/en/home/operations/projects/overview.html>

**Table 4. Foreseen EU support for the Transnistrian issue, EUR.**

Donor	2015	2016	2017	2018
European Union	1,587,768	4,672,006	3,663,440	76,786

#### Delivery, EUR.

2015	1,837,084
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Source: UNDP – Moldova,

[http://www.md.undp.org/content/moldova/en/home/operations/projects/poverty\\_reduction/confidence-building-measures-programme-1.html](http://www.md.undp.org/content/moldova/en/home/operations/projects/poverty_reduction/confidence-building-measures-programme-1.html)

On 18 December 2015, the *Official Journal of the European Union* published Decision No. 1/2015 of the EU-Moldova Association Council, regarding the application of Title V of the Association Agreement between the EU and Moldova throughout the Republic of Moldova. As a result, since 2016 the DCFTA provisions will have to be implemented in Transnistria under the Association Agreement between the EU and Moldova (signed on June 27, 2014), according to previously negotiated arrangements between the three parties. The trilateral agreement (Brussels – Chisinau – Tiraspol) has not been made public and contains a number of commitments made by all parties, including financial ones entered into by the EU to support the smooth transition process on the left side of the Nistru River. At present, there is no certainty regarding the amount of the provided development assistance to the

<sup>12</sup> "EU Special Representative for the Republic of Moldova," n.d., [http://eeas.europa.eu/policies/eu-special-representatives/former-special-representatives/pdf/kalman\\_mizsei.pdf](http://eeas.europa.eu/policies/eu-special-representatives/former-special-representatives/pdf/kalman_mizsei.pdf).

left bank needed to support the reform agenda as well as no clear mechanisms which will ensure the transparency and accountability of financial assistance dedicated specifically to the Transnistrian region.

## Ukraine: Unprecedented Financial Assistance Package

“You keep reforming, and we will keep supporting. That is the contract we are making with you.” European Commission’s President Jean-Claude Juncker said these words during the International Support for Ukraine Conference in Kyiv on 28 April 2015.<sup>13</sup> One year earlier, the Commission had announced a support package of more than EUR 11 bln for Ukraine and had also established a Support Group for Ukraine to coordinate this assistance.

On the Ukrainian government side, an objective to establish a coordination centre at the level of Cabinet of Ministers of Ukraine was formulated in the government activity programme and was endorsed by the Ukrainian Parliament in December 2014. As mentioned in the report on the government activity programme implementation for 2015,<sup>14</sup> some amendments to the statutory regulation of the Ministry of Economic Development and Trade and a draft of the presidential decree are only in the process of being drafted and approved among the ministries.

This objective of re-shifting the coordination is actually the only objective that has been announced by the government. In terms of efficiency analysis, the improving of programmes and enhancing reporting methods, no initiatives took place (with the exception of the creation of an OpenAid website, still to be launched by the Ministry of Economic Development and Trade).

The overall amount of funding envisaged by the European Union for Ukraine in the short and medium term is more than EUR 11 bln. This amount consists of EUR 3 bln from the EU budget and EUR 8 bln from the EBRD and the EIB.

1. The first phase of EU assistance (3 bln) includes:

- EUR 1,6 bln, to be provided in the form of loans *as macro financial assistance*, being conditionally linked to Ukraine’s co-operation with IMF. From this amount, more than EUR 600 mln has been already distributed.
- EUR 1,4 bln, to be provided in the form of *grants*, covering a wide spectrum of assistance.

The EU grant package will include:

- EUR 140 mln to improve the government financial capacity and provide support to reforms. For progress related to human rights and the deepening of democracy, this amount may be increased to EUR 200 mln, potentially to be co-financed by European Neighborhood Instrument.
- EUR 130 mln, to be provided in 2015-2020 by ENI, and EUR 40-50 mln potentially to be added from ENI ‘umbrella’ programmes.
- EUR 400 mln for sectoral budget support.
- EUR 200-250 mln, provided to harmonize Ukrainian legislation with EU standards.
- EUR 20 mln provided by Instrument for Stability for police reform and elections, as well as EUR 15 mln for security sector reform.
- Instrument for Nuclear Safety Cooperation (16 projects of about EUR 43 mln.)
- EUR 350 mln, in the form State-Building Contracts.
- Twinning Instrument, including 6 projects currently being implemented and 17 in preparation phases. Areas covered include transport, justice and internal security, finance and energy.

2. The second component of loans to be provided by EBRD (EUR 5 bln) and EIB (EUR 3 bln):

<sup>13</sup> “Speech by President Juncker on ‘Reforming for Ukraine’s Future’, Reform Conference, Kyiv” (European Commission, April 28, 2015), [http://europa.eu/rapid/press-release\\_SPEECH-15-4880\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-15-4880_en.htm)

<sup>14</sup> “Звіт про виконання Порядку денного асоціації та Угоди про асоціацію між Україною та Європейським Союзом за 2015 рік” (Урядовий офіс з питань європейської інтеграції Секретаріату Кабінету Міністрів України, February 1, 2016), [www.kmu.gov.ua/document/.../AA\\_GOEI\\_REPORT\\_Dec\\_2015\\_final.pdf](http://www.kmu.gov.ua/document/.../AA_GOEI_REPORT_Dec_2015_final.pdf).

3. This may be impacted by such factors as progress in establishing deep and comprehensive free trade areas; establishment of donor co-ordination platforms; holding high-level investment forums etc.

Along with expertise and capacity building, EU support in the current Ukrainian context of reforms actually fulfills two more functions. It aims to provide financial incentives for reforms by increasing the amount of general and sectoral budget support. Moreover, outcomes of technical assistance also contribute to the formulation of future public policy agenda, thus creating a potential demand for further support.

An incentive effect depends on how the financial injections are linked to outputs in the form of draft bills and regulations, as well as their adoption. Such a link can be established by proper programming of objectives, tasks, resources and indicators, which is a usual practice in modern public administration. However, the Ukrainian government seems to be in the process of re-inventing such things, despite the relevant legal framework that was adopted many years ago. In other words, if public servants and politicians involved do not trace the interconnection between the reforms and resources invested, then the reform policy and the EU budget support are likely to become parallel realities.

EU assistance to Ukraine involves three issues to examine:

1. Absorption capacity in average is not higher than 70% of EU-provided funds in the form of budget support. However, the topic of absorption capacity in terms of budget planning, policy programming and expenditure accountability are not in the public policy agenda.
2. Co-ordination actually means mostly bookkeeping or compiling of ministries' requests. EU support facilities (technical assistance, Twinning and TAIEX, and budget supports) are formally co-ordinated by three institutions.
3. An objective to consolidate the quasi-coordination mechanism has been proclaimed by the government, but the process hasn't yet entered the implementation phase.

Addressing the issue of coordination is highly topical, especially in field of budget support, since the EU has already granted and committed significant amounts of funds in 2014-2015, with more planned in upcoming years. The volume of EU budget support for Ukraine is growing, but the Ukraine government is not ready to deal with a complicated set of objectives/indicators. The issue of further disbursement of the funds received via these programmes has not been highlighted, even though these funds have become a part of the state budget of Ukraine.

The table below represents the budget support programmes and progress in their financing.

