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# **Donor Development Recourses**

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## **Aid Programming and Implementation Guide**

*The views and interpretations expressed in this publication are the authors’ and do not necessarily reflect those of the Government of Sweden.*

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**List of Acronyms**

## **i. LIST OF ACRONYMS**

| <b>Acronym</b> | <b>Description</b>   |
|----------------|--|
| Acquis         | Acquis Communautaire   |
| BAM            | Project “Advisory support to the Ministry of Finance of Ukraine in budget process reform and aid management” (SIDA)                                  |
| CAS            | Country Assistance Strategy  |
| CFE            | Coordinator for Evaluation   |
| CIDA           | Canadian International Development Agency  |
| CIB            | Comprehensive Institution Building   |
| CoM            | Cabinet of Ministers of Ukraine  |
| DCFTA          | Deep and Comprehensive Free Trade Agreement  |
| DCWG           | Donor Coordination Working Group   |
| DoMIS          | Donors Management Information System in the IFID, MoF  |
| EC             | European Commission  |
| EI             | European Integration   |
| ENPI           | European Neighbourhood Partnership Instrument  |
| EP             | European Partnership   |
| EU             | European Union   |
| EUD            | European Union Delegation  |
| GDG            | Government-Donor Group   |
| GIZ            | German Agency for International Cooperation GmbH   |
| GoU            | Government of Ukraine  |
| IBPP           | Institution Building and Partnership Program   |
| IBRD           | International Bank for Reconstruction and Development  |
| IDA            | International Development Association  |
| IFC            | International Finance Corporation  |
| IFID           | Division for cooperation with International Organizations and Coordination of the International Technical Assistance, Ministry of Finance of Ukraine |
| IFIs           | International Financial Institutions   |
| IMF            | International Monetary Fund  |
| IO             | International Organization   |
| IPA            | Instrument for Pre-Accession Assistance  |
| ITA            | International Technical Assistance   |
| Meuro          | million Euro   |

|       |   |
|-------|---|
| M&E   | Monitoring and Evaluation   |
| MIFF  | Multi-annual indicative financial framework                         |
| MIGA  | Multilateral Investment Guarantee Agency                            |
| MIPD  | Multi-annual Indicative Planning Document                           |
| MoE   | Ministry of Economic development and Trade of Ukraine               |
| MoF   | Ministry of Finance of Ukraine                                      |
| MS    | Member State  |
| Mths  | Months  |
| NGO   | Non-governmental organizations                                      |
| OECD  | Organization for Economic Cooperation and Development               |
| PCA   | Partnership and Cooperation Agreement                               |
| PCM   | Project Cycle Management  |
| PEFA  | Public Expenditure and Financial Accountability                     |
| PFM   | Public Finance Management   |
| PG    | Partner Government  |
| REMS  | Reports and Events Monitoring System                                |
| SFI   | State Financial Institution   |
| SIDA  | Swedish International Development Cooperation Agency                |
| SOE   | State owned enterprise  |
| STAU  | State Tax Service of Ukraine  |
| STE   | Short Term Expert   |
| TA    | Technical Assistance  |
| TAC   | Technical Assistance Cooperation / Technical Assistance coordinator |
| TAIEX | Technical Assistance Information Exchange                           |
| TL    | Team Leader   |
| ToR   | Terms of Reference  |
| UNDP  | United Nations Development Program                                  |
| USAID | United States Agency for International Development                  |
| VAT   | Value Added Tax   |
| WB    | World Bank Group  |

*Note:* a glossary of terms is available via Section 9 Useful documents and links.

*Sources:* this guide is based on good PCM practice and documentation provided by the European Union and OECD – see Section 9 for links.

## **ii. FOREWORD**

The Ministry of Finance of Ukraine is assigned as the coordinator for donor foreign assistance in the Public Finance Management Sector (PFM).

The donor community has been consistently sending to Ukraine signals indicating the need to speed up domestic reforms. For this purpose donors proposed for Ukraine, as well as to other post-Soviet states, an effective instrument to support market and democracy reforms – international technical assistance (ITA), which can be an effective tool for delivery professional consultations and support to a transition-economy partner country to implement market and democracy reforms while taking into account positive international experience.

To meet the reform requirements, technical assistance has been provided to the MoF of Ukraine (IFID) by the Swedish International Development Cooperation Agency (SIDA) in the framework of the project “Advisory support to the Ministry of Finance of Ukraine on budget reform process and aid management” – BAM project (Aid Management component) with the following objectives:

- To assist the Ministry of Finance of Ukraine in establishing efficient and targeted use of external resources for reform initiatives related to Public Financial Management.
- To assist the IFID in establishing operational and relevant administration processes and procedures, preparation of concept notes, work plans, institutional arrangements, including procedures to manage aid received by the MoF.
- To assist the IFID in the formulation of a MoF policy for aid management.
- Institutional and capacity improvements of the IFID.

In Ukraine it is necessary to significantly strengthen the role of the Ministry of Finance in the ITA financial management and to prepare Ukraine’s budget system for using effectively the new forms and methods of cooperation with the EU and other donors. Development of sectoral and national strategies, ensuring a stable economic growth and effective reform of the public finance sector in Ukraine will enable the country to gain a broad access to new financial levers to support and accelerate the economic reform, democratic transformations and to come closer to the integration with the EU.

