

Fiche Contradictoire

Responses to, and Action taken on, the main Recommendations arising from the 2003 Evaluation Report on the Commission's Country Strategy for Ukraine

Recommendations (Report Executive Summary §§xxii-xxviii):	Responses of Commission Services:	Follow-up (one year later)
<p>At the strategy/ policy level, the Commission should:</p> <p>(a) consider possible PCA benchmarking and roadmaps (for example, for WTO membership, harmonisation, governance), in order to develop the PCA into a better-adapted and more practical tool;</p> <p>(b) consider setting up a new TACIS mandate and regulation, better adapted to the Ukraine;</p> <p>(c) support the decentralisation process at every appropriate level;</p> <p>(d) maintain dialogue and support to the NCU, and promote the use of the NCU as a national 'referee/ intermediary';</p> <p>(e) strengthen the overall planning process by including beneficiaries as early as possible in project preparation.</p>	<p>a) Benchmarking approach being developed in the context of the 'Wider Europe' initiative.</p> <p>b) The current Tacis Regulation will expire at the end of 2006 and the options for the future will be considered in due course. DG Environment particularly supports this recommendation since it can provide the chance to integrate environment and sustainable development policies in the Tacis programme for Ukraine. It may also induce Ukraine to choose environment as a priority area under Tacis assistance.</p>	<p>a) The European Neighbourhood Policy (ENP) Action Plan has been finalised. Work on benchmarking approach in the context of the ENP is under way. Project preparation facilities will include benchmarking tools and the national authorities will be trained in using them.</p> <p>b) The European Neighbourhood and Partnership Instrument (ENPI) will be introduced as of 2007. Multiannual assistance programming under the ENPI for the period of 2007-2013 will start in 2005. ENPI instrument includes the possibility to integrate environmental concerns. However, the detailed implementing acts have not yet been prepared.</p> <p>d) The Commission is in constant dialog with the NCU.</p> <p>e) After deconcentration of tasks to the Delegation, the NCU has easier access to participate in the project preparation. Furthermore, the NCU is trained on new challenges and Ukraine is working on additional structures to ensure appropriate involvement.</p>
<p>In the first Area of Co-operation (AoC) (institutional, legal and administrative reforms), the Commission should give the priority to:</p> <p>(a) continuing UEPLAC, and better co-ordinating legal constraints with UEPLAC agenda;</p> <p>(b) integrating mechanisms that focus on follow-up of laws, linked with overall transparency framework and decentralisation measures (see 3rd AoC);</p> <p>(c) making optimum use of pragmatic lessons learned from previous projects, in particular, using a regulatory board to avoid conflicts on priority and agendas, focusing on operational matters and continuing to develop training components;</p> <p>(d) continuing CBC and JHA programmes, and apply the lessons to Ukraine's other borders;</p> <p>(e) convergence and coherence of IPs and APs from one cycle to another to achieve a sustainable policy within a long-term strategy.</p>	<p>a) Future policy and legal advice assistance strategy in Ukraine will be reflected upon following the completion of the specific evaluation currently being undertaken on PLACs including UEPLAC. UEPLAC workprogramme already now managed through a Steering Board.</p> <p>b) legislative approximation 'scoreboard' which will include implementation aspects is being developed.</p> <p>c) agree, in particular on need to use pragmatic lessons from past projects to feedback into project development</p> <p>e) agree, close co-ordination between IPs and APs cycles is important</p>	<p>a) Coherence between current and future projects dealing with legal approximation will be ensured. The results of the PLAC evaluation are discussed with the authorities and implemented where possible.</p> <p>b) The JHA scoreboard includes benchmarking and the ENP Action Plan will extend such benchmarking approach to other areas, too.</p> <p>d) As an example, needs assessment on border issues is completed so as to take into account the situation after the EU enlargement.</p>
<p>In the second AoC (economic development), the Commission should give priority to:</p> <p>(a) the creation of a favourable environment for business and investment, in co-ordination with other donors;</p> <p>(b) organising with donors an <i>integrated and coherent framework of key sectors</i> (for example transport, agriculture, energy and environment);</p> <p>(c) measures to open the economy;</p>	<p>a) this is already a priority for the Commission, and EC co-operates closely with other international donors, particularly the IFIs.</p> <p>b) EC assistance is always co-ordinated with MS and other donors. The wording of the recommendation is unclear (ie what is meant by 'framework of key sectors').</p>	<p>These recommendations are still valid (a);(c)– (g) and clear priorities of the NIP 2004-2006. The EC will support the new Government to develop the financial sector, and favourable environment for investment and businesses, in co-ordination with other donors. In that context in 2004, several Tacis projects were approved: "Support to the development of Business Capacity of</p>