**Table 5. Financing of the EU Budget Support Programmes, EUR mln.**

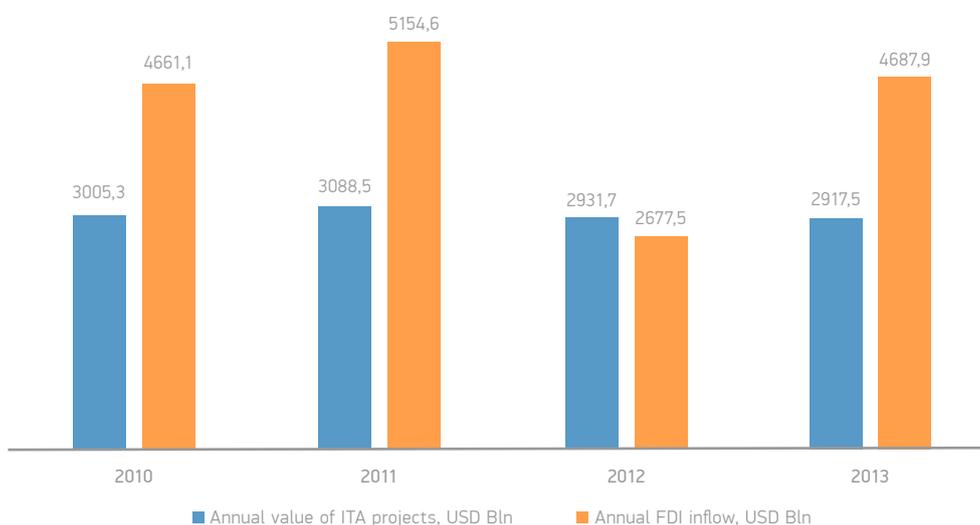
Programme of the EU budget support and year of signature	Amount Planned	Received, as for Dec 2015	%
Support for the Implementation of the Energy Strategy of Ukraine, 2008	82	68,14	83%
Support for the Implementation of the Energy Strategy in Fields of Energy Efficiency and Renewable Energy Sources, 2009	63	46,6	74%
Support for Mutual Trade by Removal of TBT between the EU and Ukraine, 2009	39	17,769	46%
Support for the Implementation of the National Environmental Strategy, 2010	35	24,3	69%
Support for the Implementation of the Transport Strategy of Ukraine, 2010	65	26,5	41%
Support for the Sectoral Policy of the Border Management, 2011	60	43,325	72%

Programme of the EU budget support and year of signature	Amount Planned	Received, as for Dec 2015	%
Continuation of Support for the Implementation of the Energy Strategy, 2013	45	0	0%
Support for Ukraine's Regional Policy, 2014	50	0	0%
State Building Contracts	355	250	70%

Source: own calculations.

The feasibility of programming in the context of EU and other international assistance can also be shown by comparing the annual dynamics of foreign investments and the value of ITA projects (Figure 5). Moreover, if we exclude FDI originated from Cyprus, then the donor support will not be fundamentally different from the FDI scale.

**Figure 5. ITA and FDI compared, Ukraine.**



Source: Own calculations.

**BOX 2. The central level of coordination of assistance: SIGMAs recommendations.**

SIGMA principles of public administration<sup>15</sup> include a number of requirements concerning European integration policy, including:

Principle 2: Clear horizontal procedures for governing national European integration process are established and enforced under the co-ordination of the responsible body.

1. The legislative and/or regulatory framework clearly defines and differentiates the powers, responsibilities and obligations of the different parties that carry out the integration function relevant to the phase of European Integration and is aligned with the general legal framework setting the basis for the work of the Government and the Administration.
2. European integration co-ordination body(ies) have the authority and capacity to co-ordinate and plan the transposition and translation of the European Union acquis, European Union assistance and overall European integration policy.

<sup>15</sup> "SIGMA Principles of Public Administration," n.d., <http://www.sigmaxweb.org/publications/principles-public-administration.htm>.

3. The European integration co-ordination unit is institutionalised, in the Office of the Prime Minister, in the Ministry of Foreign Affairs or as a separate body, and functions as part of the normal governing apparatus, with the authority to facilitate conflict resolution.

4. A firm mechanism is in place to ensure that co-ordination of general relations with the European Union is in line with overall European integration co-ordination.

Principle 4: A harmonized medium-term planning system for all processes relevant to European integration exists and is integrated into domestic policy planning.

Principle 9: The European integration procedures and institutional set-up form an integral part of the policy development process and ensure systematic and timely transposition of the acquis.

## **LEGAL AND INSTITUTIONAL FRAMEWORK**

Georgia, Moldova and Ukraine all show different progress with regards to the establishment and effective operation of foreign aid coordination institutions. Challenged by instability of political agreements, legacies of the past, obstacles from the present institutional set-up, overloaded decision-making, and outdated civil service, coordinating authorities in Georgia, Moldova and Ukraine can hardly claim they are operating in a supportive environment and thus often face both domestic and foreign criticism.

A well-established legal framework is often not enough when meeting bureaucratic realities. Personal characteristics of the agency leaders, not formal procedures, play a crucial role in determining the effectiveness of EU financial support coordination. Political affiliation of executives hinders proper cooperation in the different phases of programming external assistance.

Considering the abovementioned, the EU should continue working with its partners in promoting good governance principles, including accountability, transparency, rule of law, responsibility, inclusiveness and participation of all relevant stakeholders (including civil society and regional authorities). It should further share know-hows from member states about pre-accession aid coordination, support decentralization, development of responsible civil service and initiatives that enhance transparency to guarantee the longer term sustainability of ministries and state agencies.

### **Georgia: First Steps for the New Coordinating Centre**

The Government of Georgia, in order to avoid overlapping state priorities, effectively coordinates foreign aid with the following mechanisms:

- Donors' annual coordinating forum;
- Thematic coordination groups;
- Sectoral coordinating meetings;
- Foreign aid electronic database management.

The issue of coordination with foreign partners and donors has always been the subject of criticism. It should be noted that the criticism was not unfounded, as there was no uniform structure with the necessary competence and responsibility to conduct negotiations on behalf of the Government. Recently, however, important steps have been taken to create a unified system of communication and coordination with foreign partners. Various departments and agencies were set up by the Prime Minister's Office, which shall, within the limits of their authority and competence, have constant communication with all interested parties at the international level.

Of particular note in this regard is the Government Administration Policy Analysis, Strategic Planning and Coordination Department, an agency established by the Prime Minister's Office and based on the Government resolution in June 2015. The main functions of the Department include: foreign aid coordination, assistance in mobilizing foreign aid in accordance with

strategic priorities, purposive analysis of the foreign aid results (including analysis of money spending), and other activities related to foreign donors.<sup>16</sup>

Overall, the Policy Analysis, Strategic Planning and Coordination Department should represent a unified system which is equipped with the proper legitimation and qualifications to effectively respond to the policy objectives set before it. However, the reality is drastically different. Since the Department is a newly established agency, it still has not assumed an adequate level of institutional commitment, which is defined by law.

The government has a policy coordination model system, according to which the ministries hold a leading role in coordinating efforts with the foreign donors, based on thematic compliance. For example, regarding the Association Agreement the leading negotiation position is held by the Office of State Minister of Georgia on European and Euro-Atlantic Integration. Negotiations regarding visa liberalization with the European Union are being led by the Ministry of Foreign Affairs. For the Deep and Comprehensive Free Trade Area, the chief negotiator is the Ministry of Economy and Sustainable Development of Georgia.

To date, the ministries, based on their needs, in some cases organize separate meetings with donors, which further reinforces the feeling that the overall coordination of the system is less effective.

It should be noted that according to the assessment of some international donor representatives, the decision-making process is increasingly complicated and protracted when compared with the previous government, which to some extent affects the efficiency of the current government.

Despite the existing shortcomings, the establishment of the Department of Policy Analysis, Strategic Planning and Coordination was a very important step in enhancing coordination with donors and institutional development. At present, the system already has a logical framework and its success will largely depend on the effectiveness and qualifications of its management.

