

ANNEX 2 - ACTION FICHE FOR UKRAINE

1. IDENTIFICATION

<i>Title/Number</i>	SUPPORT TO THE JOINT COOPERATION INITIATIVE IN CRIMEA (CRIS ENPI/2010/021-851)		
<i>Total cost</i>	EU Contribution EUR 12 million		
<i>Aid method / Method of implementation</i>	1) Direct centralised management 2) Indirect centralised management with Kreditanstalt für Wiederaufbau (KfW), Germany		
<i>DAC-code</i>	43010	<i>Sector</i>	Multi-sector aid

2. RATIONALE

2.1. Sector context

2.1.1. Overview

Despite a new course of relations between Ukraine and Russia and some signs of Kiev's engagement in the region, the Autonomous Republic of Crimea (ARC) and Sevastopol still represent a potential flash point in the region. The signing of a new lease agreement for the Black Sea Fleet (BSF) in Sevastopol does not change the fact that the BSF has lost its role as the city's main employer. Its downsizing is still continuing and generating unemployment, growing debts and bankruptcy of several military-complex enterprises, which translates into the need to diversify the local economy and attract FDI to that purpose.

The complexity of the situation, compounded by different groups which experience exclusion, notably the Crimean Tartars, slow reforms on sensitive land and competences issues and some concerns over separatism, imposes a closer attention to Crimea's political, economic and social situation and justifies investing in the region as a matter of priority.

Within the framework of the Joint Cooperation Initiative in Crimea (JCIC), this programme will focus on reducing the disparity and development gap of Crimea with other regions. It is aimed at supporting social and economic development of the Crimea in some Regional Development Strategy priority areas with a specific focus on Tourism Development, Social Infrastructure development and Foreign Direct Investments (FDI) promotion.

1) *Tourism*: With the service sector representing more than 58 % of Crimea Gross Value Added (GVA)⁷, the Tourism sector contributes only to 7 % of regional budget⁸ (unofficial economy estimated at 40-60%) and generated employment is still low. Current levels of professional services and standards with low value for money, real estate speculations that do not generate new jobs, weak alternative tourist products, cultural heritage protection policy and tourism information support and communication, are not properly addressed in the existing Tourism Development Plan elaborated by the Ministry of Tourism of ARC.

⁷ Ukraine Competitiveness Report 2009 – FEG – http://www.feg.org.ua/docs/Final_Eng_2009.pdf, page 104

⁸ Source: ARC Prime Minister office data for 2008

2) *Social infrastructure*: Significant welfare discrepancies persist between urban and rural areas that could not be overcome even in times of strong economic growth. In order to overcome the persisting poverty in rural areas, one of the top priorities is the rehabilitation of the economic and social infrastructure in the region. Due to the weak development of social-economic indicators, the Ukrainian government places a high priority on the development of the ARC. Apart from the southern tourist areas, Crimea is characterized by a high incidence of poverty. According to the latest official poverty statistics (2008), the average poverty rate in Crimea stands at 30.3% (and thus above the national average set at 27.3 %). The regional salary level lies approx. 15% below the national average.

3) *Foreign Direct Investment (FDI)*: Over the past years, Ukraine has made little progress in improving its investment climate. The most important risk factors for foreign and domestic investors can be summarized as follows: political instability, lack of policy consensus on the economic reform priorities, the erratic judiciary system, an intricate tax system, the lack of fair, transparent and impartial dispute resolution mechanisms, the very difficult enforcement of domestic court and international arbitration decisions, a court system which is inefficient and susceptible to political interference and corruption that continues to affect all levels of Ukrainian society. Financial support instruments remain more declarative, than real.

Despite all the concerns, Ukrainian market remains attractive for foreign investors, outpacing many of the other CIS countries. This is due to high returns on investment, low-priced resources and workforce and the prospects of future growth and market development partly due to approximation to the EU. The EU remains the biggest foreign investor in Ukraine with the amount of FDI equalling to USD 28.17 Billion as of 1 January 2009 (79% of the total FDI to Ukraine); FDI to the Crimea and Sevastopol total 2.2% of Ukraine's FDI stock as of end 2008.

The activities foreseen will contribute to Eastern Partnership priorities and to Association Agenda priorities such as strengthening of the functioning of local and regional self-government, tourism, culture, regional development and industrial and enterprise policy.

