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ANNEX III

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

Action Document for EU4PAR - Continued support to comprehensive reform of public administration in Ukraine

ANNUAL ACTION PLAN

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

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS Basic Act	EU4PAR - Continued support to comprehensive reform of public administration in Ukraine Annual action plan in favour of Ukraine for 2021 CRIS number: NDICI-GEO-NEAR/2021/043-030 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Ukraine
4. Programming document	Multi-annual Indicative Programme (MIP) 2021-2027 for Ukraine ¹
5. Link with relevant MIP(s) objectives/expected results	The action will contribute to Specific objective 1 : Improving the overall performance of the Ukrainian public administration, including citizens' access to administrative and social services, ensuring merit-based, depoliticised and gender-sensitive recruitment of civil servants, and introducing general administrative procedures under the Priority area 2: Accountable institutions, the rule of law and security
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	MIP Priority area 2: Accountable institutions, the rule of law and security Public Administration Reform, Government & Civil Society (150)

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

7. Sustainable Development Goals (SDGs)	<p>Main SDG (1 only): SDG 16: Peace, Justice and Strong Institutions Other significant SDGs (up to 9) and where appropriate, targets: SDG 8: Decent work and economic growth, target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services SDG 5: Achieve gender equality and empower all women and girls SDG 10: Reduce inequality within and among countries</p>			
8 a) DAC code(s)	15110 Public Sector Policy and Administrative Management (100%)			
8 b) Main Delivery Channel	12000 - Recipient government (Central government – 12001)			
9. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women’s and girl’s empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020111 - Eastern neighbourhood Total estimated cost: EUR 40 000 000 Total amount of EU budget contribution EUR 40 000 000 of which EUR 35 000 000 for budget support and EUR 5 000 000 for complementary support.			
MANAGEMENT AND IMPLEMENTATION				
13. Implementation modalities (type of financing and management mode)	Budget Support Direct management through: - Budget Support: Sector Reform Performance Contract - Procurement			

1.2. Summary of the Action

This Action aims at continuing supporting Ukraine in implementing a comprehensive Public Administration Reform (PAR) Strategy for the period 2022-2025, which represents a continuation of the first PAR strategy covering the period 2016-2021. It will support key horizontal functions of the governance system in line with the Principles of Public Administration developed by OECD/SIGMA in close cooperation with the European Commission.

The reform of public administration defined in the PAR Strategy till 2025 is closely interrelated with the National Economic Development Strategy up to 2030 (adopted by the Government of Ukraine in March 2021) in building a more competitive and resilient economy and achieving inclusive growth. Both strategies are mutually dependent and the establishment of the good governance principles and building capable public administration as well as achievement of the goals in 2022-2025 PAR Strategy will lay the ground for successful implementation of the National Economic Development Strategy, which could unleash EUR 74 billion of investments to Ukraine up to 2030.

The action consists of budget support encompassing enhanced policy dialogue on implementation of the renewed Ukrainian Public Administration Reform Strategy for 2022-2025. Tranches will be disbursed against progress in the four eligibility criteria for budget support and on selected benchmarks foreseen in the PAR strategy itself. The budget support programme, repeating the successful approach taken in the immediately preceding PAR support programme, is to be complemented by technical assistance providing capacity building to the Ukrainian authorities in charge of the implementation of the PAR strategy. An important focus will be on internal and external communication as one of the lessons learnt is that the understanding of the benefits of PAR is still limited at most levels.

This initiative will target the main areas of PAR, namely policy development and coordination, civil service and human resources management (HRM), accountability of public administration, including improvement of its organisation, as well as administrative service delivery and procedures (including digital transformation). It will contribute to further strengthening the strategic framework of PAR, enhancing the planned monitoring and evaluation mechanism for the implementation of Ukraine's PAR Strategy. It is expected that this contribution would provide the necessary support to significantly move forward the reorganization of the Ukrainian public administration and the ongoing transition towards a stable, professional, gender-balanced (in leading positions) and politically independent civil service in Ukraine. It would also increase accountability and reduce the scope for corruption by introducing standardized administrative procedures. As Public Finance Management (PFM) is integral part of PAR as well as the eligibility criteria for any budget support programme, the action will also support the implementation of the PFM strategy for the period 2021-2025 and corresponding Action Plans (planned to be adopted in second half of 2021).

2. RATIONALE

2.1. Context

Attempts prior to 2014 to reform Public Administration were not in line with the principles of Public Administration (developed by OECD/SIGMA in close cooperation with the European Commission) and failed, essentially due to lack of political willingness.

After the “revolution of dignity” in 2014, under civil society pressure and in line with its legal obligations under the EU-UA association agreement, the new political leadership of Ukraine re-assigned to PAR a major

role in the national reform process. This renewed commitment to PAR led to the adoption of a new “Law On civil service” – assessed by experts as meeting the Principles of Public Administration – drafted with substantial EU support (via the Support Group for Ukraine, technical assistance and EU-supported SIGMA) and entered into force on 1 May 2016. This law constituted a first important step in launching a comprehensive PAR process in Ukraine. It provided a solid legal basis for building up a merit-based, professional, ethical and adequately paid civil service, while providing incentives for further rationalisation of the structure and size of the public administration.

In parallel, with EU support and in line with the principles of Public Administration, Ukraine adopted on 24 June 2016 a Public Administration Strategy and Implementation plans for 2016-2020. In 2018, this strategy was updated to take into account the findings of the 2018 SIGMA/OECD Baseline Measurement. The PAR strategy 2016-2021 included a matrix of objectives and performance indicators. The Government also established the coordination and monitoring structures for PAR at political level, namely: (i) the Vice Prime Minister of Ukraine for European and Euro-Atlantic Integration was designated as political leader for PAR by the Prime Minister in April 2016. However, that responsibility was later shifted to the Minister of the Cabinet of Ministers in charge of PAR, a dedicated PAR directorate (administrative structure) to (partially) implement and (fully) monitor PAR, led by a deputy state secretary (itself a position introduced as a result of PAR), was created within the Secretariat of the Cabinet of Ministers of Ukraine (SCMU). (ii) the PAR Coordination Council currently led by the Minister of SCMU, composed of representatives of key ministries, the Presidential Administration, Parliament and civil society was created in May 2016 and has since met regularly.

As the planned duration of the PAR Strategy 2016-2021 drew to a close, maintaining an intensive dialogue with the EU, Ukraine stepped up its efforts to renew and reinvigorate its PAR strategy for 2022-2025, taking on board lessons learnt and elements that could not yet have been fully realized under the previous strategy. The 2022 Strategy, including a matrix of objectives and key indicators as well as a corresponding action plans for its implementation, has been elaborated in a very participatory manner and was adopted in July 2021. Key remaining challenges are keeping PAR high on the political agenda (despite political distractions and budgetary challenges caused by the COVID-19 pandemic), to step up the pace of implementation and to better communicate the benefits of PAR at all levels. Therefore it is important for the EU to seize the positive momentum and to continue to support reform efforts in the Public administration, including providing needed EU technical expertise.

PAR is part of the Government of Ukraine 5 year programme and Government of Ukraine plan for 2021. The reform of public administration defined in the PAR Strategy till 2025 is closely interrelated with the National Economic Development Strategy up to 2030 (adopted by the Government of Ukraine in March 2021) in building a more competitive and resilient economy and achieving inclusive growth. Deregulation, digitalisation and public services (as PAR elements) are well reflected therein. Both strategies are mutually dependent and the establishment of the good governance principles and building capable public administration as well as achievement of the goals in 2022 PAR Strategy will lay the ground for successful implementation of the National Economic Development Strategy, which could unleash EUR 74 billion of investments to Ukraine up to 2030.

Ukraine is committed to support, in a credible and relevant way, the reform of the PFM through a revised PFM strategy and action plan 2021-2025. The new Strategy has been elaborated and is expected to be adopted in the second half of 2021. As developed in more details in the PFM section (see 2.8.2 or PFM report), the PFM assessments, including Public Expenditures and Financial Accountability (PEFA), Tax Administration Diagnostic Assessment Tool (TADAT), or Open Budget Index (OBI), stressed a progress in different components of the reform process, such as budget planning, tax administration, customs, public procurement. On budget transparency and oversight, the entry point is met regarding the adoption of the budget law 2021, although with delay due to the COVID-19 crisis and related emergency amendments to the state budget. The credibility of the PFM reform strategy is also reinforced with the support of the donor community, which has

been consulted in the preparation the PFM strategic document, and which will continue to provide significant resources to strengthen capacity building in the sector. The EU is leading in PFM area with a comprehensive EUR 50.5 million package to support the key components of the reform agenda through the EU4PFM programme, which the EU implements through indirect management with three partners (Central Project management Agency, World Bank, International Monetary Fund).