According to the statements of government representatives,<sup>17</sup> Georgia has already started a dialogue with the EU about Euro-integration priorities for 2018-2020. Although the Office of the State Minister of Georgia on European and Euro-Atlantic Integration is, of course, involved in the dialogue, the newly created Department will play an important role, too. While the Department will be active in negotiations over the priorities, the Ministry will monitor the implementation of the provisions already agreed upon with the Department's participation.

In order for Georgia to switch to the qualitatively new stage in relations with donors, it is necessary for the Policy Analysis, Strategic Planning and Coordination Department be very proactive and to work regularly both in the international arena and the domestic area with all the ministries, as well as with the Office of the State Minister of Georgia on European and Euro-Atlantic Integration.

## Moldova: Overcoming Institutional Glitches

On January 19, 2010, the Government of Moldova approved Decision Nr. 12, which predetermined regulations regarding the institutional framework and the mechanisms of coordinating foreign aid granted to Moldova by international organizations and foreign donors. This decision came up as a result of the EU Council meeting on 13 October 2008, which stated that *"the EU welcomes the recent increase in the pace of its relations with the Republic of Moldova"* and *"[the EU] is ready to have a deeper relationship in the framework of the European Neighborhood Policy and to negotiate a new and ambitious agreement with Moldova soon"*.<sup>18</sup> Further, in April 2011 a Joint Partnership Council chaired by the Prime Minister was established<sup>19</sup> in order to:

<sup>16</sup> "Georgian Government Resolution on Foreign Aid Coordination Regulations," n.d., <https://matsne.gov.ge/ka/document/view/2857742>.

<sup>17</sup> "Interview with Roman Kakulia, the Head of EU Assistance Coordination Department."

<sup>18</sup> Anita Sobják and Victoria Bucătaru, "Aid Coordination in Moldova: Politics Killing Policy" (PISM, November 2015), [http://www.pism.pl/files/?id\\_plik=20994](http://www.pism.pl/files/?id_plik=20994).

<sup>19</sup> "Government Decision No. 12 of 19 January 2010," January 19, 2010, <http://lex.justice.md/index.php?action=view@view=doc@lang=1@id=333522>.

1. Facilitate consultations with respect to the development agenda;
2. Monitor the implementation of national development documents and foreign assistance contributions;
3. Develop and promote strategic partnership between public authorities, external development partners, civil society and the private sector.

In addition, Sector Councils have been established for Public Administration Reform and Public Finance Management so donors can participate.

After signing the AA/DCFTA and negotiating the Single Support Framework for EU support to the Republic of Moldova (2014-2017),<sup>20</sup> the Moldova passed Government Decision nr. 561 on 19 August 2015, replaced Government Decision nr. 12 of 19 January 2010. The document introduces changes which emerged due to new cooperation agreements. The document reasserts the position of the Prime Minister as the national coordinator of the foreign assistance with the authority to:<sup>21</sup>

- Promote among donors the foreign assistance priorities and projects identified and approved at the Inter-ministerial Committee for Strategic Planning;
- Sign agreements in the area of external assistance;
- Examine progress relating to the use of the foreign assistance, (including monitoring the implementation of projects/programs of foreign assistance).

The new Decision also reconfirms the State Chancellery's position of National authority in charge of foreign assistance coordination. The State Chancellery is mainly responsible for programming, monitoring and evaluation, operational and methodological assessment as well as for ensuring transparency in using external assistance given to Moldova by the donor community. Within the State Chancellery, external assistance is administrated by the National Coordination Unit (NCU), which undertakes the following tasks:

*At the national level:*

- Finalizing the priorities of external assistance in line with the main national development documents and sector proposals received from sector councils on foreign assistance and submitting them for approval to the Inter-ministerial Committee for Strategic Planning;
- Continuously informing the Inter-ministerial Committee for Strategic Planning about the status of the programming phase, including any problems encountered and solutions proposed as well as informing the Committee about the progress of external assistance implementation at a national level;
- Coordinating the preparation and negotiation of agreements in the field of external assistance;
- Ensuring diversification and intensification of technical and financial cooperation with the donor community. Investigating and analyzing, together with the institutions concerned, new sources of development assistance;
- Continuously assessing aid absorption capacity by country and submitting proposals for improvement;
- Coordinating national monitoring of project implementation funded by the international donors;
- Ensuring proper registration and validation of external assistance projects and programs implemented in Moldova by the State Chancellery in the online informational system;
- Coordinating implementation of the actions, agreed to in agreements or similar documents signed with the donor community, for increasing the efficiency of external assistance;
- Ensuring cross-sector interaction between external assistance programs and projects to achieve consistency while excluding overlaps;

*Civil society and donor community cooperation:*

- Providing adequate information, in due time, to potential beneficiaries regarding obtaining external funding opportunities and conditions for applying for assistance;

<sup>20</sup> "Single Support Framework for EU Support to the Republic of Moldova (2014-2017)," n.d., [http://eeas.europa.eu/enp/pdf/financing-theenp/republic\\_of\\_moldova\\_single\\_support\\_framework\\_2014-2017\\_en.pdf](http://eeas.europa.eu/enp/pdf/financing-theenp/republic_of_moldova_single_support_framework_2014-2017_en.pdf).

<sup>21</sup> "Government Decision Nr. 561 of 19 August 2015," August 19, 2015, <http://lex.justice.md/md/360497/>.

- Cooperating with the donor community to identify new projects/programs or monitor and evaluate the existing ones;
- Ensuring transparency and informing the public about external assistance given to Moldova; guaranteeing the implementation of the communication strategy, with a special focus on the donor community and the civil society in Moldova.

The Sector Council, an advisory body – composed of public officials, representatives of the national coordination units, private sector representatives, nongovernmental organizations and donor community – plays an important role in the programming period, but also handles sector programmes and project monitoring. The main functions of the Sector Council include:

- Identifying, formulating and proposing to the national coordination unit the sector assistance priorities, including project proposals, while also ensuring complementarities and excluding duplication;
- Participating in the development/improvement at the sector level of policy documents, sector expenditure strategies and actions relating to the integration of external support funds envisaged in the national budget;
- Monitoring foreign assistance projects and programs, so sector projects and programs with external assistance are implemented effectively and within negotiated timeframes while financial means are used in the most efficient way;
- Recommending/taking active steps to improve/fix any operational problems which hinder the achievement of expected results within projects implemented with the support of foreign assistance;
- Reviewing and approving reports and evaluating external assistance projects and programs implemented in a specific sector;
- Assessing the impact and sustainability of assistance in the sector provided in order to achieve strategic objectives.

The assistance provided by the EU during the programming period 2014-2017 is synchronized with the priorities and objectives set out in new bilateral agreements, namely the AA/DCFTA and the Government activity Programme. Thus, it also reflects progress made by Moldova on its commitments under the Partnership and Cooperation Agreement, the Visa Liberalization Action Plan and the National Development Strategy («Moldova 2020»).

While the legal framework is in place, the coordination of the processes faces several challenges related to institutional shortcomings and sustainability of the political environment. Political affiliation of public institutions, to a certain extent, hinders the proper inter-institutional communication and cooperation during different phases of programming involving external assistance. At the same time, due to political influence over the ministries and state agencies, these state institutions cannot perform equally while technical and financial assistance is granted largely to the most influential political player.