2.2. Lessons learnt

1) Tourism development: Despite some positive achievements of the last major EU funded project implemented in 1998-2000 in support of Crimean tourism⁹, this project -due to low budget and limited project duration- produced no real impact on the public sector as the inadequate institutional framework for tourism development could not be addressed, as well as no visible impact on Crimean tourism offer, as the project limited its action to certain niche products. A recent concept paper¹⁰ of the Gesellschaft fuer technische Zusammenarbeit (GTZ) provided valuable confirmation of needs assessment for the sector.

2) Social infrastructures - KfW: An identical programme to the one proposed has been implemented by KfW in Donetsk and Lugansk oblasts (2008-2010, EUR 7.0 million) and its extension is currently being implemented by KfW in the ARC (2009-2011, EUR 5.0 million). The implementation structure has thus been validated and has proven to work very efficiently. The mandatory involvement of local civil society in all phases of project cycle has proved to be pivotal to the performance ratings and sustainability. In several cases, these actions in poorest districts created the conditions to develop new local political leaders.

3) FDI promotion in Sevastopol: Although efforts are being made to achieve improvements, progress in the simplification of regulation for businesses in Ukraine still falls considerably short of what is

⁹ Support to the Creation of the Crimean Tourism Development Centre (CTDC) (EDUK9702)

¹⁰ "Crimean tourism development in times of crises", GTZ - October 2009

required. Both the World Bank and International Finance Cooperation (IFC) most recent reports¹¹ show that progress during recent years has been painfully slow and totally inadequate. There is a need to reduce opportunities for corruption particularly at municipal level where complicated and confusing systems providing delivery of municipal services, construction permits and access to land are sources of significant corruption¹². It is the task of the City of Sevastopol not only to prepare and disseminate positive information about the city and its business opportunities but also simplify and streamline the burdensome procedures.

2.3. Complementary actions

All Components will need a very close cooperation and liaison mechanism not only to avoid overlapping but also to generate synergies and to build on what other actions achieved or plan to achieve.

Component 1) Tourism development: Since the completion of the EU funded project "Support to the Creation of the Crimean Tourism Development Centre" (EUR 2.2 million in 26 months 1998-2000), no other major international cooperation projects in support of tourism development have taken place in Crimea. At present, there are some ongoing and planned programmes extremely relevant to built complementarities for the proposed project:

- a. The EUR 0.75 Million EU-funded project "Development of Tourist Information Infrastructure in Lviv". The project on building tourist information infrastructure aims to improve accessibility to UNESCO World Heritage objects in Lviv. The experience on the field of this project will be of great value to the present action's tourism component.
- b. The USAID USD 3 Million "Local Investment and National Competitiveness project (LINC)" recently started a nationwide programme aimed also at improving Crimea's Business Enabling Environment and Industry Competitiveness, in particular focusing on development of "Tourism Clusters".
- c. The ongoing UNDP-Crimea Integration and Development Programme (CIDP) project in Crimea (USD 2 Million, 2009-2011) is among other activities also studying the key characteristics of supply and demand, facilities availability, and image of rural tourism in Crimea.
- d. GTZ is implementing the nationwide programme "Promotion of sustainable economic development and employment" (EUR 1 Million in 3 years) focusing also on tourism organization and promotion in Crimea.

Component 2) Social infrastructures - KfW: The proposed delegated cooperation with KfW will top up the current EUR 5 Million project being implemented by KfW in the ARC ending in 2011. The project will draw on extensive experience from:

- a. The planned EUR 17 Million EU-funded Community Based Approach phase II (CBA II) nationwide project including Crimea, aimed at strengthening participatory governance and community-based initiatives, including energy efficiency-related activities.
- b. The on-going EUR 12 Million project (2007-2011) "Community Based Approach to Local Development – CBA I" funded by the EU and co-funded and implemented by UNDP.

¹¹ "Investment Climate in Ukraine as Seen by Private Businesses" – IFC Report (October 2009) and "Doing Business in 2010" - World Bank Report

¹² USAID Trade, Investment and Business Acceleration (TIBA) two-year (2007 – 2009), USD 8 Million project was designed to provide technical assistance to the Government of Ukraine and the private sector to promote trade, investment and business development

- c. The proposed action will build upon achievements of the World Bank / Ukraine Social Investment Fund (USIF) nationwide programme on social infrastructures development (USD 50 Million in 2000-2008) including Crimea.