Presently, the MoF, supported by the BAM project, is already taking significant steps to advance the practice of coordination of donor activities in the PFM sector. In particular, it has succeeded in making donor coordination meetings based on specific agenda regular. In parallel with that, the Ministry has also implemented new donor activity coordination instruments.

The first such instrument is the so-called Donor Matrix (DoMIS), which is in essence electronic information and management system that links donor initiatives and strategic goals of the country, identifies major gaps and also records principal measures and outcomes achieved in the course of the implementation of ITA projects. The Donor Matrix, hence, functions as a tool to also identify necessary components of a comprehensive Public Finance Management reform in Ukraine.

The MoF management granted the permission to include the DM into the MoF internal IT network, aiming at further integration with the ministry's overall management system.

Information on donors' ongoing activities is collected on a monthly basis with the help of the Reports and Events Monitoring System (REMS) that provides more detailed and updated information on donor activities in the area of public finance management. To improve the programming cycle for ITA management in the Ministry new in-agency rules have been drafted for management of flow of funds received from international organizations and donor countries.

The BAM Project in cooperation with the MoF staff have developed a number of useful products which have been already implemented into the Ministry's everyday work. Thereby, this Manual is a result of close cooperative efforts between the AM team and the Beneficiary, which includes inputs from users and key stakeholders in order to be a practical tool for a wider community in the framework of the AM process in the country.

For convenient use of the manual, it is divided into two parts:

1. *Part 1 "Introduction"* is devoted to general information about the specifics of donor activities and cooperation with them in Ukraine; and to the main structures, their functions, and developments in the Public Finance Management area in Ukraine. This will preserve the "institutional memory" and give basic information on the general principles and approaches of the procedures, which are dealt with in the Part 2 of the manual;
2. *Part 2 "Practical Implementation"* considers practical approaches to managing donor projects under the new ITA coordination procedures in the Ministry of Finance of Ukraine and the peculiarities of the Donor Coordination Working Group conduction in the Ministry in relation to new procedures.

The methodology and practical implementation of the procedures offered in the manual were tested by the AM project team in a series of capacity building events. Specifically,

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**Foreword**

during numerous individual and group consultations for the MoF staff engaged in compiling project concepts and in several full day long training sessions, practical usefulness and applicability of the manual recommendations and instructions were tested.

Our authority as management mechanism stems from various documents of legislation we are empowered to enforce. Thus, some of the procedures defined in this manual are prescriptive. However, by the time this Manual is published, the final versions of the three MoF internal Regulations - on AM programming cycle, REMS and DCWG ToR – formulated with assistance from the project AM component, would have been “tuned” and finalized at the MoF legal department, which is the final level of the MoF hierarchy clearance before the Minister’s signature.

The manual is designated to provide practical support to the Ministry of Finance of Ukraine staff of all departments and structures involved in technical assistance cycle project development, management and monitoring. It could also be useful for the state structures staff related to various aspects of ITA, like Administration of the President of Ukraine, Ministry of Economic Development and Trade of Ukraine, National Agency of Ukraine on Civil Service, and other line Ministries and Institutions interested in the ITA process participation.

It may also be of use for Donor organizations and International Financial and other Institutions, especially for the new staff, who would like to be familiarized with the MoF’s new instruments and procedures governing AM programming cycle.

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# **GUIDE**

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# PART 1:

# INTRODUCTION

# SECTION 1.

## **DONORS' MECHANISM AND STRUCTURES IN UKRAINE**

### **1-1. Donors' Activities in Ukraine**

A central role is played by the international technical assistance (ITA) from EU and other donor countries within the processes of market transformations and Euro-integration. The role of ITA in Ukraine, principles and approaches to its delivery and utilisation, differs from those used in the new EU Member-States and candidate countries.

Donors, such as the EU and many other countries, some 20 years ago offered to Ukraine, and post-soviet countries, an effective instrument to support the market and democratic reforms – international technical assistance (ITA) that can be a powerful tool for professional consultancy and support to a transition partner country in implementing the market and democratic reforms taking account of the positive foreign experiences. Since 1992, the overall ITA amount granted to Ukraine by individual donor countries and international organisations (IO) accounted for about USD 7 billion. [16]

Within a system of international relations, ITA plays the role of an important tool for the country's development, promoting the implementation of the institutional reforms in a recipient country as well as economic structural adjustment, development of key economic sectors, entrepreneurship support, legislation reforms and other market transformations, thus creating a basis for the inflow of investment capital to the country and further global economic interactions. ITA is used to play and is still playing a significant role in further market transformations in the Central European countries, enabling many of them to quickly adapt to the new business context and integrate into EU, with improved quality of governance, standards and cooperation with the EU.

The intention of the Paris and Accra declarations is to pass the management of ITA management to the beneficiary countries. International surveys of institutional capacity for effective performance of the ITA coordination functions of the Paris Declaration (2005) and Accra Agenda for Action (2008) indicated a low level of effectiveness and capacity by the responsible Ukrainian authorities for international aid coordination. The dispersed "coordination resources" amongst different institutions, without proper interplay between them, make it impossible to staff even one of the current international assistance-involved government structures with the relevant-expertise professionals, while the institutional

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unstructured mechanism disables the government policy of ITA attraction and use to reform the Ukrainian economy in terms of the European principles.