The efficiency of the institutions relies to a great extent on the engagement of public officials rather than on existing inner procedures. Lack of qualified staff able to manage external development assistance, an unsystematic capacity building programme and low wages led to improper management, loss of institutional memory and high staff turnover. Moldova does receive benefits from the EU Technical Assistance Programmes, but these are not enough to guarantee longer term sustainability of the ministries and the state agencies as consciousness and acknowledgement of an improved civil service training system is needed.<sup>22</sup> At present, public servants are not motivated to improve their professional skills and continue their career in the public service; usually they accumulate experience and move on to the private sector or offer their expertise to international organizations and development partners.

General discussions regarding the urgent need for the restructuring of the civil service and the public administration, – including allowing the full implementation of the country's decentralization strategy – pushed public administration reform to among the top three priority sectors of intervention to be financed by the national envelope. The indicative allocation for the 2014-2020 periods is EUR 610 – 746 million, while the indicative bilateral allocation for the programming period 2014-2017 is EUR 335 to 410 million (see Table 6 for details).<sup>23</sup>

<sup>22</sup> Sobják and Bucătaru, "Aid Coordination in Moldova: Politics Killing Policy."

<sup>23</sup> "Single Support Framework for EU Support to the Republic of Moldova (2014-2017)."

**Table 6. Indicative financial overview, Moldova.**

	Indicative allocation 2014-2020	€610 million – €746 million
	Indicative allocation 2014-2017	€335 million – €410 million
<b>Including:</b>	Public administration reform	30%
	Agriculture and rural development	30%
	Police reform and border management	20%
	<b>Complementary support:</b>	20%
	Capacity development and institution building	15%
	Civil society	≤ 5%

Source: Single Support Framework for EU support to the Republic of Moldova (2014-2017)

Local public administration should be considered a relevant stakeholder in the process of programming assistance, but also implementing projects and reforms, which often gets disregarded when identifying sector priorities. Even though several mechanisms are in place for consulting the local authorities, consultation is usually superficial and it is not used to its full capacity. Excepting that, the regions are provided with reduced institutional capacity when building programmes, and this results in poor efficiency and a reduced capacity to follow the reform agenda.

In practical terms, shortcomings also emerge due to insufficient and badly organized communication among the ministries and state agencies. As budget support is managed by the Ministry of Finance according to specific programmes, and since the system is highly bureaucratic, beneficiary public institutions often fail to achieve their programmed outcomes because they lack timely funding. Receiving money by the end of the financial year, beneficiary public institutions have limited time to go through procurement procedures, increasing the risk of reduced allotment of funding.

## Ukraine: Fighting Tri-Party Leadership

In Ukraine, the functions of coordination of technical assistance, budget support and Twinning/TAIEX projects are currently split between three executive bodies:

- Ministry of Economic Development and Trade (MEDT) (ITA);
- MEDT / Ministry of finance (budget support);
- National Agency for Civil Service (TAIEX, Twinning projects).

The legal mechanism of receiving, using and monitoring international technical assistance was established by the Cabinet of Ministers of Ukraine Regulation through 15.02.2002 Nr. 153. This document provides the procedures of interaction between the line ministries and the Ministry of Economy.

The idea of its adoption in 2002 was to set up a model of coordination for technical assistance acquisition and its efficient use. In turn, the Minister of Economy was nominated as a national coordinator for international technical assistance. In 2011-2012, the Ministry even held the post of Government Commissioner for this matter.

According to the mentioned Regulation, the MEDT has to fulfill the following functions:

- Receive proposals from ministries and other central and local executive authorities to identify regional and sectoral priorities for attracting international technical assistance;
- Analyze these proposals in accordance with priority areas identified by the State program of economic and social development of Ukraine for the current year and programs of respective industries and fields of activity;

- Coordinate with the donors' strategic programs based on these proposals;
- Draft annual programs on the basis of agreed-upon strategic programs with the donors;
- Inform the Cabinet of Ministers of Ukraine about forming strategic and annual programs (annually);
- Monitor ITA programs and projects on the basis of reports submitted by the beneficiaries.

The mentioned annual programs were never actually published as MEDT proposals or government decisions since 2002. It means that they most probably were never adopted.

As for the strategic documents, only three were adopted by the Cabinet of Ministers: in 2009, 2011, and 2013. The latest document, titled «The Strategy of Attracting, Using and Monitoring of International Technical Assistance and Cooperation with International Financial Organizations for the 2013-2016,» was adopted by the Cabinet Order on 11 September 2013 Nr. 697-p. Certainly, the autumn of 2013 was not a pro-EU period for the government of Ukraine; therefore the Strategy had no specific chapter for EU assistance.

Furthermore, according to its statute, MEDT shall fulfill a function of state policy formulation and implementation in the field of attracting international technical assistance. This ambitious formula requires further details concerning the methods, a list of policy issues to address, and some outputs of the ministry's activity within the policy cycle: analysis, formulation, adoption by the government, implementation, monitoring etc. Only three strategic documents are available to the general public.

Moreover, this can be also considered in the context of the overall approach towards policy programming. An atavism of the soviet planning machine, the drafting of the state program of social and economic development was cancelled in 2012. In addition, state-targeted (sectoral) programs still exist and the MEDT plays a role as a methodology provider for drafting and implementing such programs. It would be unfair to say that the MEDT has had no capacity in policy programming in general. However, there is no evidence of systematic synergy between the sectoral programmes and ITA co-ordination.

One more point in the context of ITA regulation should be added: the idea that a basic Law of Ukraine should regulate this sphere. Such an idea was developed by MEDT in 2012. However it was not well received by NGOs because issues regarding project registration norms. Improper use of such norms could potentially give the ministry a means pressuring the 'third sector'. Recently, an initiative to draft such a law was announced by the MEDT again. However, the draft has not been made available for comments.

According to the government Regulation of 15 September 2010 Nr. 841, the main actors in the *EU budget support* sphere are the Ministry of Finance, MEDT and line ministries. The sequence of actions in EU budget support involving these three parties is as follows:

1. A line ministry initiates programme preparation by drafting a set of indicators with the help of a working group. This group can be formed by representatives of the executive authorities, experts representing the EU and the member states, and leading Ukrainian academic institutions. No formal grounds have been established for the participation of independent experts or other stakeholders (such as business associations).
2. The MEDT submits a list of indicators to the European Commission. After that, a financing agreement is prepared.
3. To monitor agreement (or budget support programme) implementation, a relevant monitoring group is established. This group is not inclusive.
4. The line ministry may request a technical assistance project to support the implementation of the budget support programme.
5. The line ministry submits monitoring results on a quarterly basis to the MEDT and the Ministry of Finance. However, the regulation provides no formal link between this step and any requests for an instalment.
6. Funds are to be used according to the budget legislation of Ukraine.

A clear implementation mechanism for the financing agreement, which by itself can provide some extra conditions of fund transfer and usage – like preliminary approval of a list of projects to be financed – is missing in this regulation. In other words, financing agreement norms and the process at the ministerial level look like separate dimensions.

A plan to establish a mechanism of *coordination of donor assistance* was declared by the European Commission and the Cabinet of Ministers of Ukraine in 2014. In particular, the creation of donor coordination platform was a part of the EU package of assistance to

Ukraine (amounting to EUR 11 bln) proposed by the European Commission in March 2014. Such a platform operates in Kyiv, and its activities are co-ordinated by the EU Delegation in Ukraine. In addition, one of the tasks of the Support Group Ukraine, created by the European Commission in April 2014, is to strengthen coordination among donors and international financial institutions. This is the situation on the donor side.

Secondly, a number of 'project offices' established by the National Reform Council in 2014-2015 include representatives of the international donors. This facility provides a room for rather informal co-ordination, since the offices do not have any procedural functions within the government lawmaking mechanism.