Component 3) FDI promotion in Sevastopol: Opportunities for complementarities and synergies could be offered by:

- a. EAST-INVEST: the European Commission has recently issued a call for proposals for a EUR 7 Million new regional investment and trade facilitation project. Complementarities will be particularly important to facilitate exchange of best practices and interconnections between EU and Eastern Neighbourhood companies.
- b. EU-funded (EUR 1.4 Million) Twinning project - Enhancing performance of InvestUkraine: the Ukrainian Centre for Foreign Investment Promotion in line with the best European practices started in July 2009.
- c. The above mentioned USAID LINC project (improving economic governance, piloting the development of a unified property registry).
- d. The above mentioned GTZ programme "Promotion of sustainable economic development and employment" also focuses on cluster development and enterprise competitiveness in Crimea including Sevastopol.
- e. IFC - Ukraine Business Enabling Environment Project - This project works to create a favourable environment for the development of SMEs and to improve the overall investment climate in Ukraine.
- f. The European Investment Bank (EIB) together with the World Bank and European Bank for Reconstruction and Development (EBRD) committed in February 2009 to provide EUR 24.5 Billion in financial resources for banking systems and the real economy in central and eastern Europe.

Moreover, the EBRD remains the largest investor in Ukraine (energy efficiency and security, development of the domestic capital market, transport and communications infrastructures, and municipal sector development). Other donors involved are the Canadian International Development Agency (CIDA), the Ministry of Economic Affairs of the Netherlands, and the Swedish International Development Cooperation Agency (SIDA) via the Ukraine Business Enabling Environment Project (2005 – present). The Local and Regional SME Development Programme was approved by the national Government in April 2007 with a budget around EUR 15,000 for Sevastopol, spent in several initiatives including the realization of the website "Invest Sevastopol" in 3 languages¹³.

2.4. Donor coordination

2.4.1. EU Member States in the JCIC

The EU Member States will contribute in the framework of the JCIC by re-orienting their future commitments on the base of a consistent division of labour interfaced with the Operational Plan of the Regional Development Strategy for ARC. A possible division of labour among EU and EU Member States is already shaping, in particular with Germany (EUR 6 Million for enterprise development and social infrastructures), France, United Kingdom and Lithuania (in the areas of tourism and cultural promotion with yearly budgets below EUR 20,000) and Sweden (EUR 1.4 Million for environmental investments in municipal infrastructures). The opening of a Polish consulate in Sevastopol in 2010 and the planned German Honorary Consulate in Simferopol will facilitate business cooperation missions and investment promotion events.

¹³ <http://www.sevinvest.gov.ua>

2.4.2. UNDP CIDP focal point for the Crimea Coordination Group

Coordination with UNDP projects in Crimea shall ensure synergy and avoid overlapping with all other donor funded projects in Crimea on the basis of the ongoing regular Quarterly Donors Coordination Meetings. The last meeting adopted the EU Delegation proposal for a “Code of Conduct” for project coordination in Crimea, a regular projects mapping exercise and the use of a web based coordination tool already activated.

3. DESCRIPTION

3.1. Objectives

3.1.1. Overall objective

The overall objective of the programme is to promote social and economic development of the ARC and Sevastopol by improving essential community needs and by generating new opportunities for economic development through better use of untapped local and regional potentials.

3.1.2. Purpose

This objective will be achieved by pursuing the following three Components:

Component 1) Tourism development:

- 1.1 **Support to institutional framework and territorial re-organisation** aiming at enhancing the capacity to develop and implement strategic actions and at re-shaping the territorial organization for a better balanced tourism development;
- 1.2 **Support to the reformulation of the tourism offer** to raise its quality;
- 1.3 **Improvement of the tourism promotion and signage** to create and launch a new revalorized tourist image of Crimea.

Component 2) Social infrastructures - KfW:

- 2.1 **The sustained utilisation of the social and economic infrastructure units** that have been rehabilitated in the context of the project;
- 2.2 **The development of local civil society** through improving the participation of the population in decisions at community level.