Structurally, the areas of responsibility for ITA programming, management and reporting are shared amongst different government agencies in Ukraine. The Ministry for Economic Development and Trade plays a leading role in this system – it is held responsible for programming, coordination and monitoring of the process. The National Agency of Ukraine for Civil Service is a key public authority responsible for implementing certain individual EU programmes. The Ministry of Finance is in charge of ensuring the ITA receipt in the public finance management (PFM) area, consistency of international financial assistance with the State budget as well as for attraction of IO resources. Overall, in Ukraine for the time being leadership in the ITA planning and management is exercised by the donors. The Paris Declaration principles, hereunder a recipient country itself should define the strategic development priorities and donor support areas, are not realised so far in Ukraine.

The ITA donors for Ukraine can be divided into **multilateral** and **bilateral**. Most foreign resources come to Ukraine through multilateral channels from international organisations that deliver significant financial assistance, credits on easy terms and ensure financing of the technical assistance programmes. The bilateral donors are governments of the countries delivering ITA through their embassies in recipient countries or through specifically created Funds to administer the earmarked resources.

**COOPERATION WITH THE EUROPEAN UNION (EU)**

Relations of Ukraine with EU, same as with all other NIS, were first built within the framework of Partnership and Cooperation Agreement (PCA), which entered into force in 1998. Besides PCA, an important cooperation mechanism was the development of a common strategy. Since 2007, new cooperation instruments came into effect, providing for the new approaches and mechanisms for granting aid to recipient countries:

1. The first group of instruments is aimed at the implementation of reforms in a recipient country and includes:

- development instruments;
- European neighbourhood and partnership instrument;
- economic cooperation instruments;
- nuclear safety cooperation instrument;
- instruments for protection of human rights;
- instrument for pre-accession assistance.

2. The second group includes the crisis management instruments, among them:

- macroeconomic support;
- instrument for stability;
- humanitarian aid.

Under the new approach, the aid programmes for the EU neighbour countries were revised, and a single cooperation instrument – European Neighbourhood and Partnership Instrument (ENPI), was introduced. It is more flexible as compared to the former assistance programmes and it is designed to address the agenda related to sustainable development and approximation of neighbour countries to EU standards through supporting the priority areas as agreed with recipient countries and incorporated in the European Neighbourhood Policy Action Plan. [16, 17]

In November 2006, Regulation № 1638/2006 of the European Parliament and of the Council of 24.10.2006 entered into force, laying down general provisions establishing a new European Neighbourhood and Partnership Instrument.

ENPI aims at promoting enhanced cooperation and progressive economic integration between the European Union and the partner countries, providing support in the implementation of partnership and cooperation agreements, association agreements as well as other existing and future agreements; encouragement of partner countries' efforts aimed at promoting good governance and ensuring sustainable social and economic development. Ukraine is among the ENPI partner countries.

The ENP Instrument covers a period 2007-2013, with the budget amounting to EUR 11 billion 181 million, of which 95% to be allocated to the country and multi-country programmes and 5% - to the cross-border cooperation programmes. The ENPI assistance can be provided to support the measures under 29 cooperation areas. At the same time, the Regulation does not establish the cooperation priorities. Instead, definition of the priority cooperation areas for each country is based on the bilateral strategy papers, such as agreements of partnership and cooperation.

ENPI should be a complementary instrument for implementing the respective national, regional or local development strategies, and it provides for co-financing of projects by EU and a recipient country. ENPI-based cooperation is implemented through adoption by the European Union of the relevant national and cross-national strategies and development of multi-annual indicative programmes on their basis.

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In terms of the relevant strategy and indicative programme, the respective action programmes are drawn up specifying the objectives, the fields of intervention, the expected results, the management procedures and the total amount of financing planned. They take into account the experiences gained from past implementation of EU foreign assistance and contain a list of activities to be financed, the amounts allocated for each activity and an indicative implementation timetable.

The Regulation on ENPI provides for using the foreign assistance to finance:

- targeted administrative measures;
- investments;
- support in obtaining credits on favourable terms from the European Investment Bank and other EU financial institutions;
- sectoral and general budget support;
- provision of soft-term lending, in particular for environmental loans;
- technical assistance, etc.
- 

In the framework of the new Instrument, the following ENPI components are available to Ukraine:

1. National Indicative Programme aimed at supporting:
  - democratic development and good governance;
  - regulatory reforms and administrative capacity building;
  - infrastructure development. [1]
2. Eastern regional cooperation aimed at network development, environmental protection and forest management, border and migration management, the fight against transnational organised crime, customs cooperation, people-to-people activities and information support, elimination of landmines, explosive remnants of war, tactical weapons. Besides Ukraine, the programme is extended to Belarus, Moldova, Russia, Georgia, Armenia, and Azerbaijan.
3. Cross-regional cooperation programme promoting:
  - reforms through EU consultations and expertise;
  - development of higher education and student exchange activities;
  - cooperation between the “regional parties” – partner countries and EU Member-States;
  - strategic cooperation between Russia and EU.

4. Cross-border cooperation programmes:
- Ukraine – Poland – Belarus;
  - Ukraine – Rumania – Moldova;
  - Ukraine – Hungary – Slovakia – Rumania;
  - Black Sea.

The new approaches also enabled the implementation of Twinning programme in Ukraine through the Institution Building and Partnership Programme (IBPP)<sup>1</sup> and TAIEX<sup>2</sup>. [27, 28] The IBPP programme provided for support under two areas: “Support to Civil Society and Local Initiatives” and “Key Institutions”.