Given the fact that since 2014 Ukraine is in a de facto state of war with Russia, which uses a wide network of proxies on Ukrainian territory, the country has overall upheld a relatively good track record when it comes to respect for human rights, political freedoms and democratic standards. While Human Rights and fundamental freedoms remain generally respected in the territory that falls under the control of the Ukrainian authorities (GCA), the developments in areas not controlled by the Government (NGCA) continue to result in grave violations of human rights and international humanitarian law. Major reforms are ongoing in judiciary, prosecutorial system and law enforcement institutions, but results come gradually and take time.

The situation with regard to Human rights has significantly improved since Euromaidan. A regular annual Human Rights Dialogue is held between Ukraine and the EU. Political risks in terms of a deteriorating human rights situation and possible undermining of democratic structure in the country remain overall moderate. A new Human Rights National Action Plan 2020-2025 is in preparation.

On rule of law, progress is noticeable on the establishment of the legal and institutional framework for anti-corruption. Major reform efforts are ongoing related to the judiciary, the prosecutorial system and a number of law enforcement institutions. However, this effort to reform the judiciary last years is contrasted by a low degree of enforcement of court decisions. Several initiatives are underway to improve the situation with strong EU and other donors' support. New legislative initiatives are being prepared to mainstream alternative dispute resolution and efficiency in judicial proceedings.

On the election process, Ukraine has recently had a good track record of conducting free, fair and competitive elections in 2019 and 2020.

Civil society scene has been traditionally vibrant in Ukraine. Civil society organisations play an active role in monitoring and contributing to drafting and implementation of public policies.

PAR Strategy 2022-2025 is a horizontal reform and is closely interrelated with the National Economic Development Strategy up to 2030 (adopted in March 2021). Four main mutually reinforcing areas for successful implementation are (i) good governance as a necessary precondition and decisive factor for the economic development of the country, its global competitiveness, ability to innovate, and its attractiveness for the investors, including to increase the level of trust in the state institutions as an important aspect of the transformations; (ii) implementation of any reform is conditioned by the government's capacities in strategic planning, operational efficiency, and ability to deliver results; (iii) reduction of the administrative burden for business and citizens will improve investment climate; (iv) legal certainty and high quality of services are crucial elements for the establishment of a favorable business climate in Ukraine. Both strategies are mutually dependent and the establishment of the good governance principles and building capable public administration as well as achievement of the goals in PAR Strategy will lay the ground for successful implementation of the National Economic Development Strategy, which could unleash EUR 74 billion of investments to Ukraine up to 2030.

PAR is closely interlinked with many ongoing reform efforts, especially parliamentary, decentralization, PFM, SOEs and statistics. Parliamentary reform, in particular coordination of legislative procedures between the Verkhovna Rada and the Cabinet of Ministers; definition of standards of legal drafting and alignment of the Rules of Procedure of the Verkhovna Rada and the Cabinet of Ministers in legislative process. Decentralization, in particular completion of the division of powers between central and local government;

determination of the organization of territorial units of the central executive bodies; continuation of decentralization of administrative services. Public finance management reform is integral part of PAR as defined by OECD/SIGMA principles and is addressed in the draft PFM Reform Strategy 2021-2025 (to be adopted by end 2021). Both PAR and PFM strategies are aligned, however close coordination during implementation will be required. Management of state owned enterprises (SOEs), such as transfer of SOEs management functions from the ministries and possible approaches for other Central Executive Bodies (CEBs) on SOE management (privatization, corporatization etc). Reform of statistics, basis of the evidence-based approach, including definition of the list and format of required data (for policy analysis and identification of tools and ways to collect and analyze data in the CEB. Deregulation, in particular simplification of services and procedures for interaction between the state and business/citizens and review of functions and approaches of work of inspections.

EU's financial and technical expertise in PAR area is highly regarded by Ukrainian partners.

Proposed action is creating a common framework of commitments and targets based on the defined PAR policy as expressed in the 2022-2025 PAR Strategy and fostering Government's ownership of the reform agenda. Other ongoing EU actions, as listed below, provide the Government of Ukraine with assistance to overall reform design and management capacity as well as support the implementation of the PAR Strategy in defined areas. Macro-Financial Assistance No V of EUR 1.2 billion has a specific conditionality on commitment to merit-based recruitment. The proposed EU action is complimentary to this assistance by providing support to further advancement of merit-based recruitment and selection rules and practices in the civil service. Horizontal support to PAR policy design, coordination, monitoring, communication and related capacity building is provided through:

- OECD/SIGMA provides experts' advice to Ukraine in the area of PAR, including on PFM.
- EU4PAR service contract of EUR 7.8 million (until September 2022) supporting the key PAR stakeholders (Secretariat of the Cabinet of Ministers of Ukraine, National Agency for Civil Service, Ministry of Justice, Ministry of Digital Transformation and Ministry of Finance, Parliamentary Committee on the State Building, Local Governance, Regional and Urban Development) on overall PAR planning (PAR Strategy and policy design of specific reforms), coordination, monitoring and reporting as well as communication and related capacity building in line with the OECD/SIGMA principles of public administration. Proposed EU action is complimentary to this assistance by supporting implementation of agreed PAR priorities as set in the PAR Strategy and further specified through policy design. The proposed action is also complimentary to other ongoing EU actions aimed at implementation of specific initiatives that are directly or indirectly PAR related and corresponding capacity building. These include.
- U-LEAD programme ("Ukraine Local Empowerment, Accountability and Development", EUR 158 million, 2016-2023) has improved delivery of administrative services to citizens and businesses, including support to establishment of Administrative Service Centres and introducing e-technologies. Under its phase II it focuses on building capacities of local self-government and a related regional policy thus creating conditions within which improved service delivery at local level can take place.
- Natolin4Capacity grant (2021-2024) of EUR 2.45 million aims at enhancing capacity of Ukrainian civil service for European integration through development and delivery of a comprehensive educational programme, including on-line courses, practically-oriented studies and face-to-face sessions, study visits and field trainings, as well as a scholarship program for young civil servants. The proposed PAR action is to support the capacity development of Ukraine's civil servants. This specific ongoing action covers only one area where capacity building is required, e.g. knowledge of European integration.
- Association4U phase II ("Support for the implementation of the EU-Ukraine Association Agreement Phase II", EUR 3.845 million, 2019-2022) aims at supporting Government's policy management and communication capacity in the area of European integration and specifically implementation of the

EU-Ukraine Association Agreement. The proposed PAR action is to assist in development of overall policy planning and coordination capacity in the Government of Ukraine. This specific ongoing action covers only one subset of the overall policy planning and coordination system, e.g. that of coordination of EU affairs.

- EU4DigitalUA project of EUR 20.5 million (October 2020-March 2024) supports Ukraine's digital transformation and harmonisation with the EU Digital Single Market, including digital transformation, enhanced cyber security and data protection, implementation of the EU-Ukraine Association Agreement, and broadband development. Digital readiness of the country is one of the pre-conditions also for electronic government implemented through the PAR. Assistance provided through this ongoing activity is complimentary to the planned EU action by supporting overall digital readiness capacity of Ukraine as well as by supporting technical design and implementation of various IT solutions relevant for better public service delivery.
- EUROPAF project of EUR 5.3 million, implemented by the World Bank, has been providing support in technical design and rollout of the HRMIS and PFM. This targeted initiative is complimentary to the proposed PAR action, which plans to assist the Government of Ukraine in modernization of the HRM processes in civil service including digitalization.
- EU4PFM programme of EUR 50.5 million aiming at supporting the implementation of the key components of the PFM action plan. EU4PFM is playing a leading and coordinating role in the PFM reform sector in Ukraine. Under Component 2 Trust Fund (EUR 6 million), being implemented by the World Bank, technical support to further roll-out of HRMIS at national and local level, in Public Investment Management and State Owned Enterprises will be provided. Activities under the EU4PFM programme are complimentary to the proposed PAR action as the later does not include the PFM. As to the further rollout of HRMIS, the proposed PAR action will facilitate creating conditions within which modernization, including digitalization through such took as HRMIS, of the civil service HRM can take place.
- Support to public procurement reform in Ukraine of EUR 2.5 million (April 2021-April 2023) will cover legal and regulatory approximation of public procurement and concessions laws with EU standards, strengthened institutional and organizational capacities and further improved e-procurement, relevant public bodies in control, audit and complaint/review of public procurement procedures as well as public procurement professionals and enhanced communication/outreach to the participants of the public procurement market. This activity is complimentary to the proposed EU action, as public procurement system reform is not covered by the action, but is an integral part of the PAR, according to the OECD/SIGMA principles of public administration.