<p>(d) measures to further stimulate entrepreneurship;</p> <p>(e) devising measures to stimulate demand for business support services;</p> <p>(f) continuing its financial sector restructuring efforts and technical assistance;</p> <p>(g) planning more assistance, through TACIS, to agricultural sector SMEs;</p> <p>(h) reviewing the opportunities (including Joint Implementation) within the Kyoto Protocol, which may provide a basis for significant investment in the Ukraine.</p>	<p>c)-g) these elements already priorities within our assistance strategy.</p> <p>h) This is a priority for our environment co-operation with Ukraine. We shall seek to concretise our co-operation with them under the Working Group on Climate Change which has been established under the Environment SubCommittee.</p>	<p><i>Ukrainian SMEs”, “SME Finance Support to Regional Banks and Banks with Large Regional Branch Network” and “Ukraine Micro Lending Programme - Regional Expansion”</i></p> <p>In general terms support to Ukraine to define its industrial and economical choices for the future is designed and on the track.</p> <p>h) In informal contacts with Ukraine (UA) at the end of 2004, the Commission conveyed its preparedness to strengthen climate co-operation with UA provided that the presidential election is concluded in a democratic and transparent manner. The UA side has already suggested that the WG on CC will meet in early 2005. The Commission is prepared to discuss a date for this at the next Sub-Com meeting (scheduled for 9/10 March 2005). A TACIS project on supporting capacity building for the implementation of UNFCCC and Kyoto Protocol in UA and Belarus started in April 2004. This project covers inventories, establishment of a national emission registry, and national guidelines for Joint Implementation projects. The project is progressing well.</p>
<p><u>In the third AoC</u> (social transition), the Commission should support:</p> <p>(a) the setting-up of a comprehensive support structure for NGOs and other concerned non-State actors;</p> <p>(b) increased <i>transparency</i> at every appropriate level to create an overall framework conducive to good governance, and effective decentralised partnerships between NGOs and local authorities;</p> <p>(c) strengthening co-operation with the committed Ministry of Labour in the new pipeline projects of social and health insurance;</p> <p>(d) decentralisation as a core issue for NGOs and municipalities;</p> <p>(e) measures against trafficking in women and HIV/AIDS, improvements to safety in coal mines, and the conditions of destitute youth and elderly;</p> <p>(f) specific measures for new land-less farmers and destitute miners’ communities, through decentralised CSOs.</p>	<p>a)-b) development of the civil society and independent media is a priority area in our assistance strategy. Improved co-operation between authorities and civil society is a key objective. Agreement to this recommendation is reinforced by the great need to support environmental NGOs more comprehensively in Ukraine. Support should also be planned for the Kyiv Regional Environment Center established for promoting co-operation among NGOs, civil society &c</p> <p>d) Agreed; improvements in governance such as this can also improve effectiveness of environmental policies in Ukraine.</p>	<p>a –c) Civil society development is already well taken into account in the EU assistance programmes.</p> <p>AP 2003 assists in enhancing the professional skills of NGOs and fostering the collaboration of CSOs and institutions at grass-root level and it assists in the development of media skills via education. AP 2004 supports capacity building for Consumer NGOs and NGO networks.</p> <p>a-b) In 2004, steps were taken for a complete reconstruction of the Kiev REC, which had come to a halt due to internal conflicts. A new structure has been agreed, a draft Charter text produced and possible new Founders have been addressed. Once up and running, it should provide an important platform for NGO support as well as multi-stakeholder cooperation in the area of the environment.</p> <p>d) Recommendation partly addressed in AP 2003 Civil Society Development project. New approach on regional development as set up in NAP 2004 is adopted and further developed. A wide-ranging capacity building €24 million programme (Taxis IP 2004-2006) approved last year to identify and implement improved mechanisms of social service delivery to poor and vulnerable groups by government and NGOs.</p>