The IBPP “Key Institutions” programme envisages the partnership cooperation between the Ukrainian and European governmental institutions with a view to accelerating the administrative reforms as well as a process of the public policy elaboration and implementation. The projects implemented within this programme can include such components as study visits to the institutions of EU Member-States, transfer of know-how, practical and theoretical experiences, training and secondment, etc. [28]

TAIEX Programme– Technical Assistance Information Exchange Office – was introduced to strengthen the administrative capacity of the Ukrainian public authorities within the Ukraine-EU Action Plan implementation. [27]

## COOPERATION WITH OTHER INTERNATIONAL ORGANISATIONS

Besides the European Union, other international institutions are technical assistance donors for Ukraine as well. In April 1992, at Ukraine's request, IMF and the World Bank Group took a decision on Ukraine's membership in these financial institutions. The Verkhovna Rada of Ukraine approved the Law “On Ukraine's Accession to the International Monetary Fund, International Bank for Reconstruction and Development, International Finance Corporation, International Development Association and Multilateral Investment Guarantee Agency”. So, since September 1992 Ukraine has formally become a member of these organizations.

Most external resources come to Ukraine through the channels of **international financial institutions (IFIs)**, providing the significant financial assistance and financing the technical assistance programmes. For the most part, the ITA share in these resources, first, is limited – not more than 10% and, second, ITA component, as a rule, is financed through the grants

<sup>1</sup> Institutional Building Partnership

<sup>2</sup> Technical Assistance Information Exchange Office

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provided to them by the governments of individual developed countries for administration purposes.

The largest external funding sources for Ukraine are the World Bank Group and IMF. IMF focuses its activities around establishing the general macroeconomic principles of market economy in Ukraine, while the World Bank addresses the development of specific economic sectors.

The World Bank Group (WB) comprises institutions providing both financial and technical assistance to Ukraine: International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA). The major goal of the World Bank activity in Ukraine is to assist the Government in transition to market economy, in particular in the recovery of sustainable economic growth and improvement of the living standard in the country. The World Bank cooperates with the Ukrainian governmental structures, non-governmental organisations (NGOs), multilateral institutions and donors. Additionally, for project preparation in Ukraine, the World Bank draws the grant resources from many sources.

WB establishes its relations with Ukraine through the adoption of a **Country Assistance Strategy** (CAS) for 3-4-years. The WB Board of Executive Directors approved the current country assistance strategy for Ukraine for 2012-2016 period. In the WB-Ukraine cooperation structure, the ITA projects do not play a significant autonomous role, being part of the structural adjustment loans. [8]

Another important international financial institution is the **International Monetary Fund** (IMF), Ukraine's biggest creditor cooperating at the governmental level through providing the finances for covering the deficit of balance of payments and establishing the market economy principles. In its international activity, IMF provides ITA under three areas: support of fiscal and currency policies; drafting and revision of economic and financial legislation, relevant rules and procedures; as well as capacity building of central banks, treasuries, tax and customs services and statistics services.

A significant role in Ukraine's reform process is played by the **Council of Europe**, with its close ties with the European Commission increasing this process effectiveness. As a member-country of the European Council, Ukraine is an object of thorough monitoring by this organisation. Subject to the monitoring results, the European Court of Human Rights takes the relevant decisions, while the Council of Europe can provide the political recommendations to Ukraine on the corrective measures. The Council of Europe offers

to Ukraine a variety of solutions, aligned with the European standards, and encourages the country to develop its own standards. This approach essentially enhances the country's ownership in the implementation of democracy and rule-of-law reforms (in particular, legal sector reform), as well as the chances for their successful implementation.

## **BILATERAL DONORS**

For the time being, a major part of ITA comes to Ukraine through bilateral channels, of which USA is prominent in terms of scopes. [7] For USA, it is the only ITA delivery channel to recipient countries. The same holds for such countries as Canada and Japan, but their scopes of assistance are more limited in financial value than to those of USA. Many EU Member-States also provide TA on a bilateral basis on top of their main efforts through multilateral channels, however, they are less than their main input to multilateral cooperation.

Generally, bilateral assistance is the largest ITA channel for Ukraine. The biggest Ukraine's bilateral donors are USA, Canada, Great Britain, Germany [4], the Netherlands, Sweden, Japan providing support through the special international development agencies: USAID, Swedish SIDA [5], and Canadian CIDA. Within the EU member states, significant programmes are undertaken by SIDA, Germany and France. Links to the donor websites are provided in section 9 Resources and Links.

## **1-2. Background of Donor Coordination**

The Donors working in Ukraine have a relatively sophisticated coordination mechanism amongst themselves.

The European Union (EU) Member-States and European Commission cooperate together under the auspices of the EU Delegation as coordinator, with normally an official designated for improving aid effectiveness.

The UNDP coordinates all the donor community and works with the Aid Coordination and Management Departments in the MoE and the State Civil Service. The main donors, particularly the main 3 EU donors (EC, Germany, Sweden), meet regularly and work very closely on programming and implementation issues together. The EU group meets regularly and shares information, particularly on the development of the matrix of their current and proposed projects.

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There is a policy agreement amongst donors that all aid projects should fit into the European Integration strategy, particularly the Association Agenda, though this requirement is not always adhered to, particularly as some important development topics are not specifically included in the Association Agenda. The EU donor group works closely to provide bilateral aid programmes that offer synergy with the European Commission's medium term donor strategy.