Though EU is the main donor in the area of PAR, other donors have intervened as follows:

- Ukraine Reform Architecture (URA) is a comprehensive technical assistance programme deployed in 2016 to support critical reform processes in Ukraine, including PAR. URA is managed by EBRD and supported by 14 donors, EU being the largest one. Some EUR 22.5 million have been committed to date. Close coordination, complementarity and synergy with EU support is being insured, including through the regular Joint Advisory Committees at the level of RDO (Reform Delivery Office) and RSTs (Reform Support Teams) at beneficiary institutions since Autumn 2020 and the Reformers hub (online learning exchange platform between the experts and civil servants) officially launched in Spring 2021.
- The USAID/UK is carrying out the project "Transparency and Accountability in Public Administration and Services (TAPAS)" of USD 24 million, focusing on open data, e-procurement system development and e-services delivery aspects, including supporting nation-wide e-government systems development. The project started in 2016 and will end in 2022.
- The Swiss-funded project of some EUR 4.8 million "E-Governance for Accountability and Participation" is providing support to the Ministry of Digital Transformation, Ministry of Health and other line ministries on e-governance solutions during the period 07.2019-06.2023.

- Government of Canada is providing assistance of some USD 18 million to Support to Government Reforms in Ukraine (SURGE), support for Secretariat of the Cabinet of Ministers and National Agency of Ukraine for Civil Service during the period 30.09.2019-31.12.2024.
- Government of Germany is supporting Ukraine’s public finance reforms during the period 2019-2022 with some EUR 2.95 million with the Ministry of Finances as the main beneficiary.
- USAID is implementing the Decentralization Offering Better Results and Efficiency (DOBRE) Program during the period 06.2016-06.2021 for USD 50 million.

In the framework of regular donor coordination, complementarity of these actions with PAR-related EU support is being ensured. In 2020 an overall coordination mechanism for international technical assistance (ITA) was established to facilitate coordination and cooperation between development partners and Ukrainian counterparts as well as to enhance policy dialogue with the government of Ukraine on the national reforms and development programs implementation in line with international commitments and to ensure the best use of available resources. The architecture of the mechanism is based on three interconnected tiers: the first tier at the level of the Prime Minister for strategic monitoring of reforms and development progress, the second tier for strategic ITA coordination at the level of the Vice Prime Minister and development partners Heads of Cooperation and a third tier for technical coordination of ITA consisting of Sectoral Working Groups covering all areas of cooperation. A dedicated Sector Working Group on donor coordination in PAR area has been set-up and co-chaired by the Secretariat of the Cabinet of Ministers of Ukraine and the EU. Two meetings have taken place so far (in July 2020 and April 2021). In addition, close coordination among donors and individual projects is undertaken through regular bilateral meetings to avoid potential overlaps, including with the EU Advisory Mission to Ukraine. Sector Working Group on PFM has been set-up as well in September 2020, in order to coordinate efforts of the Government of Ukraine and Development Partners in the implementation of PFM Strategy 2021-2025. It is chaired by the Deputy Minister of Finance and the EU.

2.2. Problem Analysis

Priority Area and sectors:

The action is to be implemented in support of the Priority area 2: Reinforce the accountability of institutions and promote rule of law and security of the Multi-Annual Indicative Programme for Ukraine for 2021-2027. It will support the implementation of the Ukraine Public Administration Reform Strategy 2022-2025 (in line with the Principles of Public Administration for ENP countries developed by OECD/SIGMA) an in particular its three priority areas:

Priority areas	Problem analysis
<p>Specific objective 1 of the 2022 PAR Strategy: Ensuring the delivery of high-quality services and development of user-friendly administrative procedure for citizens and business</p> <p><i>(Administrative service delivery as per OECD/SIGMA principles of Public Administration)</i></p>	<ul style="list-style-type: none"> • The introduction of the soon to be adopted law on administrative procedures needs to be accompanied by thorough and comprehensive training across the entire administration • Laws and by-laws containing special administrative procedures need to be adapted and brought in line with the law on administrative procedures • Services need to be further decentralised and fees for administrative services need to be better regulated • Basic electronic “registers” (= databases) need to be improved in terms of data quality, interoperability and accessibility/user-friendliness • Services to citizens need to be further digitized in line with the requirements of the law on administrative services and integrated within the Ukrainian government’s DIIA platform. IT management capability and an effective electronic infrastructure across all public institutions needs to be ensured

	<ul style="list-style-type: none"> • Gender mainstreaming into the processes of administrative service delivery needs to be improved.
<p>Specific objective 2 of the 2022 PAR Strategy: building a system of professional and politically neutral public service, focused on safeguarding citizens' interests</p> <p><i>(Public service and Human Resources Management (HRM) as per OECD/SIGMA principles of Public Administration)</i></p>	<ul style="list-style-type: none"> • Need for further institutional strengthening of the National Agency of Ukraine on Civil Service, particularly, with a view to the implementation of the law "On civil service" • Merit-based recruitment is resumed since April 2021 and the backlog of newly recruited officials who have to go through a merit-based recruitment needs to be absorbed. • Job classification needs to be generalised • Remuneration levels need to be streamlined and raised to adequate and financially sustainable levels, HRM units in ministries and agencies need capacity building support • Professional development needs to be improved across the board and digitized where possible • Need to ensure an appropriate representation of women at decision-making levels of the public administration • The Human Resources Management Information System (HRMIS), including payroll modules, needs to be rolled out at country level in all central and decentralized institutions, intensified training efforts needed
<p>Specific objective 3 of the 2022 PAR Strategy: Building effective state institutions, accountable to citizens, that develop public policies and successfully implement them for the country's sustainable development</p> <p><i>(Policy Development and Co-Ordination and Accountability as per OECD/SIGMA principles of Public Administration)</i></p>	<ul style="list-style-type: none"> • Institutional reorganisation of the central public administration needs to be rolled out completely • Allocation of human and financial resources needs to be rationalised with regard to the mission and tasks of the ministries and agencies and based on policy priorities. • Need to ensure coordination between ministries and agencies on issues of gender mainstreaming in their respective policies. • The access of information and communication between the State and citizens needs still to be significantly improved and take place a in user-friendly and convenient way, thus increasing the level of public trust in the Civil Service • Strategic planning, policy making (including evidence-based analysis and public consultations on key legislative and policy proposals) and the coordination approach needs to be improved • Clear mechanisms must ensure coordination, regular monitoring and evaluation of public policies • Need to continue to align public administration reform with progressing decentralisation process given increasing number of state functions performed at the local level • Need to improve the quality of strategic documents in line with international best practices • Need to improve costing of policies and strategies

Short problem analysis

Given the current administrative capacity, historical Soviet legacy, lack of expertise or fully developed tools as well as the precarious budgetary situation, Ukraine will due to lack of know-how and budgetary means not be in a position to properly address these issues on its own. The budgetary situation has in particular been

strained by revenue losses and extra expenditures due the COVID-19 pandemic situation. Since PAR is a prerequisite for successfully carrying out reforms in all sectors, and in line with Ukraine’s own reform priorities and the EU’s geopolitical objectives, it is indispensable that the EU supports Ukraine in its PAR-related endeavours.

Predominantly inefficient and corruption-prone public administration partly still based on Soviet legacy structures is generally considered to be one of the three systemic problems of Ukraine (together with the fight against corruption and the reform of the judiciary) and a pre-condition for a successful implementation of reform efforts in all areas.

While significant progress on PAR was achieved (with EU support under the preceding budget support programme and related technical assistance) and regularly monitored (mainly via regular reporting and a constant and intensive political dialogue), not all goals could be achieved and progress has not always been linear. This is primarily due to over ambitious 2016 PAR Strategy and limited administrative capacities. The inherent long-term nature of PAR and a relatively frequent change in government, combined with change-averseness in some central bodies and the repercussions of a tight budgetary situation as well as, from early 2020 onwards, the impact of the global pandemic, which also marked Ukrainian public life, all contributed to that situation. The adoption of the law on administrative procedures was delayed. This law, once adopted, has the potential to be a key achievement as its implementation would streamline currently fragmented procedures, increase efficiency and transparency and thus reduce corruption opportunities and introduce more accountability, providing significantly more rights for the citizen. This law, drafted with significant support from EU-funded OECD/SIGMA and EU experts, passed its first reading in September 2020 and is expected to be adopted during the second half of 2021. It will bring about a paradigm shift for the entire Ukrainian administration, requiring, in a positivist legal culture, substantial adaptation work to existing legislation during a transitional phase as well as comprehensive training and targeted communication both towards public servants and the citizen.

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

Public Administration Reform is one of the major horizontal actions with high political implications touching upon the mission of the State, the organisation of public administration and its relations with the citizens, the civil society and the business environment.

At the political level the stakeholders are: the Members of Parliament and the relevant parliamentary committees, the President and his/her Administration, the Members of the Cabinet of Ministers, including the Prime Minister, the Minister for PAR, the Minister of Finance and the key Deputy Ministers responsible for specific aspects of PAR as well as the National Agency of Ukraine for Civil Service.

At the administrative (civil service) level, the directly concerned category includes civil servants and other employees working in public bodies.