<p>In regional and horizontal aspects, the Commission should place emphasis on enhancing <i>complementarity</i> of successful programmes with national activities by:</p> <p>(a) supporting INOGATE efforts to attract private investments, and applying lessons learned to TRACECA;</p> <p>(b) enhancing commitment and sense of ownership in regional programmes through national projects;</p> <p>(c) replicating the Mariupol wastewater management project;</p> <p>(d) ensuring follow-up support of UKRESCO, if appropriate;</p> <p>(e) continuing K2R4 loan negotiations and enhancing nuclear safety;</p> <p>(f) supporting the 5th Ministerial 'Environment for Europe' conference, and following-up initiatives conducive to enhanced commitment and ownership.</p>	<p>b) Agree it would be useful to do this</p> <p>c) We agree that the need for such water projects in Ukraine is vast. Such projects can also find their place in the further development of the EU Water Initiative for the NIS.</p> <p>f) The follow-up to the Kiev Conference will provide the key items for our work in the NIS in the years to come, and consequently in our work in Ukraine. Key items will be the implementation of the NIS Environmental Strategy and the EU Water Initiative for the NIS.</p>	<p>a) Sector wide approach in the EU assistance programmes is being launched for the networks, with an aim of integrating Ukraine in the TEN in co-operation with IFIs (investment needs).</p> <p>b) National Authorities are involved, through discussions with the Delegation, at all steps of regional projects assessment and design.</p> <p>c) Sector wide approach for Water Initiative is being developed and is receiving support from national authorities.</p> <p>f) In 2004, a conference was held under the 'Environment for Europe' Process in order to take stock of the achievements up to date in the implementation of the EECCA Environment Strategy and give additional impetus to the process. 2004 also saw the adoption of the European Neighbourhood Policy with bilateral Action Plans with among others Ukraine. This AP will, once formally endorsed by the EU-Ukraine Cooperation Council on 21 February, become the most important instrument in our relations with Ukraine, and intensified cooperation is foreseen under its umbrella. Regional co-operation under the EECCA strategy will nevertheless continue with stress on the need for further prioritisation, more realistic targets and increased 'ownership' by the EECCA countries themselves. In this context COM has stressed three initiatives with the potential to deliver concrete results: The EU Water Initiative EECCA Component, Capacity building (such as "twinning") and Convergence towards EU environmental standards (with special stress on the ENP and its potential).</p>
<p>In respect of implementation tools, the Commission should:</p> <p>(a) support <i>continuous training and capacity building</i> activities at all appropriate levels (mid-level civil servants, Parliament, judiciary, NGOs, etc.);</p> <p>(b) extend the responsibilities of the Monitoring Team to include training in project monitoring;</p> <p>(c) ensure better and systematic <i>follow-up</i> of programmes until their sustainability or completion has been duly monitored;</p> <p>(d) strengthen <i>co-ordination</i> with other donors whenever feasible;</p> <p>(e) plan pro-actively for <i>coherence</i> with accession countries programmes;</p> <p>(f) disseminate the valuable lessons learned in implementation practices.</p>		<p>a) Training and capacity building activities are covered in various programmes. For example, capacity building for judiciary is programmed under the AP 2003, and under AP 2005 funding for reform of the public service is proposed by the Commission. Support to the National Coordination Unit continues to be given under AP 2004.</p> <p>- Capacity building for NGOs as well as for NGO networks is also addressed in the AP 2004.</p> <p>b-c) Monitoring of projects over €1 million is systematically carried out. The Delegation intends to progressively apply the sector approach in the future and thereby implement bigger and fewer projects.</p> <p>d) Donor co-ordination takes place both at</p>

		<p>headquarters level and locally by the Delegation. After deconcentration, donor coordination on the spot has been strengthened.</p> <p>e) Approximation of legislation to that of the European Union on priority areas have been addressed via UEPLAC. Under AP 2004 support will be given to PCA implementation and ENP Action Plan support. Furthermore, the extension of TAIEX services (Technical Assistance Information Exchange Office) to Ukraine is under consideration.</p> <p>Twinning will be part of the support programmes where appropriate.</p> <p>f) Aidco thematic networks extended to Delegation staff is the response to best practice and lessons learned dissemination.</p>
<p>In respect of <u>knowledge tools</u>, the Commission should:</p> <p>(a) choose an effective <i>information and communication policy</i> directed both towards Ukraine and EU Member States;</p> <p>(b) consider reforming the TACIS Information and Communications Programme (TICP) to bring it closer to the Delegation information structures, <i>or</i> include a communication and information clause in every contract. <i>Alternatively</i>, create a real resource centre, replacing TICP.</p>	<p>a) EC published in June 2003 an External Assistance Communication Strategy (2003-2004) which sets an overall framework for the information and communication policy. Agree that specific actions addressed to Ukraine are needed.</p> <p>b) agree, enhanced actions are needed in the field of information and communication</p>	<p>A new communications strategy for the EU in third countries is in place. Information and communication actions specific to Ukraine are being implemented.</p>
<p>In the Section entitled “Overall Assessment of the Commission’s Strategy” (page 51, paragraph 182), the Report notes: <i>“There is a lack of results from the macro-financial assistance to stabilise the economy, and limited impact of structural reforms, due to lack of policy dialogue, proper situation analysis, co-ordination with donors (to reach a critical mass) and national capacity.”</i></p> <p>In the response to Evaluation Question No. 4 (page 27, last sentence of paragraph 96), the Report notes: <i>the 1998 evaluation of the Country Programme for Ukraine stated that “when macro-financial assistance was provided, the composition of the programme has not been adapted specifically to assist the Ukrainians in meeting the objectives and conditionalities of the stabilisation policy”.</i></p>	<p>DG ECFIN records that it cannot agree with these statements. First, they do not take into account the conclusions of the Joint EU-Ukraine Report on the Implementation of the Partnership and Cooperation Agreement (PCA) and fail to consider the progress made with economic stabilisation and structural reform in Ukraine in recent years. In addition, no evidence is offered to back these statements, a problem that was repeatedly flagged to the consultants by the Commission services during the drafting of the report. DG ECFIN therefore considers that the decision by the consultants to maintain these assertions in the final report in the absence of any supportive evidence or analysis casts, therefore, serious doubts, on the pertinence of the whole exercise.</p> <p>The Community’s macro-financial assistance (MFA) to Ukraine has played a positive stabilisation role by supporting the IMF programmes and encouraging the country to adopt appropriate reform measures. The assertion in paragraph 182 concerning the lack of results of this assistance seems to contradict other parts of the report that acknowledge the important progress made by Ukraine in recent years in stabilising the macroeconomic situation and restoring economic growth.¹ The positive role the Community’s MFA may have played has recently been recognised by the authorities in the above-mentioned Report on the Implementation of the PCA.</p> <p>Moreover, the policy conditionality attached to our MFA has reinforced that of other Community programmes. This conditionality has focused on four</p>	<p>Strong economic growth continued in Ukraine in 2004 reaching about 12 percent and the current account surplus is estimated to have increased to 10 percent of GDP. Against this background there were no financing gaps to be filled by the Community’s MFA and the MFA programme was treated as a precautionary instrument in line with Ukraine’s present precautionary standby arrangement with the IMF.</p> <p>The elements of the policy conditionality foreseen for MFA were taken up in the Country Report and the Action Plan for the European Neighbourhood Policy, and the key issues were also discussed in the annual economic dialogue in the Sub-Committee on Finance, Economy and Statistics.</p>