Thirdly, the Program of the Cabinet of Ministers of Ukraine, approved by the Verkhovna Rada of Ukraine on December 11, 2014, also provides for the formation of a coordination centre for the donors and for international technical assistance.

Beyond the political dimension, what is the rationale for a single coordination office?

1. Concern over corruption in the sphere of assistance, which is supported by some evidence. As revealed by MEDT director of ITA department<sup>24</sup>, there were five episodes of corruption reported to the prosecutor general's office. In addition, according to MEDT, the establishment of an OpenAid website will create the opportunity to monitor projects and prevent corruption. Furthermore, a beta version of a database containing a list of technical assistance projects, their breakdown for donors, countries and sectors is available at <http://dad.me.gov.ua/>.
2. Lack of the objective information and analysis regarding the aid outputs and outcomes. This data has been collected for years, but hasn't been processed.
3. The experience of other countries, like Poland and Serbia, where the post of national coordinator existed with relevant support from the European integration coordinating body.

A short historical review can show that the Ministry of Economy was equipped in 2002-2004 with functions mostly similar to those of the new member states. The Ministry of Economy has been responsible for interagency coordination of the economic and sectoral cooperation with the EU and it was responsible for the coordination of activities related to technical assistance planning, acquisition, use and monitoring. The Minister of Economy has also been a national coordinator for international technical assistance. The only problem with all these functions was that they were not implemented properly and were not supported by methods and procedures.

In 2014, the government established the Government Office for European Integration to steer the implementation of the Association Agreement. One of the functions assigned to the new body was analyzing executive authorities' activities with an eye to attracting international assistance focused on the performance of tasks set in the area of European integration. Analysis results should be converted into proposals addressed to the Prime Minister of Ukraine. However, so far the Government Office has produced no such analysis, which can be explained foremost by the absence of a proper empirical data.

Moreover, the functions of coordinating the interaction with the international financial organizations were removed from the MEDT and granted to the Ministry of Finance in 2015. Thus, the Ukrainian government has been concentrating heavily on the formal aspects of assistance without giving due attention to the policy aspect.

## **IMPACT ON CIVIL PARTICIPATION AND TRANSPARENCY**

Civil society makes significant contributions in economic integration and political convergence with the European Union by the promotion of human rights, participatory citizenship, regional economic development and public awareness. It enriches the process of European integration in the three studied nations through topical expertise and engagement of all relevant stakeholders, thus developing a shared responsibility and invaluable public oversight while increasing transparency and the quality of governance in the country.

As the importance of civic engagement and the monitoring of implementation processes of the bilateral agreements with the EU becomes more obvious, governments display different

<sup>24</sup> Марта Франчук, "Олена Трегуб: Я працюю тут майже рік, і вже бачила корупцію" (День, January 29, 2016), <http://www.day.kiev.ua/uk/article/ekonomika/ya-pracyuyu-tut-mayzhe-rik-i-vzhe-bachyla-korupciyu>.

degrees of willingness to cooperate with the non-governmental sector. Some create multi-lateral cooperation platforms, supported by the EU yet often hindered by domestic realities. Some lack or even discourage any healthy debate with public experts, forcing the latter to take by-passes or rely on obsolete and non-productive rudimentary institutions. Moreover, while public councils often play the role of advisory bodies, their opinions are sometimes ignored. The situation also varies in each individual ministry or state agency depending on availability of qualified staff, availability of technical assistance, and the nature of inner bureaucratic procedures.

In this situation, the EU should continue to engage in supporting non-governmental sectors in the three countries by allocating earmarked support to public organizations (distributed on a competitive grant basis) and demanding mandatory involvement of civil society in national governments as a necessary condition for further financial assistance.

Governments demonstrate uneven progress in terms of providing full, up-to-date and reliable information about the foreign aid provided to their countries. Although in all three cases a version of an informational database has been created and made publically available, there is still room for improvement. Stakeholders are often reluctant to add information about their projects due to time constraints, lack of staff or unwillingness to ensure full transparency. Institutions also rarely publish reports concerning the implementation of budget support programmes, therefore limiting civil society's ability to monitor the impact of foreign aid.

Considering the above mentioned issues, the EU should continue cooperation with national governments and partners from the non-governmental sector, further enhancing the capacity of the latter to access and analyze the information necessary for quality public oversight. Governments should be encouraged to ensure transparency at all stages of foreign aid coordination.

## Georgia: Increased Government Interest in Civil Society Engagement

Civil society makes a significant contribution in the economic integration and political convergence with Europe by the promotion of human rights, participatory citizenship, regional economic development and public awareness. For this purpose, it is necessary to significantly increase the capacity of civil society and develop a system for its support.

A year after signing the Association Agreement, the importance of civic engagement and monitoring of the process of implementation of the AA is even more obvious, especially since current trends clearly show that expertise and qualifications of authorities are often not sufficient to effectively and dynamically lead the European integration process. Apart from the lack of qualifications, the challenges in the public sector include maintaining professional cadres and the low salaries of leading specialists or experts in this sector. It is necessary to revise the remuneration policy of targeted priority areas to maintain highly qualified employees in the public sector, as these employees are responsible for the successful implementation of reforms.

Competence coupled with very limited financial resources are a challenge for the civil sector organizations. Although there are several nongovernmental organizations which have the necessary experience and the proper capacity to actively engage in policy dialogue about the European integration process, the overall existing environment does not support a desirable pace in the European integration in terms of successful implementation of drastic reforms.

Several studies<sup>25</sup> were carried out by the nongovernmental organizations in Georgia to monitor the implementation of the Association Agreement and evaluate its consequences. The results of the studies further prove that in this regard the efforts and capacity of both the government and nongovernmental sector need to be significantly enhanced.

The Memorandum of Understanding on Single Support Framework<sup>26</sup>, which defines the main priority directions of EU assistance to Georgia and determines the amount of aid in 2014-2017 (between EUR 335-410 million), includes a provision allocating 5 percent of total

25 "Monitoring Report of the EU Association Agreement," n.d., [http://www.osgf.ge/index.php?lang\\_id=ENG&sec\\_id=15&info\\_id=4179](http://www.osgf.ge/index.php?lang_id=ENG&sec_id=15&info_id=4179).

26 "Single Support Framework for EU Support to Georgia (2014-2017)."

support to nongovernmental organizations. In this part of the agreement, the final decision can be adopted by 2016 and afterwards it will be possible to allocate those funds to the nongovernmental sector. Initially<sup>27</sup> there are plans to distribute the funds through a grant competition, according to the priorities defined in the EU-Georgia Action Plan.

This is the first time the European Union has allocated funds to the government stipulating mandatory involvement of civil society organizations. Although this is a significant and positive indication of the increasing involvement of civil society, the allocated funds will not be enough to increase the competitiveness and sustainable development of civil society organizations. Because of the lack of sustainability of nongovernmental organizations, the EU often has had to assume the role of the main monitor and evaluator.

In order to create a system of checks and balances for the government and civil society, it is essential for the EU to increase support to civil society in parallel with increasing funding for the government. Very active and regular engagement of civil society in effective policy evaluation and monitoring mechanism development is extremely important. Development of a competitive environment will contribute to increased efficiency of both the government and civil society. It is necessary to ensure constructive discussion between the parties over medium- and long-term development plans, which will be an important strategic step in gaining support from the European Union.

On June 1, 2015, a meeting of the Eastern Partnership Civil Society Forum Georgian National Platform was held. The Civil Society Platform was established by Article 412 of the EU-Georgia Association Agreement. Georgia was the first country to involve the civil sector in drafting a National Action Plan.