Ukraine has negotiated an Association Agreement, which includes a free trade agreement and the possibilities of a migration/visa regime action plan. This Association Agreement will come into force once political barriers have been removed. The Association Agreement covers many priority areas for development and decisions at the EU Ukraine Committee meetings are legally binding and enforceable.

A number of the larger donors produce individual Ukraine country strategy for their technical cooperation programmes, and some (SIDA-EC) undertake joint programming exercises.

Therefore, when preparing applications for ITA projects the Ministry of Finance of Ukraine and other government agencies have necessarily to take into account donor strategies or programs for Ukraine (see Sec. 9.1.). Application for a project should correspond with donor support agendas that are reflected in specific donor strategies.

On the other hand, the process of applications for ITA projects should also be influenced by various national strategy documents.

The Government side broadly works within the Association Agenda framework, but uses a wider scope of activities and their own prioritization. The Ukraine Economic Reform Programme broadly is in line with the Association Agenda.

In 2007, Ukraine adopted the "Strategy for modernization of the PFM system in Ukraine", approved by the Cabinet of Ministers on October 17, 2007, #888-p. The document outlines the broad strategy for development within which donor projects are planned.

The Ministry of Finance relies on three 'strategy documents'. A project proposal must fit within all three documents' objectives and activities. These are:

- Ukraine Economic Reform Programme for 2010-2014 (02.06.2010);
- Strategy for Modernization PFM in Ukraine (resolution of the CoM, #888-p, 2007);
- Future Strategy for Reforming PFM area in Ukraine (under development, as for today the Concept for PFM reforming strategy has been approved [11.1]);
- MoF Strategic Plan for 2011-2013.

A project proposal should also correlate with the short-term annual plans for European Integration (Cabinet Resolution June 2011 No. 612p) and the Association Agenda. [2] Also of note is the short term plans of the Deep and Comprehensive Free Trade Agreement (DCFTA) (Cabinet Resolution 15 June 2011No 548). [14]

The relevant Government strategy documents can be found as an overview in DoMIS, the IT database of the MoF (see below 1-1.4.), and documents or links are housed in Section 9.

The Government of Ukraine (GoU) has undertaken a self-assessment this year which shows improvements, through practitioners in aid coordination. Analysis of these reports indicates a low current level of performance by the responsible GoU authorities for Aid Coordination and budgetary institutional capacity.

The table 1.1. below shows an indicative summary of the assessment of progress on Aid Coordination Effectiveness in Ukraine-OECD 2008 and GoU 2011.

**Table 1.1. Summary of the assessment of progress  
on Aid Coordination Effectiveness in Ukraine**

| Dimensions   | 2008 OECD      | 2011 GoU (draft only) |
|--|----------------|-----------------------|
| Ownership of ~leadership<br>~coordination                | Low            | Low                   |
| Alignment to<br>~national strategies<br>~GoU systems     | Low – Moderate | Low                   |
| Harmonisation<br>~coordination of Aid                    | Low- Moderate  | Low-Moderate          |
| Managing for results<br>~monitoring                      | Low            | Moderate              |
| Mutual accountability<br>~Donor/Beneficiaries assessment | Low            | Low-Moderate          |

*Note: 2008 Survey on Monitoring the Paris Declaration Making Aid more effective, with additional clarifications*

*Note: Final version 2011 not ready and results shown are an appraisal of GoU answers by expert.*

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The legal framework for aid coordination is governed by a number of laws: Government Regulation (#153 of 2002), individual regulations initiated by line ministries and general and project specific agreements signed between the donor country and the relevant government ministry.

### **1-3. National Donor Structures and Systems**

#### **OVERALL**

The Ministry of Economic development and Trade is responsible within Government for the overall coordination of aid and liaising with the donor community on the aid programme.

The two main ministries for the practical coordination of aid are the MoE and the State Civil Service (for Twinning and CIB-Eastern Partnership). The Secretariat of the Cabinet of Ministers has a passive over-arching role, particularly to assure that donor programmes are in-line with overall government policy and to resolve disputes between ministries.

The MoF undertakes the horizontal coordination of the financial aspects of projects, particularly budget support projects.

The current government has consolidated the aid coordination departments in the MoE and improved the administrative functions (e.g. project registration), but has not yet tackled the aid policy development issues. The MoE has undertaken a further review as part of the Public Administration Reform (July 2011) restructuring and downsizing. The President's Office is acting to link foreign aid with government economic reform policies.

#### **GOVERNMENT-DONOR COORDINATION GROUP**

The Government of Ukraine is working to become more self-reliant in the field of Aid Coordination and management in line with the Paris Declaration. A part of the strategy is to establish a framework of government - donor groups covering all sectors.

The Government-Donor Group (GDG) consists of a High-level Steering Group, four joint thematic working groups with sub thematic groups, as well as the GDG Secretariat. The GDG provides a mechanism for improving donor programmes via meetings that are formed with the participation of representatives of Ukrainian authorities/governmental institutions and donors.