The final beneficiaries of this Action are state employees, businesses and private sector actors and citizens.

As far as core areas of PAR are concerned, there are several state bodies involved in the process:

Core areas of PAR	Responsible state body(ies)
Strategic framework of PAR	PAR Unit within the Secretariat of the Cabinet of Ministers, Ministry of Finance
Strategic planning, policy development and coordination	Secretariat of the Cabinet of Ministers of Ukraine

Public service and Human Resources Management (HRM)	National Agency of Ukraine on Civil Service Ministry of Labour and Social Policy (remuneration policy) Ministry of Finance (financial planning and funding)
Accountability – organisation, transparency, oversight	Secretariat of the Cabinet of Ministers National Agency of Ukraine on Civil Service (support to functional reviews)
Administrative service delivery – administrative procedures, reduction of administrative burden, quality of services, e-government	Ministry of Digital Transformation Ministry of Justice (administrative procedure) Ministry of Economic Development and Trade

The current 2016 PAR Strategy includes an element of capacity development for PAR management and coordination. As a result, the Cabinet of Ministers' Secretariat has been nominated as the central coordinating institution. The Deputy State Secretary has been nominated to lead the reform process, the Directorate of Public Administration with more than 20 staff has been set up and staffed. The capacity of the unit to coordinate the reform can be considered sufficient.

Similarly, the National Agency for Civil Service (NACS) has been strengthened by establishing several Directorates and their staffing. However, considering the significant role of this Agency in the reform of civil service and taking into account priorities at hand - implementation of HRMIS, promotion of merit-based recruitment and selection, salary reform - additional staff might be required. This being addressed by allocating resources from the State Budget and will also be supported by the complementary technical assistance. The budget support will establish the broad policy commitments and benchmarks for civil service reform. In certain cases, for example salary reform, it can be one of the sources of financing of reform. The accompanying technical assistance will build the capacity of NACS staff to develop, communicate, coordinate and steer implementation of specific civil service reforms and modernisation of HRM practices as well as system development needed to deliver on established policy commitments and benchmarks.

In the area of service delivery, the Ministry of Digital Transformation was recently established. It is appropriately staffed and is considered one of the best performing institutions in public administration. However, compared to the ambitious reform agenda in this area, the Ministry is likely to require further capacity development in terms of additional staff with sufficient remuneration.

Ministry of Justice and the Ministry of Finance, both involved in the PAR management and coordination, have no dedicated PAR staff. PAR related issues are dealt with by their respective civil servants. However, going forward, some capacity development of the two ministries, particularly the Ministry of Justice in the sphere of general administrative procedure, might be needed. The institutional development needs of the Ministry of Finance are addressed through the implementation of the PFM Reform Strategy, which includes part dedicated to capacity development. ..

2.3. Additional Areas of Assessment for Budget Support Actions only

2.3.1. Public Policy

The reform of public administration defined in the PAR Strategy till 2025 is closely interrelated with the National Economic Development Strategy 2030 in building a more competitive and resilient economy and achieving inclusive growth. The PAR Strategy till 2025 defines the increase of citizens' trust towards the state as a goal. The National Economic Development Strategy 2030 determines it as a necessary precondition to achieve economic transformation and desired level and type of growth. Evidence-based decision making,

public consultations, transparency, digitalisation, improved service delivery and other PAR measures contribute to increasing trust towards the state. The 2022 PAR Strategy aims to build capacity, especially in policy-making and impact assessment, legislative drafting and public consultations across all government ministries. Increased capability in these areas is critical for most sector reforms contributing to accelerated, but sustainable and inclusive growth. It also contributed to these areas through foreseeing measures related to administrative simplification and reducing opportunities for corruption.

The PAR Strategy till 2025 also continues to follow the OECD/SIGMA defined Principles of Public Administration. Within this framework, and in line with the policy approach to date, the new 2022 Strategy builds on the challenges and objectives identified in the 2018 Baseline Measurement of Ukraine's Public Administration by the OECD/SIGMA. The 2022 Strategy also foresees more inclusive civil service and contributes to further cross-cutting gender equality and youth. It aims to achieve greater gender equality, for example, by promoting more women into the top management positions and ensuring equal pay, and to attract young people to join the civil service.

The adopted PAR Strategy until 2025 is highly relevant for implementing the Ukraine-EU Association Agreement, whose implementation plan includes more than 3.000 tasks and above 8.000 activities across all public administration sectors. The proposed Strategy supports progress in implementing this ambitious agenda by advancing central executive bodies' capacity, particularly the line ministries, to effectively plan and undertake policy development, legislative drafting and monitor the implementation.

The proposed policy has a positive track record and trend despite various challenges, such as changes of government and COVID-19 pandemic impact. Overall, the policy has been a priority among three consecutive governments since 2016 when the Law on Civil Service entered into force and when the first 2016 PAR Strategy was adopted. According to the published reports on implementing the current PAR Strategy (2016-2021), 74 % of foreseen activities and 71 % of planned indicator targets have been met by end of 2020. EU experts also confirm this rate of implementation. According to the 2021 OECD/SIGMA assessment regarding implementing the recommendations proposed by the 2018 Baseline Measurement, by early 2021, only 16 % of recommended actions had no progress, 18 % recommendations were fully addressed, while 66 % the progress was underway. The data confirms the Government's approach to prioritising various PAR interventions, as advised by the OECD/SIGMA at the time of publishing the 2018 Baseline Measurement Report.

The positive trend is also confirmed by the recorded past progress in meeting the agreed EU PAR Budget Support benchmarks. The EU has disbursed 76,8% of foreseen financing to the State Budget of Ukraine until 2020 (namely a total of EUR 49.15 million from the planned EUR 64 million during the 4 year out of the total of 5 years of the PAR budget support programme). The final disbursement, including performance during the year 2020, is under assessment.

During 2020, PAR's progress was slowed by the impact of COVID-19, which triggered the Parliament to suspend the merit-based recruitment practice in the civil service. The merit-based recruitment was restored in April 2021.

With the first 2016 PAR Strategy, the policy was costed at the time of its preparation and appropriately budgeted in the annual State Budget/MTEF. The sources of financing have been the State Budget and technical assistance provided by the Development Partners. During 2016-2020, approximately EUR 97 million were allocated from the annual State Budget to PAR. This is more than double the amount disbursed by the EU under the PAR budget support programme in the same period.

One of the significant PAR-related expenditure programs from 2017 to 2020 was the "Support to Comprehensive Reform of Public Administration". Almost EUR 55 million were to finance a transparent

salary top-up for newly hired civil servants to the so-called Reform Staff Posts and provide them with necessary working tools. Some 900 such civil servants have been hired by 2021. The program is included in the 2021 State Budget with some EUR 15.5 million. Beyond 2021, it is planned to include these funds into general salary financing/baseline expenditure of each institution and not continue with the central distribution of funds annually, which has proved administratively cumbersome. The implementation of this plan remains to be monitored. Recurrent expenditures of other programs are financed according to general budget planning and financing rules.

In conclusion, the policy is sufficiently relevant and credible for budget support contract objectives to be largely achieved. Therefore the policy can be supported by the Commission with the proposed budget support contract.

2.3.2. Macroeconomic Policy

For the whole year of 2020, Ukrainian GDP declined by 4% y/y in real terms. The 1.3% contraction in Q1 2020 accelerated to a slump by 11.4% in Q2, but slowed progressively in Q3 to -3.5% and further down to -0.7% y/y in 4Q2020. Such dynamic is still better than was expected at the outset of the pandemic, and is largely explained by the following factors:

- I. resilient macroeconomic situation thanks to reforms in the previous years, including the banking sector clean-up, and the central bank's inflation targeting efforts. As a result, Ukraine managed to go through the crisis year with low inflation of 5% y/y at year end (the central point of the central bank's target), stable national currency hryvnia (weakened by 16% y/y to UAH 28.3:USD in 2020, fully offsetting its 2019 appreciation (+17% to UAH 23.8:USD) and did not face a banking crisis this time.
- II. resilient exports of Ukraine's key items, such as agricultural products and metals, on the background of smaller imports of energy, non-essential goods and tourist services. The country's current account turned into a surplus of 4.4% GDP (vs a deficit of 2.7% in 2019) and foreign exchange reserves of the central bank grew over the year to \$29 bn (from \$25bn).
- III. government anti-crisis measures to support both business and households. The government set public deficit of 7.5% GDP for 2020 and allocated about EUR 2.2 billion to a COVID-19 response fund, out of which 89% had been spent by end December 2020. In response, household consumption grew by 1.6% y/y in real terms in 2020. Still, the government fiscal deficit was lower than planned at 5.9% GDP (vs the plan of 7.5% GDP).
- IV. central bank's measures to make loans more accessible, including through keeping the key discount rate at record low level. The central bank lowered its main refinancing rate, from 11% at the beginning of the year to 6% since mid-June.
- V. financing which was made available to Ukraine by its international partners, including the IMF and the EU. In particular, Ukraine received \$2.1bn under a new \$5.0bn 18-month Stand-by programme of the IMF last June, and EUR1.1bn under the Macro-Financial Assistance of the EU (EUR0.5bn under MFA IV and EUR0.6 bn under the new \$1.2bn MFA programme).