It should be mentioned that the Establishment of Civil Society Platform has been successfully created. The Platform consists of 18 nongovernmental organization members who will work on the issues envisaged under the Association Agenda.

*“The newly founded platform and the Georgian National Platform will be the main instrument of our cooperation”* – Archil Karaulashvili, First Deputy Minister of Georgia on European and Euro-Atlantic Integration.

However, for the Civil Society Platform to function properly, the active participation of the EU is necessary, which unfortunately has not happened so far. This is why we can state that the newly established platform is still in progress and its activities at this stage are not being carried out.

The EU strategy of cooperation with Georgia’s civil society contains the following priority areas in providing support to civic organizations:

- Strengthening sustainability of civil society;
- Increasing civil activism;
- Taking into account civil society’s considerations in the process of policy-making and sustainable development.

Together with the above-mentioned issues, institutional support and capacity building of the new nongovernmental organizations is needed to strengthen civil society. Institutional support and capacity building would increase the qualifications and level of involvement of the new nongovernmental organizations. Analysis of the current political reality shows that the government is more open now than ever before, which creates a window of opportunity to develop a space of healthy debate and discussions between the government and civil society. It would be an important step towards establishing a more effective and better system of governance.

It should be noted that the Georgia’s National Platform initiated signing the Memorandum of Understanding with the government. Key issues were agreed upon and the Memorandum was signed on November 13, 2015. The memorandum is based on several key pillars:

1. Define a mandatory annual conference, with participation of the government and the National Platform;
2. Develop possibility areas of sectoral cooperation and have several mandatory meetings per year;
3. Monitor the implementation of the Association Agreement’s Action Plan and facilitate the increased level of involvement in the ongoing processes;

<sup>27</sup> Interview with Archil Karaulashvili, First Deputy of State Minister of Georgia on European and Euro-Atlantic Integration.”

4. Set the standards for the government, subject for the mandatory review by the National Platform.

This Memorandum will significantly contribute to the increased involvement of NGOs and better coordinate their efforts, which is among the top policy priorities.

The issue of transparency and access to relevant information is another important topic to be considered while talking about civil society engagement. Information about foreign aid in Georgia is assembled in the database found on the Policy Analysis, Strategic Planning and Coordination Department website.<sup>28</sup> Data is updated on a regular basis.

The Ministries and Administrations of the State Ministries of Georgia, according to their competence, assess the process of implementation of the projects funded by foreign donors once a year on the basis of prior notification by the Policy Analysis, Strategic Planning and Coordination Department.

In addition, the website contains detailed information about past and ongoing financial aid provided by foreign donors. The database contains not only details about each donor and the recipient, but also information about project types, budgets, deadlines, thematic groups, regions, and geographical locations.

## Moldova: Public Advisory Bodies Need More Credibility

The external assistance coordination process envisages several levels of activity, ranging from programming to evaluation as a final step. Over the years, the transparency of the aid coordination process has been improved by a wide variety of governmental electronic platforms which offer information to interested parties. At the same time, these instruments cover only a small part of genuine transparency mechanisms.

The Sector Councils – by definition advisory bodies comprised of public officials, representatives of the national coordination unit, private sector parties, nongovernmental organizations and members of the donor community – should ensure transparency of the processes and engage stakeholders in all phases of planning and managing foreign development aid. In reality, the situation varies in each ministry or state agency depending on several factors, such as: availability of qualified staff and technical assistance; the interest of civil society in a specific sector or existing expertise; the inner procedures. Generally, the activity of the Sector Councils is reduced to reporting on progress for specific projects and offering information related to future activities and sector priorities, thus explaining partly the lack of engagement from civil society. In addition, not all civil society representatives have sufficient expertise in specialized topics. Hence, their participation is selective.

Indeed, the level of information provided on the online platforms covers to some extent the needs of the wide public. Still, deficiencies exist in the amount of exposed data, the user-friendly strategies (or lack thereof) in presenting the information and the capacity of public institutions to update the data in due time. To increase transparency, the Ministry of Foreign Affairs and European Integration has created an electronic platform which offers the opportunity to monitor the achievements on each article of the AA. This initiative has diffused the reporting procedure among the line ministries and state agencies, which are more engaged in the process because they are directly responsible for completing the missing information related to their specific sector. In January 2014, the State Chancellery launched the Aid Management Platform (AMF), an online system comprising information on all foreign assistance granted to Moldova. The AMF could be considered a rather ample tool of information, but it does not contain information about multiple areas of assistance due to the stakeholders' reluctance to add information on their projects (it is time consuming and requires additional effort, staff, etc.) or unwillingness to ensure full transparency.

In 2010, the Moldovan Government set up a body to facilitate the involvement of all stakeholders in elaborating, putting into practice, monitoring, evaluating and updating strategic planning documents as well as policy documents. This was done to ensure transparency. As a result, in accordance with Government Decision Nr. 12 of 19 January 2010, the National Participation Council (NPC) – comprised of 30 representatives of civil society groups elected on a contest basis – was established. At present, the NPC is non-operational because the Government continuously ignored its activity, which undermined it

<sup>28</sup> "Aid Information Management System," n.d., <http://eaims.ge/>.

proper functioning. For example the government failed to submit Governmental Decisions for review in due time and disregarded the permanent appeals and positions taken by NPC representatives on specific political, economic or social issues. Although the NPC activity was largely on paper, it had insignificant influence over the decision making process, and for a short period of time it ensured the link between the central authorities and civil society.

In line with AA/DCFTA, two initiatives were launched to engage civil society. On July 7, 2015 under Chapter 13 of the Trade and Sustainable Development (TSD) of the DCFTA the Domestic Advisory Group (DAG) was set up. This group was a platform for discussions bringing together representatives of the civil society (Trade unions, NGOs, etc.), with the Ministry of Economy as the responsible body for DCFTA realization and the EU. This particular framework intends encourage comment and recommendations on issues arising from the implementation of the TSD chapter. In addition, Article 377<sup>29</sup> of the AA stipulates the emergence of a joint forum with civil society organizations, including members of domestic advisory groups and the public at large, to conduct a dialogue about the sustainable development aspects of the AA. The Parties are encouraged to promote a balanced representation of relevant interests including the interests of independent representative organizations of employers and workers, environmental interests and interests of business groups and other relevant stakeholders. Further, Article 442<sup>30</sup> stipulates that the Civil Society Platform shall consist of representatives of civil society and Members of the European Economic and Social Committee. Both frameworks are active at the moment although their activity is highly challenged by the political instability which impedes the proper implementation of the AA/DCFTA.

## Ukraine: Lack of Public Engagement, Information Access and Inter-Institutional Coordination

The issue of transparency and participation in Ukraine needs to be addressed both from the availability of information and the process of co-ordination viewpoints.

A beta version of a governmental database containing a list of technical assistance projects, their donors, countries and sectors is available at <http://dad.me.gov.ua/>. A list of all projects registered by the Ministry of Economic Development ( a coordinating body), is also available at the website. Recently, the Ministry of Economic Development and Trade announced that a new informational web-portal will be developed.

There is no specific option for CSOs participation in discussion or planning of issues regarding assistance. Stakeholders, however, may use the other available opportunities, such working groups under the umbrella of the National Reform Council, which include donors, and the civic advisory boards which formally still exist.