The components are:

- The High-level Steering Group is a forum at which broad strategic and problematic issues that need Governmental decisions are considered.
- Thematic groups are joint working groups on broad sector / functions based on thematic priorities defined by the Government in strategic programmes for attracting and facilitating international technical assistance and international financial institutions resources. Chairpersons of Thematic groups are heads of central executive bodies and respective representatives of donors' organizations (by consent), and meetings are held at the Ukrainian party's or donors' initiative at least twice per year or in case of a need.
- Thematic sub-groups/Sections have a similar function but are based on Specific Sectors and are chaired by (First) Deputy Ministers, heads/deputy heads of the central executive power bodies and the appropriate representatives of donors' organizations
- The Thematic sub-groups/Sections meetings are minuted and a protocol is drawn up which is sent to the Ministry of Economy of Ukraine for compilation into a pan-sector document.
- The functions of the GDG Secretariat are carried out from the Ukrainian side by a unit in the Ministry of Economy of Ukraine, responsible for international technical assistance attraction and cooperation with the international financial institutions, and from donors' side – by the UN Representative Office in Ukraine.

Only 2 or 3 thematic groups have met, and many Ministries including the MoF are awaiting the enactment of the regulation on Donor Coordination groups by the Cabinet of Ministers before establishing their thematic groups.

The organization table and guidance note for the Government-Donor Coordination Group is housed in Annexes to this section.

The organizational chart (see Annex 1.2. to this section) shows the national framework for all thematic groups with the thematic group for PFM and the positioning of DCWG given in detail.

### **GDG - THEMATIC SUBGROUP A2**

The Ministry of Finance is the coordinator for the A2 thematic sub group responsible for Public Finance Management, financial markets development, pension reform, administrative-territorial reform, and regional development. The main meeting is envisaged to be held every 3 months.

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The thematic subgroup A2 has a very wide-ranging brief covering all public finance, financial markets, and regional development; this suggest that only areas of higher level of interest with be dealt with such as:

- Horizontal / common programming or implementation issues (e.g. problem with VAT, managing Budget Support).
- Broad programming issues for the sector.
- Specific issues participants have, which would be noted for inclusion in the minutes.

A more focussed PFM working group is required dealing in an informal way with practical issues in the PFM sector (and including all practitioners). This group was established complementary to the thematic groups and is known as the Donor Coordination Working Group (DCWG). See Section 6 “DCWG Role and Functions” for further information.

For these practical reasons the thematic sub group will still need to be supported by an informal PFM specialist working group so that discussions can be more focused and relevant to the needs of the participants, and the DCWG group will probably continue to meet every 3 months.

**MOF AREAS OF SUPPORT AND COORDINATION STRUCTURE**

The Ministry of Finance is the central ministry in the PFM Sector and has a portfolio of projects covering public finance and financial markets sectors.

Enhancing the transparency, efficiency and effectiveness of public finance management (PFM) remains an important part of the government's institutional development plan. Important progress has been made in a number of areas, including recently: measures to improve transparency, accountability and efficiency, and to introduce performance-based budgeting, public financial control and accounting reforms.

Key areas of recent donor support for the MoF are reforming the PFM area, reform of the budget system and budget process in Ukraine, development of macroeconomic forecasting and mid-term budgeting, development of financial markets and improving of aid management.

Within the credit line of the World Bank there is an allocated resource for the development of certain areas of PFM. In the same direction various bilateral donors actively cooperate and provide ITA to the MoF. Among them are the USA, Sweden, Germany, the Netherlands, and France. United States is the leading donor country in PFM, and is currently funding a

major project in the field of financial markets.

Participation of other donors is sometimes based on short-term missions and activities.

Despite significant improvements in PFM, large capacity-building needs remain in both the MoF and other entities that are part of the public finance management. Adoption of the concept of the PFM reform strategy in Ukraine is an important step for further reforming the sector, which will provide an opportunity to attract additional donor assistance for supporting development and effective implementation of the strategy.

The Ministry of Finance has a significant role in the national aid programmes, determining co-financing and coordinating aspects of Budget Support and it is a powerful body with a mandate for overall financial control and supervision of all government ministries and entities, and this can be used as a powerful tool for change.

The Ministry of Finance PFM sector development can have a multiplier effect and act as a catalyst for improving donor programmes across the country.

A well-functioning PFM-system is a prerequisite for the European Commission's sector budget support, which is the key modality within the current European Neighbourhood Policy Instrument and if donor funding is increasingly managed by the GoU.

Ministry of Finance has a division dealing with IFIs, Aid, and European Integration and International Affairs (IFID) with a special unit for aid coordination and management. See the IFID Functional Review Report.

## **1-4. Informational Tools for Donor Coordinating Activity**

In the framework of the BAM project component "Aid management" during 2010-2012 a number of coordination tools have been developed with a view of coordinating donor activity in the Ministry of Finance of Ukraine, which have prospects to be extended for the whole PFM sector. Among them:

- Donors Management Information System (DoMIS) – Donor Matrix;
- Reports and Events Monitoring System (REMS) of TA projects in the Ministry of Finance.

### **1-4.1. Donors Management Information System (DoMIS)**

DoMIS is a management information system used by the Ministry of Finance of Ukraine to track the activity of current and planned donor projects in the Ministry and identify how

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those relate to government and ministerial strategies and standard categorisations of PFM activities.

The DoMIS system, by providing visibility of project activities allows for more effective planning of donor PFM reform projects by:

- Ensuring that any planned works do not overlap with any that are planned or already underway
- Clearly showing areas of strategy of PFM reform where no project activities are under way or planned.

The system uses at its heart an international standard categorisation of PFM. All government and Ministerial strategies are related to this PFM Model/Matrix as are projects and their objectives/activities.