The public-debt-to-GDP ratio increased to 63% in 2020 from 50% in 2019 despite only a moderate increase in the nominal debt stock of 7% y-o-y (+\$5.9bn) to \$90bn. The increase in debt-to GDP was caused primarily by UAH devaluation, as a higher share of F/X liabilities (65% in 2020) made debt-to-GDP dynamics vulnerable to currency moves.

Overall, Ukraine entered the year of 2021 with good prospects for gradual recovery. The GDP is projected to increase by around 4% y/y in real terms, with consumer demand remaining the main growth driver. Investment demand will also rise gradually as the global economy revives and more progress is made in overcoming the pandemic. To counter accelerating inflation in 1Q2021, the central bank had to increase its discount rate to 7.5%. Inflation is expected to be at around 8% in 2021, and return to the 5% target in H1 2022.

The key risk to the macroeconomic forecast is the imposition of stricter quarantine measures in Ukraine and globally, and the slow pace of the vaccination campaign domestically. There are other significant risks, such as an escalation of the military conflict in eastern Ukraine or on the country's borders, volatile global capital markets and a dramatic deterioration in the terms of trade.

Finally, the COVID-19 economic crisis compromised the reform progress in Ukraine, already challenged by a high degree of internal political uncertainty. Ambiguous signals, e.g. regarding central bank independence risk undermining the credibility of the reformist impetus needed to improve the business climate and to attract capital investments. Sustained capital inflows are needed to accelerate the catching-up process and the improvement in standards of living. Although progress is seen in domestic revenue mobilization (see section 2.6.3), public finances will remain under pressure in 2021, as signalled by the government's plan in the 2021 budget law for a 5.2% of GDP deficit. While public debt sustainability is not imminently threatened, the crisis-driven expenditure and the higher cost of debt will require additional efforts at fiscal consolidation in the medium term. One of the key risks is that the implementation of much needed structural reforms will remain slow in the near term. A key risk-mitigating measure is the continuation of the IMF macroeconomic and structural reform programme which unlocks financing by other donors, including the second tranche of the EU Macro-Financial Assistance (MFA). The first tranche of EUR 600 million of the MFA was disbursed in December 2020 and contributed to macro-financial stability in Ukraine, while allowing it to allocate resources towards mitigating the severe negative socio-economic consequences of the COVID-19 pandemic. Disbursement of the second tranche is subject to the fulfilment of specific structural policy measures covering four key policy areas – public finance management, governance and the rule of law, improving the business climate, and state-owned enterprises and the gas market. Following a positive assessment of these conditions, the 2nd tranche was disbursed on 25 October 2021 following the respective decision to disburse on 13 September. These measure reinforce past achievements of Ukraine and send a strong reform commitment signal to citizens, businesses and international partners.

Ukraine had entered into talks with the IMF before the pandemic began and quickly got the green light for a \$5.0bn 18- month Stand-by program last June, of which \$2.1bn of budget support was disbursed immediately. However, the program was put on hold shortly, as an unexpected replacement of the governor of the National Bank of Ukraine (NBU) in July raised questions about the central bank's independence and increased uncertainty about its future policies. Furthermore, risks emerged with respect to anti-corruption institutions, an important component of previous IMF programmes. The IMF started a virtual first programme review mission only in late December 2020 but it ended inconclusively in January 2021. A new issue arose in the midst of talks with the IMF mission as the government imposed a temporary cap on gas prices. Taking into account the government's solid liquidity buffers and moderate funding needs in the coming months, as well as the IMF's potential global allocation of SDRs, which would allot \$2.7bn for Ukraine, only slow progress in the IMF programme implementation can be expected.

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

2.3.3. Public Financial Management

Following 2019 PEFA report, the government launched the preparation of the new PFM strategy and action plan 2021-2025. The approval of the Strategy is planned by end 2021.

The 2019 PEFA summarized the positive PFM reform developments. Specifically, the Government has made progress in: (i) implementing medium-term budget planning; (ii) integration of International Public Sector Accounting Standards (IPSAS) into Ukraine's statutory framework and the adoption of the 2025 public sector

accounting (PSA) Strategy; (iii) improving macroeconomic and budget forecasting tools; (iv) increasing transparency in public financial management through the introduction of an open budget portal; (v) fiscal risk management, and (vi) gradually introducing a gender-oriented approach to budgeting.

Although a general progress is recorded, there are three sensitive areas which received a score "D" in the last PEFA assessment: Fiscal strategy, legislative scrutiny of the budget, and Payroll control. The indicators related to the Fiscal strategy and medium term perspective in expenditure budgeting scored respectively "D" and "C", reflecting a shortcoming in the policy-based fiscal strategy and budgeting.

Regarding 2018 TADAT assessment, overall, the State Tax Service (STS) are making good progress in implementing modern tax administration practices. Progress is particularly evident in: (i) the use of technology to support timely payment of taxes; (ii) the use of good international practices for effective tax dispute resolution; and (iii) ensuring accountability and transparency. The STS still has key areas for improvement including the registered taxpayer base and risk management. The registered taxpayer base lacks systematic monitoring, and risk management requires structure to enhance reliability. The assessment also points to accuracy of reporting declarations as a critical weakness, as well as crosschecking data and systemic monitoring to detect inaccurate reporting that need strengthening.

Despite the COVID-19 crisis and a frequent change of the management in the State Tax Service (STS) and State Customs Service (SCS), good progress in enhancing Domestic Revenue mobilisation was achieved in 2020. A satisfactory revenue mobilisation performance was maintained, reforms of tax and customs administrations accelerated with substantial EU support. In line with the IMF programme, Single Legal Entities were established for the STS and SCS, implementation of new business processes and a central chain of command shall be pursued in 2021. Legal approximation with the EU *acquis* continued notably in VAT, legislation regarding base erosion and profit shifting (BEPS) was adopted. In Customs area, a timeline for Ukraine joining the Convention on Common transit was agreed with DG TAXUD for mid-2022, a pilot of the national "preparing implementation" NCTS (New computerized Transit System) was launched in December 2020 and successfully complemented in March 2021. The application for the programme of Authorised Economic Operators (AEO) was opened. All those measures shall contribute to reduce opportunities for misuse and corruption which remains widespread, especially in customs. A decisive step was taken in the reform of the system for combating serious economic and financial crimes with the entry into force of the legislation creating the Bureau for Economic Security.

The SIDA project developed a Gender Responsive Budgeting project from 2013 to 2019 with the Ministry of Finance of Ukraine including Analysis of Budget Programmes from Gender Perspective. Gender Responsive Budgeting (GRB) involved a full process from analysis of budget programs from a gender perspective to a process of change based on identified gender equality gaps, as well as the integration of gender perspectives throughout the budget process. The Ministry of Finance included the Gender Responsive Budgeting as a key target of the program-based budgeting in the budget process component of the PFM strategy 2021-2025.

Ukraine, and the institutions related to the reform of the Public Finance Management reform are aware, that, following the different successive recent crisis, 2008 financial crisis, Maydan Revolution of Dignity, conflict with Russia, and the COVID-19 pandemic, measures are necessary to develop prudent fiscal policy, to increase efficiency of expenditures and tax administration, to reduce the role of the State in the economy, and to improve the investment climate with due regard to social and environmental dimensions. Since the first 2013-2017 version of the PFM reform strategy, the Ministry of Finance is committed to implement the different components, although with mix and uneven results.

The government's PFM strategy is considered as relevant as it addresses key weaknesses as assessed by PEFA. The 2019 PEFA summarized the positive PFM reform developments and remaining gaps which constituted a basis to build the revised PFM strategy and action plan 2021-2025.

The government's PFM strategy is considered largely credible although the delay in the adoption of the Strategy and Action Plan 2021-2025 could slow-down the reform process. The capacity of the Ministry of Finance is also reinforced by a comprehensive capacity building package EU4PFM of EUR 50.5 million.