¹ For example, in paragraph 19, the report notes that “in the last two years, Ukraine’s macroeconomic stability and economic growth have improved remarkably”. Moreover, the analysis in the report only covers up to 2001. This satisfactory macroeconomic performance continued in 2002 and 2003.

main areas of reform, namely, privatisation, banking sector reform, energy sector reform, and the removal of trade restrictions imposed by Ukraine that were inconsistent with the PCA. These conditions have been defined in consultation with other services of the Commission and the Economic and Financial Committee. The Commission has also emphasised the consistency of MFA conditionality with that of IMF and World Bank programmes. The conditions on privatisation and banking sector reform have supported the Tacis programmes in this area and those on energy sector reform (notably those referring to the privatisation of the regional electricity distribution companies and the increase in cash collection rates) have supported the conditions related to the Fuel Gap Facility and the planned K2R4 nuclear project. Also, the conditionality in the area of trade has contributed to the implementation of the PCA.

DG ECFIN also disagree with the conclusion that there has been a lack of policy dialogue. The design and implementation of MFA to Ukraine has involved extensive discussions with the authorities. This dialogue has taken place in the context of the negotiation of the policy conditionality attached to the assistance, during the regular reviews of compliance with such conditionality conducted by the Commission services and during the regular meetings of the EU-Ukraine Subcommittee on Finance, Economy and Statistics. The authorities and the Commission services have also organised several seminars on selected issues, such as the one organised last year on the strategy towards the liberalisation of capital movements.

Finally, the apparent criticism of the Community's MFA contained in paragraphs 96 and 182 of the current evaluation reflects a misleading representation of the conclusions of the 1998 Report.

Paragraph 182, which does not really contain a quotation from the 1998 report, is misleading because, although the 1998 report acknowledges a lack of progress in macroeconomic stabilisation and structural reform, it does not attribute responsibility for this poor result to MFA. Thus, the second paragraph of page of the Executive Summary, which seems to be the source of inspiration for the negative references to MFA contained in paragraph 182 of the current Evaluation, says: "*Tacis has supported a number of reforms but its impact has been limited, sometimes severely, by three major factors: (a) the lack of policy dialogue [...]; (b) an insufficient analysis of situations [...]; and (c) an insufficient critical mass, especially when assistance was insufficiently coordinated with that of other donors*". Moreover, and as noted, the lack of progress in stabilisation underlined in the 1998 report is clearly an outdated observation by now.

Regarding paragraph 96, which is an exact quotation from the 1998 Evaluation, it is also misleading. When one reads the whole section of the 1998 report where the cited sentence appears (page 2 of the Executive Summary), it is clear that what the 1998 report meant to say is that "*when micro-financial assistance was provided, the composition of the [Tacis] programme has not been adapted specifically to assist the Ukrainians in meeting the objectives and conditionalities of the stabilisation policy*". This is also clear on page 33 of the 1998 report, which after praising the good coordination of MFA with the international financial institutions, adds that unfortunately this coordination "*was not reflected in an adaptation of the design or the composition of the Tacis programmes to support the Ukrainian government in meeting the conditionalities of the IMF and to pursue in priorities actions that would help stabilising the economy*".