As all projects current and planned are recorded in DoMIS against strategies and the PFM matrix, it is possible to produce reports showing how project objectives/activities relate to the donor projects and vice versa.

A project's details are entered at the planning phase and associated against the PFM matrix and strategies.

The output reports from DoMIS are used for project programming and implementation, where clear links with strategies and also synergies can be identified as well as areas for further work on existing projects.

There is a full user Manual for Ministry staff documenting how to use the system and the link to this can be found in the IFID.

### **1-4.2. Reports and Events Monitoring System (REMS) of TA projects in the Ministry of Finance**

Reports and Events Monitoring System (REMS) - is a model for monitoring, reports and events of the TA projects being implemented in the Ministry of Finance of Ukraine. The REMS envisages monthly exchange of information between TA projects and the Ministry regarding documents / reports, which were issued by projects during the current month with indication of their status (completed, adopted, draft), etc. Besides, the system includes activities which are planned by projects for the next month. Thus, the Ministry receives consolidated form, with which includes all documents and events, which take place in the framework of all TA projects. This same information is directed to all TA projects.

The REMS model thus allows to conduct monitoring and coordination of various TA projects funded by different donors in the PFM area and exchange of information regarding progress of particular projects. It is also a donor coordination instrument in the PFM area that can be used internally by the MoF.

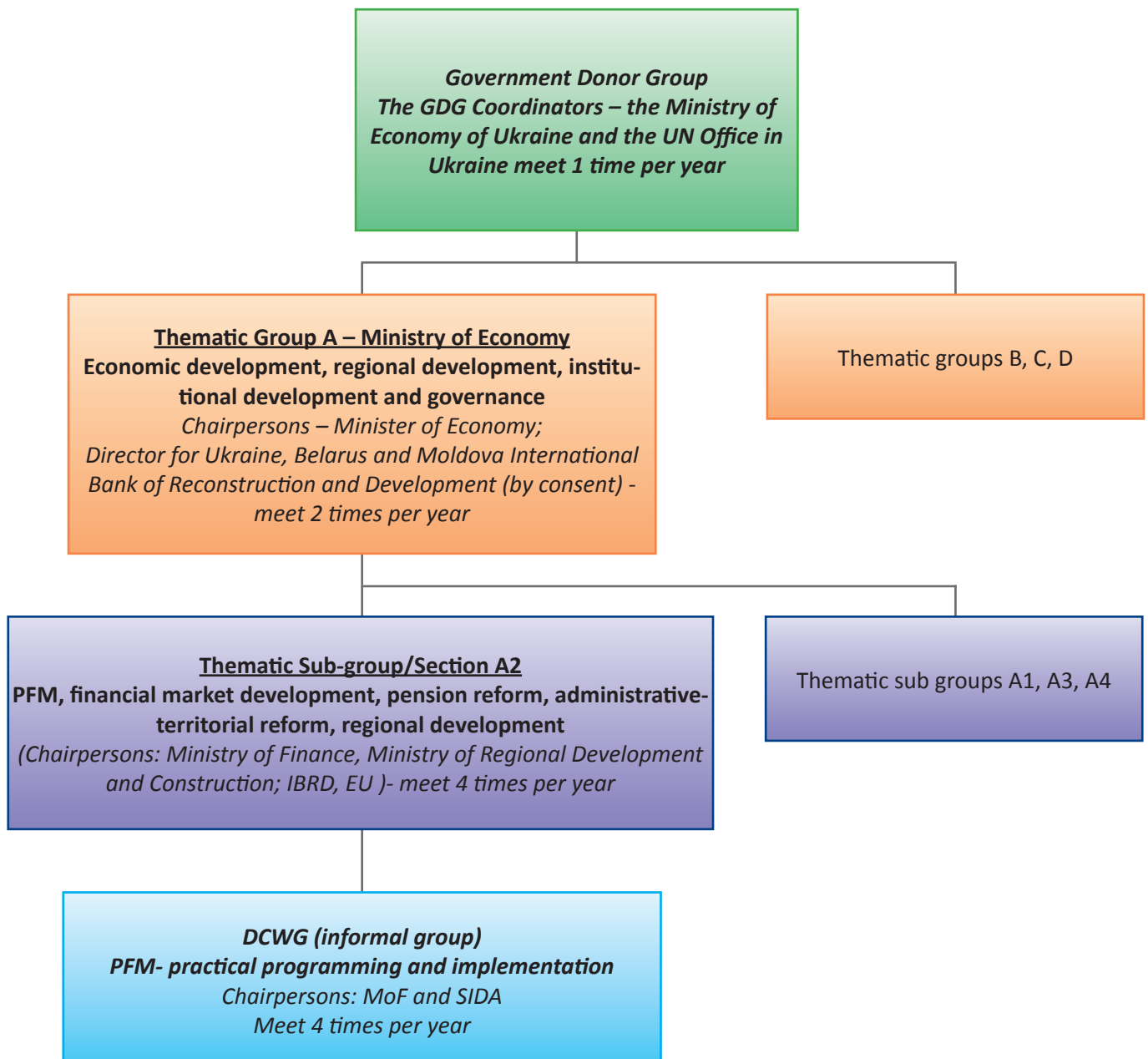
REMS model exists in the format of a programmed Excel table. Its format and structure are contained in Section 6, Annex 6.3.

IFID operates REMS, and is responsible for information management and exchange. There are special video-instructions for users, which explain how to employ the system. The link to this is contained in Section 9.