On 22 January 2021, the 4th EU-Ukraine High-level policy dialogue on PFM took place to review the implementation of the PFM strategy and Action plan. The meeting was co-chaired by the Minister of Finance (MoF) and the Deputy Director General and acting Head of SGUA. During the meeting, the Ukrainian side have reported on the achieved results in the implementation of the PFM reform and on their commitment priorities for the PFM reform future, including the pending 2021-2025 PFM Strategy. The EU and the Ministry of Finance agreed to share operational conclusions on the key priorities of reform.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.3.4. Transparency and Oversight of the Budget

In 2020, the delay to fulfil the requirements of the current legislation regarding the adoption of the 2021 budget law was mainly due to the outbreak of the COVID-19 crisis and the emergency budget amendments. On November 26, 2020, the Cabinet of Ministers approved the draft state budget for the year 2021, finalized by the Ministry of Finance, and submitted it to the Parliament of Ukraine, which adopted it for the second reading on 15 December 2020. The President of Ukraine signed the 2021 budget law on 25 December 2020. The annual executive budget proposal and enacted budget provide a comprehensive picture of central government fiscal forecasts and out-turn, including forecast of the fiscal deficit with current year's budget, and aggregated budget data for both revenue and expenditure.

The objective of the new PFM strategy and action plan 2021-2025 supports the progress achieved by Ukraine in the area of budget transparency, including further extension of information to be published in machine-readable format, budget requests, passports of budget programs of key spending units and reports on their implementation. Also, measures to further increase fiscal transparency will be developed following the assessment conducted by the International Monetary Fund. As for local budgets, unification and standardization of methods and measures of disclosure of information contained in passports of budget programs of local budgets, reports on their implementation, budget requests of the key spending units of local budgets, decisions on local budgets and local budget forecasts will be provided. This will allow every citizen to get acquainted with the main budget indicators of their city, district, community or region and compare them with others using a clear procedure.

According to the last evaluation from Open Budget Survey 2019, measuring public access to information on how the central government raises and spends public resources, Ukraine progressed and obtained a transparency score of 63 out of 100, compared to 54 in 2017, with a ranking of 26 out of 117 countries.

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to support Ukraine to develop a capable service and digital state in Ukraine availing safeguards for citizens' rights, building on the European standards and practices.

The Specific Objectives (Outcomes) of this action are to:

1. Ensure the delivery of high-quality services and development of user-friendly administrative procedure for citizens and business ;
2. Build a system of professional and politically neutral public service, focused on safeguarding citizens' interests;
3. Build effective state institutions, accountable to citizens, which develop public policies and successfully implement them for the country's sustainable development.

The induced Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Contributing to Specific Objective 1:

- 1.1 Legal framework for general principles and rules of administrative procedure in place and enforced.
- 1.2 Effective digital infrastructure for improvement of services and user experience created.

Contributing to Specific Objective 2:

- 2.1 Civil service classification and salary reform rolled out in the entire civil service.
- 2.2 Human resources (HR) processes in the civil service digitalised.
- 2.3 Merit-based recruitment and selection based on European principles in place for category A civil servants, including gender-equality throughout the process, ensured.
- 2.4 Increased capacities of civil servants.

Contributing to Specific Objective 3:

- 3.1 Capacity of ministries and relevant bodies to develop public policy increased.

The direct Outputs to be delivered by this action contributing to the Specific Objectives 1-3 are:

- 4.1 Financial and technical support to PAR implementation to Ukraine in place.

3.2. Indicative Activities

Activities related to direct and induced Outputs 1.1, 1.2, 2.1, 2.2, 2.3, 2.4, 3.1 and 4.1:

- Regular PAR and PFM policy dialogue at political and technical level;
- Performance assessment;
- External and internal communication on importance of PAR and progress achieved and on new services provided to the citizens and companies;
- Complementary technical assistance;
- Financial transfers into the National Treasury upon fulfilment of jointly agreed conditions for PAR sector budget support.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

Outcomes of the Strategic Environmental Assessment (SEA) screening (relevant for budget support and strategic-level interventions)

The SEA screening concluded that no further action was required.

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

The EIA screening classified the action as Category C (no need for further assessment).

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

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

The 2022-2015 PAR Strategy does not reflect on environmental protection or climate change. However, as Ukraine adopted in 2019 the Law of Ukraine “On Fundamental Principles (Strategy) of the State Environmental Policy of Ukraine until 2030” and given the horizontal nature of PAR, the proposed action will contribute to implementation of this strategy by supporting the capacity building of the civil servants.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the 2022 PAR strategy foresees more inclusive civil service and contributes to further cross-cutting gender equality and youth. It aims to achieve greater gender equality, by promoting more women into the top management positions and ensuring equal pay.

Human Rights

Human rights have not been directly addressed in the PAR strategy 2022-2025. However, the proposed action will contribute to better gender equality (in particular on ensuring merit based recruitment, specific key performance indicators may be agreed on increasing share of women on high management posts in the civil service).

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that disability is not a significant objective of this action.

Democracy

Good governance is a pre-requisite for a functioning democracy. In turn, strong institutions are needed for good governance. The action will support strengthening of institutions and increasing transparency of policy making and therefore contribute to strengthening the democratic process, including through more systematic inclusion of civil society in the policy development and monitoring.

Conflict sensitivity, peace and resilience

The action will not address the issues related to conflict sensitivity, peace and resilience.

Disaster Risk Reduction

The action will not contribute to disaster risk reduction.

3.4. Risks and Lessons Learned

Category ²	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
1	Risk 1. Political instability (including	Medium	Medium	Ensure wide consultations with technical level representatives from the Ukrainian side, allowing for a solid

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

	possible conflict with Russia), changes within the Government			anchoring of PAR knowledge independently of changes in government and political elites. Increase the pace of the high-level PAR political dialogue. Increase ownership at Prime minister level through political dialogue.
1	Risk 2. PAR loses its status of priority reform area	High	High	Continue implementing measures for involvement of civil society (ongoing Call for Proposals for CSO in the area of PAR monitoring), increase public and policy – and law-maker awareness on PAR. Continue policy dialogue on PAR at all levels and condition EU support to PAR progress.
1	Risk 3. Law on administrative procedure is delayed or not properly implemented	Medium	Medium	Targeted political dialogue with relevant stakeholders Focus technical assistance on assisting with adaption of existing laws and training/awareness raising.
1	Risk 4. The credibility of the budget could be hampered by the potential unstable economic situation and unreliable macro-economic forecasts	Medium	Medium	Ensure implementation of sound and realistic medium term budget planning. This is addressed under the PFM dialogue.
1	Risk 5. Budget Transparency	Medium	Medium	Monitor transparency. This is being addressed under the PFM-related dialogue.
1	Risk 6. Gender issues not properly addressed by Ukrainian counterparts	Medium	Low	Address gender issues in the regular policy dialogue and monitoring. Jointly agree a gender-related KPI as part of the conditionalities for disbursement.
1	Risk 7. Integrated HR Information Management System is not implemented on time or not of adequate quality	Medium	Medium	Continue assisting NACS with proper IT project management methodology via technical assistance (World Bank). Continue monitoring progress directly via permanent technical dialogue.

Lessons Learned:

The proposed action builds on a successful comprehensive EU support to implementation of the Public Administration Reform Strategy 2016-2021, as approved in the AAP 2016. Budget support has proven particularly instrumental in moving PAR forward in Ukraine. First budget support to PAR represented a sizable amount in absolute numbers (EUR 90 million over a period of 5 years), however this is less than 0.4% of 2016 state budget of Ukraine. Some EUR 49 million have been disbursed under the EU budget support programme so date, representing some 50% of total PAR allocated budget in the same period. Final disbursement of the EU budget support programme is in the pipeline. PAR Budget support managed to push important milestones forward despite a challenging political context. The instrument has worked particularly well in complementarity with other EU instruments, in particular the accompanying technical assistance as well as the Macro-Financial Assistance. It is a model that has delivered results and has proven to be efficient and effective in Ukrainian context.

Parliament proved to be a key stakeholder in moving PAR agenda forward and often showed resistance in implementing some activities as foreseen in the 2016 PAR Strategy (such as deviation from merit-based recruitment due to COVID-19 pandemic and timely adoption of the Law on administrative procedure). As a mitigating measure, dialogue with VR representatives has been intensified and a possibility to include Members of the Parliament in the regular high level dialogue between EU and Ukraine is being considered (this would be a unique model and could be replicated to other countries should it be successful). Given that the first PAR budget support was a 5 year programme, it was important to continuously engage in discussion with Ukrainian partners on the relevance, credibility and financial significance of Key Performance Indicators (KPIs) used for the Variable tranche. In Ukrainian context it proved to be crucial to have clearly defined KPIs, which was not entirely the case of the first two variable tranches. Number of KPIs should also be limited to maximum 5 per year and represent a combination of process and output indicators – process should be used in limited cases, where there is political maturity around a particular issue.

The evaluation of EU assistance to PAR has been launched, its preliminary findings will be taken into account during the preparation of the Technical Administrative Provisions and in particular in drafting the ToR of the complementary assistance to support PAR.

3.5. The Intervention Logic

The underlying intervention logic for this action is that it will support the implementation of the Ukraine's PAR Strategy for the period 2022-2025 and the corresponding Action Plans, as well as the implementation of the PFM Strategy for the period 2021-2025 and its corresponding Action Plans. Which will contribute to building a modern, capable, service-oriented and digital state in Ukraine that works for the interests of citizens on the basis of European principles and experience, and is aware of its mission to serve and be accountable to citizens.