Considering the issue from a policy implementation side, one can mention a State Building Contract, launched in April-May 2014 and worth EUR 350 mln. This contract was initially signed for the 2014–2015 period<sup>31</sup>, but the government recently adopted an amendment on it to prolong it for another year.<sup>32</sup>

Even the first tranche of EUR 250 mln had exceeded the volume of EU budget support provided to Ukraine during 2007–2014 (total EUR 218 mln). In 2008–2012 the annual amount of funds received from the EU was between EUR 12 and 31 mln, covering only certain sectoral implementation strategies. The State Building Contract became a considerable challenge as a complex policy document, which included measures in various policy areas. To receive the balance of EUR 105 mln, Ukraine still has to reach a number of indicators in fields of corruption prevention, constitutional reform and public administration reform (see Table 7).

29 "Text of the Association Agreement" (Official Journal of the European Union, 2014), [http://eeas.europa.eu/moldova/assoagreement/pdf/md-aa-title-v-trade-related-matters\\_en.pdf](http://eeas.europa.eu/moldova/assoagreement/pdf/md-aa-title-v-trade-related-matters_en.pdf).

30 Ibid.

31 "State Building Contract for Ukraine," n.d., [http://ec.europa.eu/budget/euprojects/state-building-contract-ukraine\\_en](http://ec.europa.eu/budget/euprojects/state-building-contract-ukraine_en).

32 "The Government of Ukraine Regulation Nr. 22-P as of 20 January 2016," n.d.

33 "Міністерство фінансів України," accessed March 7, 2016, <http://minfin.gov.ua/search?SearchForm%5BdateFrom%5D=@SearchForm%5BdateTo%5D=@SearchForm%5Bquery%5D=%D0%B7%D0%B2%D1%96%D1%82@category=integracija-v-%D1%94vropejskij-sojuz>.

**Table 7. Progress of fulfillment of the State Building Contract Indicators.**

	Conditionality	Indicators	Progress (short review)
1	Serious progress in fight against corruption	Establishment of specialized agency for detection and pre-trial investigation of corruption criminal offences	Achieved. National Anti-Corruption Bureau established and started its work
2	Enforced procedures for declaration and verification of incomes, assets and expenses	Establishment of system of verification	In progress. Establishment of a National Agency for Prevention of Corruption is in progress
3	Transparency and competitiveness in public procurement	List of exceptions from the public procurement law reduced. Decreased use of negotiated non-competitive procedure	In progress. Exceptions are not reduced by amending the basic law on public procurement Use of negotiated procedure decreased by introduction of e-platform "Prozorro".
4	Improved access to public information (PI)	Full implementation of Access to PI Law, providing internet access to public registers of Legal Entities and Private Entrepreneurs and of Immovable Property Rights and land cadastres.	Achieved. The mentioned registers are available online
5	Increased transparency and accountability in Public Finance Management (PFM)	Publication of quarterly reports of PFM Strategy and Action Plan implementation (adopted in 2013). Informing public and media about progress and implementation.	In progress. Full reports on PFM strategy implementation are not available at Ministry of Finance website. Only short notices are published, including notices from the first quarter of 2015 <sup>33</sup>
6	Comprehensive reform of civil service and service in local self-government bodies	Adoption and publication of Strategy and Implementation Plan on reform of civil service. Adoption of a new law on civil service as well as of a new law on service in local self-government bodies. Adoption of Administrative Procedures Code. Effective implementation of the law of administrative services.	In progress. Administrative Procedure Code is not submitted as a draft. Other documents have been adopted.
7	Completion of the constitutional reform	Consultations with civil society. Recommendations of the Venice Commission are considered. Law on the Amendment of the Constitution is enacted.	In progress. Parliament has only approved an amendment regarding the judiciary. Amendment regarding the decentralization has caused intensive political debate
8	Harmonization of electoral legislation and political parties' financing	Recommendations of the ODIHR as well as of GRECO on Transparency of Party Funding are considered. Adoption of laws harmonizing the electoral legislation.	In progress. A new version of the Law on local elections was adopted in May 2015. Other legislative amendments are in preparation.

How can this situation be reflected in terms of policy planning and implementation, as well as transparency?

- Is the State Building Contract just a financing agreement or it is a policy document? If it was intended as a roadmap to reforms, than it should have been implemented accordingly, with proper orders and action plan.
- The government didn't establish any coordination centre for the Contract implementation. The agency formally responsible for it was the MEDT.
- The only document adopted by the government regarding the management/coordination of this contract is a regulation authorizing the Minister of Economic Development and Trade to sign it.
- The most recent version of a description of actions completed to implement the Contract available on the MEDT website is dated by 20 January 2015<sup>34</sup>. However, this document is not a progress report.

In the context of budget support, the main issues impacting transparency and civic participation are:

- No systematic coordination, which is actually split between the two ministries: the MEDT and the Ministry of finance. The former has competency in indicator monitoring and the latter in requesting the tranches. Along with that, the interministerial working group reviews the indicators' progress. Moreover, in some cases, the Ministry of Finance is also supposed to approve a list of projects to be financed by the budget support programme.
- Lack of transparency. In general, line ministries do not publish reports concerning the implementation of budget support programmes. Therefore, civil society's ability to monitor and impact the process is limited. However, CSOs are not active in monitoring this topic by using access to public information mechanisms.
- Importantly, it is difficult to link the amount of funds disbursed with a certain policy documents or actions. There is a time lapse between document adoption and the funds transfer. Items funded are not necessarily linked with policy priorities, because the latter are flexibly formulated. A list of items/projects funded is not published.

These peculiarities are important in the context of expected public administration reform, which is still in being prepared. The scheme will probably be linked to a new law related civil service, adopted in December 2015. The gross amount was not yet announced, but the senior officials already stated the necessity to use it as a salary supplement fund for public servants.

The draft Strategy of the Public Administration Reform, announced in July 2015 by the Cabinet of Ministers of Ukraine includes, *inter alia*:

- Development of an effective system of public policy formulation, with special reference to strategic and programme documents and policy coordination function.
- Reform (optimization) of the system of central executive authorities, including a review of their functions, tasks and internal structures.

The draft strategy<sup>35</sup> includes an action plan and a set of indicators. An example below presents a gradual increase of policy documents in policy-making process, which are now characterized by a legal drafting priority. In particular, the following increase of quotas was foreseen (see Table 8):

**Table 8. Increase of policy documents in the policy-making process.**

	2017	2020
Public policy documents adopted vs. overall number of documents adopted by the CMU	25%	50%

<sup>34</sup> "Контакт з розбудови держави" (Департамент взаємодії з міжнародними фінансовими організаціями та залучення міжнародної технічної допомоги, January 20, 2015), <http://www.me.gov.ua/Documents/Detail?lang=uk-UA&id=825aab69-35e0-4021-a103-540d7960cca0&title=KontraktZRoZbudoviDerzhavi>.

<sup>35</sup> "Стратегія реформування державного управління України на 2015—2020 роки," n.d., [http://civic.kmu.gov.ua/consult\\_mvc\\_kmu/consult/old/show\\_bill/3798](http://civic.kmu.gov.ua/consult_mvc_kmu/consult/old/show_bill/3798).

	2017	2020
Legal acts developed on the basis of policy papers and submitted to the CMU vs. overall number of draft legal acts submitted	30%	50%
Ministries that use policy analysis methods and prepare policy papers, strategic and programme documents as a background for legal drafting	25%	75%

Such an approach means a shift from simple drafting and adopting of documents (to fulfill the indicators) to changing internal practices of the state authorities. Actually, this is a new public management approach, introducing elements of performance-related payment to public servants.