Component 3) FDI promotion in Sevastopol

- 3.1 **Institutional capacity building** to increase FDI inflows by developing a new integrated approach and a strengthened policy dialogue;
- 3.2 **Support to FDI promotion** by enhancing the capacities of main stakeholders to plan and implement activities to attract and promote foreign direct investment, making use of the best and more appropriate international expertise.

3.2. Expected results and main activities

Component 1) Tourism development:

Expected results:

- 1.1 An appropriate institutional framework reformulated and public-private dialogue enhanced. Tourism sub-regions should be identified in order to optimize the delivery and accessibility of tourism products;
- 1.2 Existing Tourism Development Plan reviewed and upgraded into a new Strategy, which shall include, among other things, the new Institutional Support Infrastructure and an Action Plan to address development gaps and to target priority sub-sectors/clusters identified by ad hoc studies; developing a 10 years General Accommodation Plan, as an integral part of the new strategy,

which shall incorporate a restructuring plan of health resorts and a clearly identified financial instrument to provide the necessary resources. Human Resources Plan developed to raise quality of services. A specialised training centre shall be established to increase personnel skills and qualifications of public and private tourist operators making services more competitive;

- 1.3 Tourists' information support and communication accessibility to Crimea cultural heritage substantially increased through implementation of the corresponding 5-years plan for creation of tourism signalisation and signage); enhanced tourism communication capacity on Internet of public and private operators.

Main activities:

1.1 **Institutional framework and tourism territory re-organized:**

- Assessment of weaknesses and gaps of the current institutional framework and subsequent implementation;
- Assistance to elaborate ad hoc studies to identify what priority sub-sectors/clusters to target;
- Elaboration of the plan for territorial reorganisation;
- Equipment needs assessment and preparation of the related supply tender.

1.2 **Tourism offer reformulated and its quality improved:**

- Review and upgrade of the Tourism Development Strategy 2010-2020 in coordination with national and ARC regional development policies;
- Elaboration of the General Accommodation Plan with special focus on health resorts, including a clearly identified financial tools for its implementation, a definition of quality standards and control process and the adoption of ambitious environmental sustainability assessments;
- Elaboration of the Human Resources Plan and development of the training centre to implement it, including training programmes and modules for all envisaged new institutions;
- Needs assessment and purchase for the necessary equipment and software for the envisaged Training centre.

1.3 **Tourism promotion and signage improved:**

- Assistance to carry out needs assessment and to develop a new concept for tourism promotion and tourists' information support and communication accessibility to cultural heritage sites in Crimea;
- Assistance to implement the new tourism promotion plan including support to draft promotion agreements with specialised operators in targeted markets;
- Support to upgrade the tourism communication capacity on the Internet of public and private operators including for cultural and natural heritage sites;
- Needs assessment and purchase of the necessary signs and plates;
- Preparation of the related supply tender.

Component 2) Social infrastructures - KfW:

Expected results:

- 2.1 Additional mini-projects realised with funds from this EU component in the area of social and economic municipal infrastructures implemented by the population in the poorest ARC districts; the population is taking on responsibility for the rehabilitated infrastructure units;
- 2.2 Local population and community administration enabled and their planning, implementation and monitoring capacity developed; the implementation capacity of the USIF further improved.

Main activities:

2.1 **Infrastructure units rehabilitated:**

- Pre-selection of micro-projects by the USIF according to the Operational Manual evaluated and approved by KfW; mobilisation of contributions by the beneficiaries;
- Implementation of Project Cycle; KfW monitoring of every step of the Project-Cycle both in Kiev and on-site in the ARC; development and implementation of relevant sustainability plans for maintaining and operating the facilities.

2.2 Local civil society active involvement enabled:

- Implementation by USIF and KfW of the capacity building programme to the local communities in areas such as project planning, financial budgeting and technical maintenance;
- Secondment to the USIF of a KfW Development Expert for a period of 3 years to work on improving the implementation structures of the USIF as well as its donor coordination capabilities.

Component 3) FDI promotion in Sevastopol

Expected results:

- 3.1 Existing Strategic Plan on Investment Promotion for Sevastopol reviewed and updated taking stock of other donors' initiatives and expected Law on Special Economic Regime for Investment Attraction for Sevastopol; an integrated approach to FDI attraction policy adopted with increased capacity of the proposed beneficiary Fund Sevastopol to act as an one-stop-shop centre focal point and facilitator for potential investors;
- 3.2 Direct working link with EU/European neighbourhood countries' Investment Promotion Agencies or business networking facilitators established with focus on fast growing industries; suitable linkages/structures designed and implemented for joint enterprise promotion events between Sevastopol and the EU/European neighbourhood countries; Investors' Guide published.