The action will support three priority areas under the 2022-2025 PAR Strategy namely, creation of conditions under which private and legal persons receive quality and accessible administrative services through convenient and clear procedures and building (specific objective 1), building a professional, honest, politically neutral civil service that works for the interests of citizens (specific objective 2) and building an effective and accountable state institutions that improve public policy on the basis of evidence and statistics and successfully implement it for the sustainable development of the state (specific objective 3).

Continued EU-Ukraine regular policy dialogue on PAR will focus on (i) alignment of sector laws with the LAP; (ii) increased connectivity to the electronic interaction system "Trembita"; (ii) implementation of unified civil service classification and grading system; (iii) increased usage of public bodies using HRMIS, including payroll module, instead of legacy systems; (iv) increased gender equality by monitoring share of women selected and appointed on category A position; (v) increase of expenditures of state bodies for advanced

training of their civil servants in comparison with the total payroll and (vi) increasing capacities of ministries and relevant bodies to develop public policy.

Complementary technical assistance will provide the technical expertise covering all areas of the PAR strategy, to Ukrainian PAR authorities (Minister for PAR, Secretariat of the Cabinet of Ministers for PAR, National Agency of Ukraine for Civil Service, Ministry of Justice, Ministry of Finance, Committee of the Parliament of Ukraine on the State Building, Local Governance, Regional and Urban Development), as well as the Civil Society Organisations and media, which will contribute to effective and efficient implementation of the 2021 PAR strategy.

Comprehensive ongoing EU4PFM programme (from AAP 2018) includes capacity building support linked to specific PAR reform areas, namely PAR and HRM management in key PFM institutions, country wide roll-out of HRMIS (implemented by the World Bank) and to specific PFM reform areas, such as reassessing and improving the efficiency of the Public Investment Management (PIM) system, and improving the governance of State-owned Enterprises (SOEs).

3.6. Indicative Logical Framework Matrix

BUDGET SUPPORT MODALITY as reflected by the national/sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

The indicators used in the LFM refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Results	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data (1 per indicator)
Indicative Impact of the policy	To develop a capable service and digital state in Ukraine availing safeguards for citizens' rights, building on the European standards and practices [source: PAR strategy 2022-2025]	Online Services sub-index of E-Government Development Index (EGDI) <i>[source: draft MIP 2021-2027]</i> Public sector performance Index (World bank)	0.6824 out of 1 (2020) 109 out of 135 countries (2018)	above 0.75 (2027) at least 100 out of 135 (2025)	UN E-Government Knowledgebase World Bank Gov data 360

<p>Expected Outcomes of the policy</p>	<p>1. delivery of high-quality services and development of user-friendly administrative procedure for citizens and business ensured</p> <p>2. a system of professional and politically neutral public service, focused on safeguarding citizens' interests built</p> <p>3. effective state institutions, accountable to citizens, that develop public policies and successfully implement them for the country's sustainable development, built</p> <p><i>[source: PAR strategy 2022-2025]</i></p>	<p>1.1 % of satisfaction with quality of administrative services provided by public authorities</p> <p>2.1 Average number of candidates per civil service post</p> <p>2.2 % of women on management positions (Category A posts)</p> <p>2.3 Number of vacancies in the civil service as % from total headcount</p> <p>3.1 % of ministries that annually publicly present implementation reports of their activity plans</p>	<p>1.1 40% (2021)</p> <p>2.1 3 (2019)</p> <p>2.2 12.5% (2021)</p> <p>2.3 18.2% or 39 949 from 219 844 (2020)</p> <p>3.1 75% (2020)</p>	<p>1.1 70% (2025)</p> <p>2.1 15 (2025)</p> <p>2.2 25% (2025)</p> <p>2.3 less than 10% (2025)</p> <p>3.1 100% (2025)</p>	<p>1.1 General public opinion survey (commissioned by complementary technical assistance)</p> <p>2.1 Government annual monitoring report on PAR implementation</p> <p>2.2 Government annual monitoring report on PAR implementation, NACS report</p> <p>2.3 Government annual monitoring report on PAR implementation, NACS report</p> <p>3.1 Government annual monitoring report on PAR implementation</p>
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Induced Outputs	1.1 Legal framework for general principles and rules of administrative procedure in place	1.1.1 % of relevant sector laws aligned with the LAP	1.1.1 0% (2021)	1.1.1 100% (2025)	1.1.1 Government annual monitoring report on PAR implementation
	1.2 Effective digital infrastructure for improvement of services and user experience created	1.2.1 Number of additional registers connected to the electronic interaction system "Trembita", exchanging significant amount of data (at least 10 000 transactions per year)	1.2.1 14 (2020)	1.2.1 30 (2025)	1.2.1 Government annual monitoring report on PAR implementation
	2.1 Civil service classification and salary reform rolled out in the entire civil service	2.1.1 % of CEBs that have implemented unified civil service classification and grading system	2.1.1 0% (2020)	2.1.1 100% (2025)	2.1.1 Government annual monitoring report on PAR implementation
	2.2 HR processes in the civil service digitalised	2.2.1 % of institutions using HRMIS as the main HR IT system, including payroll module, instead of legacy systems	2.2.1 0% (2020)	2.2.1 80% (2025)	2.2.1 Government annual monitoring report on PAR implementation
	2.3 Merit-based recruitment and selection based on European principles in place for category A civil servants, including gender-equality throughout the process, ensured	2.3.1 % of women selected and appointed on category A position	2.3.1 12.5% (2021)	2.3.1 40% (2025)	2.3.1 Government annual monitoring report on PAR implementation
		2.4.1 Share of expenditures of state bodies for advanced training of their	2.4.1 <1% of payroll (2020)	2.4.1 1,5% of payroll (2025)	2.4.1 Government annual monitoring

	2.4 Increased capacities of civil servants	civil servants in comparison with the total payroll			report on PAR implementation
	3.1 Capacity of ministries and relevant bodies to develop public policy increased	3.1.1 Number of public policies adopted by CMU	3.1.1 1 (2021)	3.1.1 5 (2025)	3.1.1 Government annual monitoring report on PAR implementation
Direct Outputs	4.1 Financial and technical support to PAR implementation to Ukraine is in place	4.1.1 % of budget support payments disbursed as per Financing Agreement	4.1.1 0% (2021)	4.1.1 100% (2025)	4.1.1 Total of EU disbursements under PAR budget support made into the national treasury
		4.1.2 Number of annual High-level dialogues on PAR/PFM	4.1.2 1 (2020)	4.1.2 8 (2025)	4.1.2 Agendas and minutes of the PAR/PFM meetings
		4.1.3 Number of annual technical dialogues on PAR	4.1.3 1 (2020)	4.1.3 4 (2025)	4.1.3 Agendas and minutes of the PAR meetings
		4.1.4 Number of civil servants trained (complimentary technical assistance)	4.1.4 0 (2021)	4.1.4 500 (2025)	4.1.4 Project implementation report Evaluation report

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

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

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is **60 months** from the date of entry into force of the financing agreement.

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

4.3. Implementation of the Budget Support Component

4.3.1. Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 35 000 000, and for complementary support is EUR 4 800 000. This amount is based on the indicative cost analysis of the 2022 PAR Strategy implementation plan adopted by the Cabinet of Minister of Ukraine in July 2021. The total cost of the 2022 PAR Strategy implementation, including cost related to the establishment and effective functioning of the reform staff positions, is estimated at some EUR 261 million for the period of 2022-2025. Consequently, the EU contribution under this Action will correspond to some 13% of the total financial needs for the PAR Strategy implementation over the period of 2022-2025 (this in turn represents less than 0.1% of the 2021 state budget).

The proposed amount for budget support component is also based on the commitment of the Government to allocate budget resources in accordance with the PAR Strategy and its Implementation Plan and to follow standard budget procedures; and on the commitment of the Government to ensure financial sustainability of the salary reform foreseen by the law "On civil service" through adoption of a reliable mid-term financial forecast of necessary budget resources, as well as allocation of budget planned resources during the annual budget planning process in combination with the plans and targets for rightsizing of personnel of public administration.

Initial 2016 PAR Strategy till 2021 was costed at some EUR 176 million, and during 2016-2020 period some EUR 97 million were allocated from the state budget (for 2016-2021 a total of EUR 155 million was allocated). In the same period EU has disbursed some EUR 49.15 million, final assessment and related disbursement are in the pipeline. Ukraine has assessed that some 74% of the 2016 Strategy has been implemented and the EU has so far disbursed some 76% of the planned budget support.

4.3.2. Criteria for Disbursement of Budget Support

a) Conditions.

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the public administration strategy 2022-2025 and continued credibility and relevance thereof or of the subsequent policy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.

- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches may focus on the following policy priorities:

- Merit-based recruitment, ensuring gender-equality;
- Effective digital infrastructure for improvement of services and user experience;
- Civil service classification and salary reform rolled out in the entire civil service;
- Legal framework for general principles and rules of administrative procedure in place and enforced;
- Digitalization of human resource (HR) processes in the civil service;
- Improvement of the Medium-Term Budget planning to enhance the link between policy priorities and budgeting
- Anti-corruption and decentralisation aspects of PAR.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action.

c) Modifications.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values.

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

4.3.3. Budget Support Details

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Ukrainian hryvnia (UAH) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

Budget support component is expected to have 3 subsequent annual instalments (2022-2024).

4.4. Implementation Modalities for complementary support

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

4.4.1. Direct Management (Procurement)

The complementary assistance will contribute to the achievement of all three Specific objectives of the action.

4.5. Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Budget support - cf. section 4.3	35 000 000
Implementation modalities – cf. section 4.4	
Procurement – total envelope under section 4.4.1	4 800 000
Evaluation – cf. section 5.2	200 000
Audit – cf. section 5.3	
Totals	40 000 000

4.7. Organisational Set-up and Responsibilities

The steering and monitoring over the 2022-2025 PAR Strategy implementation, including all aspects of this Action, is to be ensured by the PAR Coordination Council, chaired by the Minister in charge of PAR. The PAR Coordination Council includes representatives of the key public bodies involved in the PAR process. Relevant civil society organisations, members of the Parliament, representatives of the national institutions involved in the reform and development partners, as well as EU representatives are invited to the meetings as appropriate. The specific aspects of the PFM Strategy covered by this Action shall be examined and discussed at the PAR Coordination Council meetings.

According to the draft PFM Reform Strategy 2021-2025, the monitoring of the implementation of the action plan for implementation of the Strategy is expected to be carried out on an annual basis by the Ministry of Finance through summarizing information on the results of implementation of the measures determined by the action plan. The development partners will be consulted through working subgroups created in accordance with the components of the public finance management system. In parallel, a “high level” inter-agency working group will monitor and assess the status of implementation of this Strategy, and review reports on the effectiveness of its implementation.

This Action will be steered and monitored by regular annual high-level dialogue on PAR and PFM and PAR dialogue at technical level. This dialogue will include representatives of the EU services, representatives of key ministries and related agencies involved in the implementation of the PAR and PFM strategies as relevant. Policy dialogue will serve also to monitor the Action's implementation; to preliminarily assess fulfilment of the performance indicators used for disbursement of annual instalments of budget support (and to serve as early-warning); to ensure interaction between relevant state bodies with a view to achieve expected results of the Action and fulfil related performance indicators and to prepare recommendations aiming at addressing shortcoming and problems in the process of implementation of this Action. Should it be required thematic groups on specific PAR sub-areas could be set up if needed.

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

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

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

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The monitoring of the implementation of the 2022-2025 PAR strategy will occur at two levels - outcome indicators with biennial targets and annually planned activities/outputs. Each of the three main specific objectives contains several outcome level performance indicators until 2025. The targets are at biennial intervals, namely for 2021, 2023 and 2025. There are also the baseline values for each outcome indicator.

The Implementation Plan includes a well-structured list of actions/outputs to achieve the three specific objectives. Information on the timetable of implementation, responsible body/co-responsible bodies and financing sources is also in the Plan. Not all activities are yet costed, this aspect needs to be improved. Some activities are still at the conceptual stage, for example, salary reform. For those, precise costing is currently impossible. At the same time, the Government's approach has been not to cost those activities covered through existing civil servants' daily work. The 2022-2025 PAR strategy and action plans include outcome level of indicators with baselines and targets, which will be monitored to inform degree of implementation.

There is an annual presentation of performance vis-à-vis activities/outputs and outcome-level targets planned. During Q1 of every year, the Cabinet of Ministers' Secretariat (Directorate of Public Administration) prepares a comprehensive PAR Annual Report. Afterwards PAR Coordination Council verifies it. The report is thereafter published both on the Government website and on the PAR-dedicated online platform www.par.in.ua. Civil society is encouraged to provide feedback and even prepare alternative reports, which has been the past case. This practice can be expected to continue also in the future. In addition, there are regular thematic or issue-based reports on the progress of some aspects of the PAR / Strategy presented to

stakeholders during the PAR Coordination Council's meetings. Apart from Government representatives, those meetings also involve Members of the Parliament and civil society and external experts - international and local.

The published monitoring reports are overall of a reasonable quality. They provide an account of the progress and the main gaps compared to expected performance. However, since such statements form part of the Government's public account of overall government performance, the reports tend not to include critical analysis of problems and their causes. Based on experience, such aspects are often raised by the civil society representatives or external PAR experts during the PAR Coordination Councils meetings.

The Directorate for Public Administration of the Secretariat of Cabinet of Ukraine undertakes collecting, processing, and analysing the information and the data needed to compile both thematic reports to the PAR Coordination Council and the Annual Report. While public reporting is annual, the actual collection of information is either issue-based, e.g. linked to the PAR Coordination Council agenda, or quarterly. In fulfilling this function, the Directorate uses the tools for collecting and disseminating information within the public administration, including electronic document exchange. There is no special PAR monitoring and reporting IT tool. As to specific objectives, the Ministry of Digital Transformation coordinates input into PAR monitoring and reporting in the service delivery area, the National Agency for Civil Service does so as concerns the civil service, but the Secretariat of the Cabinet of Ministers itself coordinates reporting on the objective of efficient public administration.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed as part of preparing the 2022-2025 PAR Strategy. The gap is reflected upon in the PAR strategy. This assessment has fed into the design of the action as follows: by including HRMIS related performance indicator (thereby improving transparency of the payroll and of the state budget) thereby allowing automated monitoring of headcount, staffing and HR practices and other aspects needed for data accuracy and timeliness in policy-making process as well as transparency of the payroll and of the state budget.

5.2. Evaluation

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

Mid-term evaluation will be carried out for learning purposes, in particular with respect to launch a second phase of the action.

Final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that additional support will be required.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner at least one month in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner

country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. COMMUNICATION AND VISIBILITY

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

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

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

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

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

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

Nursing awareness among stakeholders and strategic communication in "one voice" is part of the foreseen approach. Representatives of the Parliament, NGOs, the media, and civil society are among the key stakeholders. The 2022-2025 PAR strategy also emphasises the importance of internal communication within the public administration. It should support the Strategy's implementation by increasing civil servants' motivation and engagement in the reform and dealing with resistance towards achieving culture change. The Secretariat of Cabinet of Ministers sees communication primarily as an integral part of specific PAR measures/actions, not an activity on its own. The regular PAR communication is to continue. This includes regular posting of PAR related information on a dedicated PAR online platform (www.par.in.ua) and on the PAR Facebook page, with audience of over 15.000.

As part of elaboration process of the PAR Strategy till 2025, the Secretariat of the Cabinet of Ministers, with the EU support, has carried out two national Ukraine opinion polls. The results are to be used to further improve communication on PAR. Regular communication practice on PAR has been established between the CMU and the Parliament. Its Committee on the State Building, Local Governance, Regional and Urban Development has started the tradition of the parliamentary hearings, which have included deliberations on the draft PAR Strategy till 2025 and other topical issues such as salary reform, public consultations, civil service training – EU’s support is recognised and valued.

Joint priorities in communication are discussed and agreed upon also during bi-annual policy dialogue between the EU and Government. However, internal and external communication on PAR needs to be improved, supporting activities can be foreseen in the complementary technical assistance.

List of Acronyms

AEO	Authorised Economic Operators
BEPS	Base Erosion and Profit Shifting
CEB	Central Executive Body
CMU	Cabinet of Ministers of Ukraine
EBRD	European Bank for Reconstruction and Development
GDP	Gross Domestic Product
GRB	Gender Responsive Budgeting
HRM	Human Resources Management
HRMIS	Human Resources Management Information System
IMF	International Monetary Fund
ITA	international technical assistance
KPI	Key Performance Indicator
MFA	Macro-Financial Assistance
MoF	Ministry of Finance
NACS	National Agency of Ukraine on Civil Servants
NBU	National Bank of Ukraine
NCTS	New computerized Transit System
OBI	Open Budget Index
PAR	Public Administration Reform
PEFA	Public Expenditures and Financial Accountability
PFM	Public Finance Management
PIM	Public Investment Management
SCMU	Secretariat of the Cabinet of Ministers of Ukraine
SCS	State Customs Service
SDG	Sustainable Development Goal
SIDA	Swedish International Development Cooperation Agency
SOE	State Owned Enterprise
STS	State Tax Service
TADAT	Tax Administration Diagnostic Assessment Tool
UAH	Ukrainian Hryvnia
VAT	Value Added Tax