Therefore, if the public administration support will be used for a salary supplement fund (or a similar purpose), the ministries may face a double risk. Besides fulfillment of programme indicators, it may be necessary to deal with a performance-related pay approach, evaluating contributions of particular public servants. This will be completely new for Ukraine.

Another example is the Memorandum of Understanding between the EU and Ukraine providing loan assistance of EUR 1.8 bln.<sup>36</sup> The memorandum includes a list of measures titled 'Structural Reform Policy Measures' as conditions for three instalments. Fulfillment of the measures is linked to the three instalments of a loan. The areas of measures include:

- Public Finance Management
  - External audit
  - Public procurement
  - Fiscal governance
- Governance and transparency
  - Anti-corruption
  - Public administration
- Energy sector
- Social safety nets
- Business environment
  - Trade and Customs
  - Competition policy
- Financial sector

As in case of the State Building Contract, there is no: 1) implementation act, managing the ministries' work; 2) provision for progress reports; 3) coordinating body.

The title 'Structural Reform Policy Measures' suggests that this document, in the context of the Ukrainian public administration, should be considered a policy document. Therefore, in the context of implementation, it should at least have links to existing policy documents (like the government activity programme or an action plan for this programme). Alternatively, it should have its own implementing act, like an action plan.

After considering the financial aid, it is important to analyze how the aid should be perceived by authorities.

The European Union also funds more than 250 technical assistance projects in Ukraine, in which beneficiaries are ministries, central executive bodies, regional administrations, and local authorities. Each of these projects contributes to the achievement of the objectives of the public policy in the respective area (energy policy, transport strategy, regional development policy, environment, etc.). However, their contribution to the policy developments and to the implementation of policy documents is not summarized or evaluated at the central level in the form of a report. This lack of summary may prevent the authorities from efficient use of assistance and from planning its use

<sup>36</sup> "Macro-Financial Assistance for Ukraine. Loan Facility from the European Union of up to 1.8 Billion EUR> Memorandum of Understanding," 2015, [http://ec.europa.eu/economy\\_finance/international/neighbourhood\\_policy/doc/mou\\_eu\\_ukraine\\_en.pdf](http://ec.europa.eu/economy_finance/international/neighbourhood_policy/doc/mou_eu_ukraine_en.pdf).

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Overall Recommendations:**

- The EU should continue to focus on support for public service reforms, aiming at professional (and not politically-motivated) public servants, initiatives of open data access and enhanced public oversight as well as the fight against corruption.
- Continuing cooperation with EU partners in the area of promotion of good governance principles – including accountability, transparency, rule of law, responsibility, inclusiveness and participation of all relevant stakeholders (including civil society and regional authorities) – remains crucial. It should further share know-how from the member states regarding pre-accession aid coordination, support decentralization, development of responsible civil service and initiatives that enhance transparency in order to guarantee longer term sustainability of the ministries and the state agencies.
- The EU should continue to support non-governmental sectors in the three countries by allocating earmarked support to public organizations (distributed through a competitive grant basis) and demanding mandatory involvement of civil society from the national governments as a necessary condition for further financial assistance.
- The EU should continue cooperation with national governments and partners from the non-governmental sector, further enhancing the capacity of the latter to access and analyze the information necessary for quality public oversight. The governments should be encouraged to ensure transparency at all stages of foreign aid coordination.

### **Country-Specific Recommendations:**

#### **Georgia**

- Civil society should be involved at every stage of the policy-making process, including elaborating medium and long-term country development strategies.
- In order to reach a new stage with donor coordination, the Government should develop a systematic approach. It is necessary for the “Policy Analysis, Strategic Planning and Coordination Department” be proactive and work regularly both in the international and domestic arena.
- The government should elaborate effective policy evaluation and monitoring mechanisms, with clear criteria that will allow us to measure the progress and challenges of the policy.
- The government should make monitoring and evaluation of EU aid a priority and present its reports transparently for all stakeholders.
- The government should conduct more training and raise qualification for public servants who are responsible for policy changes.
- The government should establish a system of «impact assessment» for the policy-making process.
- The government and the EU should proactively support civil society to increase its competitiveness and ensure sustainable development.

#### **Moldova**

- Ensure a stable environment for foreign assistance absorption by strengthening the State Chancellery and the National Coordination Unit as the main coordinators of foreign assistance.
- Provide a clear and constructive mechanism of dialogue between the donor community and the Government, avoiding political fragmentation of ministries, state agencies and central and local administrative structures.
- Ensure a strong civil service training system and offer opportunities for professional growth to civil servants, thus reducing turnover and discrepancies in information flow. Increase participation in the technical assistance programmes offered by foreign donors by providing viable tools to ensure sustainability and enhanced ownership over the reform agenda.

- Strengthen the role of the Sector Councils as a viable platform of discussions during the process of aid programming by fully involving all stakeholders. This would increase the level of transparency and coordination, excluding some of the overlapping practices while enhancing visibility.
- Proceed the public administration reform while identifying the role of the local public administration in the aid coordination process. Local authorities should be thoroughly involved in short, medium and long term planning as well as benefiting from ample institutional capacity building programmes.
- Increase accountability by strengthening partnership with the civil society. National civil society platforms should amplify their role in planning and monitoring the processes of aid coordination.
- Encourage stronger participation of the donor community in the visibility activities and information processes related to the planning, implementation, monitoring and evaluation of foreign assistance. Donors could contribute with relevant data on projects as well as supporting the inclusiveness of other stakeholders in the process.
- Improve the Aid Management Platform by providing structured and ample information on the results of the projects in accordance with a commonly developed measurement scheme agreed to by all stakeholders. Participation of donors with data and reports about the projects would be a valuable asset.
- Set up a transparent mechanism for the Transnistrian region for planning and monitoring foreign assistance. Provide consistent updates, including statistic data and outcomes of projects supported by the development partners.

## Ukraine

- Budget support area need to be monitored by the civil society. This process should be started as soon as possible to provide a watchdog for the current, and, more importantly, forthcoming schemes to support regional development and economic recovery.
- To be ready for increasing volumes of support, Ukraine needs to address issues of policy programming, clear functions and their fulfillment by the ministries.
- International assistance provided to Ukraine should be seen primarily as an instrument or resource to achieve the relevant objectives of public policy and not as a separate area of public policy.
- Transparent and stronger programme approaches will provide more opportunities for NGOs and other stakeholders to give feedback and monitor corruption risks.
- A more inclusive approach should be set up in the budget support programmes:
  - Stakeholders should be involved in drafting and monitoring groups.
  - Financing agreements should be published.
  - Regulations should make a clear link between the financing agreement, the budget process and the indicator fulfillment.

### **BOX 3. Recommendations for Increased Engagement of Non-Governmental Organizations in the Process of Planning and Monitoring the EU Aid Agenda**

- Make full use of the instruments provided by the legislation for accessing public information to reveal and disseminate the facts on the use of budget support.
- Introduce the issues of the acquisition and the use of EU budget support into the agenda of the civil boards of respective line ministries.
- Get involved in expert groups at the preparation stage of the sectoral agreement to ensure norms of transparency and accountability. Make proposals on transparency public and make them available to the media, civil boards within ministries and national-level civil society platforms.
- At the implementation stage, get involved in the monitoring group. Participate regularly in implementation reviews and disseminate information obtained when

monitoring group meetings.

- Co-operate with sectoral independent experts to objectively evaluate the progress achieved in implementing financing agreement conditions.
- Advocate full implementation of the basic requirements of budget legislation related to transparency and accountability of budget expenses. Remind the ministries about their obligation to make the budget process transparent and available for civil society participation.
- Get involved in consultations with the central government and bring about an agenda of transparency with EU budget support.

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