Main activities:

3.1 Institutional capacity upgraded:

- Review progress in the existing Strategic Plan and assess the implementation of the corresponding Action Plan by other donors;
- Incorporate the eventually adopted Law on Special Economic Regime for Investment Attraction for Sevastopol¹⁴ into the revised Strategic Plan and its Action Plan accordingly;
- Assess the preparatory assistance in establishment / upgrade of the Sevastopol IPA and elaborate / update its business plan and undertake Training Needs Analysis of its staff;
- Define and implement a comprehensive development plan for the IPA to become a one-stop-shop for investors.

3.2 Improved FDI promotion activities:

- Define specific investment opportunities to promote, particularly in faster growth priority industries through territorial marketing and investment mapping activities;
- Establish a direct network of targeted IPAs or business networking facilitators for enterprise promotion events and design and implement an investment promotion initiatives programme;
- Implement Public Relations/Communications activities (Investors' Guide etc.);
- Provide information and recommendation to policy-makers on needs and means for improvement of the investment climate.

3.3. Assumptions and risks

3.3.1. Assumptions

The programme provisions are based upon the following assumptions:

- The Ukrainian authorities will remain committed for delivering improved regional development policies and promoting sustainable development, also in Crimea. The process of transparent

¹⁴ The City Administration has been charged by the Cabinet of Ministers (act n. 610-p of 03.06.2009) to draft the concept of the Law on "Special Economic Regime for Investment Attraction in Sevastopol", which is now in the legislative process

decentralisation of the responsibilities and financial resources will be strengthened and the transfers from State budget to local budgets will continue without major decreases.

- The government continues cooperation with the EU and pursue its efforts to improve the business climate and smooth development and approval of the legislation and implementation of reforming measures.
- Ukraine will go on with its reform process, thus reinforcing the process for good governance to win public trust, confidence and cooperation.
- Co-ordination and co-operation of the main stakeholders in implementing the project activities.

3.3.2. *Risks*

The main risks to be faced in the carrying out of the project are the following:

- The political situation in the Black Sea Basin and relations with the Russian Federation Black Sea Fleet in Sevastopol may worsen and then deteriorate the image of Crimea as a tourist and foreign investment destination.
- Tensions growing around issues such as ethnical minority claims, second official language, land distribution schemes and several cases of mass children poisoning in local resorts could affect the tourist attractiveness of Crimea, its investment climate and the smooth rehabilitation of social infrastructures.
- Political instability in Ukraine may continue or worsen causing less than full cooperation from the elected/government authorities in the ARC, Sevastopol City and at national level.

3.4. **Crosscutting issues**

The following cross-cutting issues are directly targeted by the proposed action: poverty reduction, good governance, integration in the world economy, environment and climate change. The proposed action will have a significant though indirect impact on the following cross-cutting issues: democracy, human rights and gender.

3.5. **Stakeholders**

Component 1) Tourism development:

The direct beneficiary will be the Ministry of Tourism. Other stakeholders will be the Crimean Tourism Development Centre, the local sector business associations, local University holding relevant professional training, the SMEs in the value chain of the sector, and civil society. Timely and pro-active cooperation shown by the Ministry during the fact finding and the formulation missions, gives ground to a positive assessment of its willingness and capacity to participate as project partner of the proposed action.

Component 2) Social infrastructures - KfW:

The legal recipient of the funds will be the Ukrainian Ministry of Labour. The Ministry passes on these funds to the subsidiary, the USIF. The programme is coordinated with the Government of the ARC. Beneficiaries of the funds are the local communities of ARC.

Component 3) FDI promotion in Sevastopol:

The direct beneficiaries will be the City Administration or the City Council; other beneficiaries will be the Fund Sevastopol in particular, the local business service providers and the business community. Fund Sevastopol has been given the responsibility to implement the Strategic Plan on Investment Promotion for Sevastopol. Elaborated in 2008 with support from USAID, it has been adopted by the

City Administration¹⁵ and then recently finally endorsed by the City Council¹⁶, which provided for the establishment of the Special Committee for the Implementation of the Plan. Fund Sevastopol is confirmed as the Coordinating body in charge of its implementation, demonstrating strong ownership.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

- | | |
|--|---|
| 1) <i>Tourism development:</i> | Direct centralised management (service and supply contracts) |
| 2) <i>Social infrastructures:</i> | Indirect centralised management via Delegation Agreement with KfW (see Appendix 1 to the Fiche) |
| 3) <i>FDI promotion in Sevastopol:</i> | Direct centralised management (service contracts) |

4.2. Procurement and grant award procedures

4.2.1. Direct Centralised management

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the European Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. To allow timely implementation, tenders should be launched before the signature of the Financing Agreement with a suspensive clause.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI Regulation 1638/2006.

4.2.2. Indirect centralised management with KfW

With the exception of grant award procedures, the procedures of KfW can be used while implementing the project in the indirect centralised management via the Delegation Agreement.

4.3. Budget and calendar

The overall cost of the project is EUR 12 million. The foreseen operational duration is set at 36 months from the signature of the contracts/ agreement. The indicative allocation is EUR 5 million for Tourism, EUR 5 million for Social infrastructures and EUR 2 million for FDI promotion in Sevastopol.

4.4. Performance monitoring

Objectively verifiable indicators (OVI), both qualitative and quantitative, will have to be part of the methodologies included in the technical proposals. Given the demand-driven character of the programme, the final OVIs must be designed properly and should be further revised at the start of the third year (second year for Component 3) to make sure that they are ambitious enough without being overambitious.

4.5. Evaluation and audit

The project will be evaluated/audited according to standard procedures. Evaluation of the results achieved will be entrusted to independent consultants as well as external audits.

¹⁵ Sevastopol City Administration Decision n. 132 of 24 February 2009

¹⁶ Sevastopol City Council Decision n. 8523 of 15 December 2009

4.6. Communication and visibility

Communication and visibility activities should follow the EU Visibility & Communications Manual. The projects will aim for a widespread dissemination of its achievements and results as well as awareness-raising and image building through inter alia, project websites, electronic newsletters and outreach to the media. On starting activities, communication and visibility plans will be prepared and submitted to the EU Delegation for approval, as per the EU Visibility & Communications Manual. Any events organised as part of or related to the project must include the participation of the contracting authority.

Appendix 1 to the action fiche for Ukraine – AAP 2010 - Support to the EU Joint Cooperation Initiative in Crimea

Regarding the verification of the conditions for indirect centralised management provided for in Art. 56 of the regulation 1605/2002 (financial regulation)

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line 19 08 01 03.

For indirect centralised management:

The EU does not intend to provide technical assistance in this specific case, but to match resources for social infrastructures provided through a EUR 5 Million grant by KfW, while ensuring full EU visibility and a clear division of labour between KfW and its implementing partner. An assessment made by AIDCO.G2 in May 2008 (see note KR 2008/8865 and add. Note 2009/312943) confirmed that the criteria envisaged by Article 56.1 of the FR are fulfilled:

Summary table

Article [56.1] [56.2] FR criterion	Comment
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	Compliant with the Financial Regulation except for grant award procedures. When the delegation involves the award of grants to third parties, KfW shall apply the Commission's grant award procedures.
(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	Compliant with the Financial Regulation
(c) An accounting system that enables the correct use of EU funds to be verified and the use of funds to be reflected in EU accounts.	Compliant with the Financial Regulation
(d) An independent external audit exercised by a national institution for independent external auditing	Compliant with the Financial Regulation
(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EU budget.	Compliant with the Financial Regulation

Prevention of irregularities and fraud and recovery of funds if necessary	<i>Adequate clauses will be included in the Agreement with the delegatee</i>
The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted	<i>Adequate clauses will be included in the Agreement with the delegatee</i>

Conclusion: In his note of 06/11/2009 (see note KR ARES ref. 2009/312943), AIDCO Director General confirmed that the conditions placed by Article 56 the FR are currently being met.

On this basis, the Director Directorate AIDCO.A proposes that the applicable implementation method to the Annual Action Programme 2010 for Ukraine (the action entitled "Support to the EU Joint Cooperation Initiative in Crimea be **indirect centralised management** and submits it to the Commission for decision.

Date: 23/03/2010

Signature: Director AIDCO/A

Authorising officer subdelegated on BUDGET