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1-5. ANNEXES:

**Annex 1.1. Organizational Structure of the Government-Donor Coordination Group**



**Annex 1.2. Organization Chart and Guide for Donor Coordination Thematic Groups**

**GOVERNMENT-DONOR GROUP (GDG)**

The GDG Coordinators – the Ministry of Economy of Ukraine and the UN Office in Ukraine

|   |   |  |  |
|---|---|--|--|
| <p><b><u>Thematic Group A</u></b><br/>Economic development, regional development, institutional development and governance<br/><br/><i>Chairpersons – Minister of Economy;<br/>Director for Ukraine, Belarus and Moldova International Bank of Reconstruction and Development (by consent)</i></p>                      | <p><b><u>Thematic Group B</u></b><br/>Social reforms and healthcare<br/><br/><i>Chairpersons – Minister of Labour and Social Policy (by consent);<br/>UN Resident Coordinator in Ukraine (by consent)</i></p> | <p><b><u>Thematic Group C</u></b><br/>Democracy, rule of law, security of state and its citizens<br/><br/><i>Chairpersons – Minister of Justice (by consent);<br/>Head of Operations / Coordinator for Cooperation of the Delegation of European Union to Ukraine;<br/>USAID Regional Mission Director for Ukraine, Belarus and Moldova (by consent)</i></p> | <p><b><u>Thematic Group D</u></b><br/>Infrastructure, energy and environment<br/><br/><i>Chairpersons – Minister of Fuel and Energy (by consent),<br/>Country Director, Ukraine European Bank for Reconstruction and Development (by consent)</i></p>  |
| <p><b><u>Thematic Sub-group/Section A1</u></b><br/>Economic development (institutional development, private sector development, SME, trade, investments, innovations, science, technologies, education, culture<br/><br/><i>(Chairpersons: Ministry of Economy, Ministry of Education and Science; IBRD, USAID)</i></p> | <p><b><u>Thematic Sub-group/Section B1</u></b><br/>Social reforms and healthcare (incl. HIV/AIDS)<br/><br/><i>(Chairpersons: Ministry of Labour and Social Policy, Ministry of Health; UN)</i></p>            | <p><b><u>Thematic Sub-group/Section C1</u></b><br/>Democracy, freedom and civil society development (incl. mass-media)<br/><br/><i>(Chairpersons: – Ministry of Justice; USAID)</i></p>  | <p><b><u>Thematic Sub-group/Section D1</u></b><br/>Energy efficiency and environment (incl. climate change, improvement of water supply and disposal, elimination of waste and heat supply)<br/><br/><i>(Chairpersons: Ministry of Economy, NAER, Ministry of Housing and Utilities; EBRD, IBRD)</i></p> |

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|   |  |   |   |
|---|--|---|---|
| <p><b><u>Thematic Sub-group/Section A2</u></b><br/> <b>PFM, financial market development, pension reform, administrative-territorial reform, regional development</b><br/> <i>(Chairpersons: Ministry of Finance, Ministry of Regional Development and Construction; IBRD, EU )</i></p> |  | <p><b><u>Thematic Sub-group/Section C2</u></b><br/> <b>Security of state and its citizens (migration, border management, anti-trafficking, ecological safety, bio-security)</b><br/> <i>(Chairpersons: State Border Service, Ministry of Environmental Protection, Ministry of Internal Affairs, EU, USA)</i></p> | <p><b><u>Thematic Sub-group/Section D2</u></b><br/> <b>Transport, space and telecommunications</b><br/> <i>(Chairpersons: Ministry of Transport and Communications; IBRD, EBRD)</i></p> |
| <p><b><u>Thematic Sub-group/Section A3</u></b><br/> <b>Agricultural complex development (incl. livestock, fisheries and forestry)</b><br/> <i>(Chairpersons: Ministry of Agrarian Policy; Canada)</i></p>   |  | <p><b><u>Thematic Sub-group/Section C3</u></b><br/> <b>Justice, rule of law, combating corruption</b><br/> <i>(Chairpersons: Ministry of Justice; USA, EU)</i></p>  | <p><b><u>Thematic Sub-group/Section D3</u></b><br/> <b>Energy safety and nuclear issues</b><br/> <i>(Chairpersons: Ministry of Fuel and Energy, NAK Energoatom; EU)</i></p>             |
| <p><b><u>Thematic Sub-group/Section A4</u></b><br/> <b>Public administration reform</b><br/> <i>((Chairpersons: Main Department of the Civil Service of Ukraine; Canada)</i></p>  |  |   |   |

### **Annex 1.3. Procedural Rules of the Government-Donor Coordination Groups**

1. Government-Donor Group consists of a High-level Steering Group, four joint Thematic working groups (further – GDG), as well as the GDG Secretariat. The GDG Structure is enclosed.

2. The form of work of the GDG is meetings of four Thematic groups and a High-level Steering Group.

3. A High-level Steering Group is a forum at which strategic and problematic issues that need Governmental decisions are considered.

4. Thematic groups are joint working groups that consist of Thematic sub-groups/Sections formed with the participation of representatives of Ukrainian authorities/governmental institutions and donors taking into account thematic priorities defined by the Government in strategic programmes on attracting international technical assistance and international financial institutions resources attraction.

Thematic groups are chaired by Chairpersons of Thematic groups – heads of central executive power bodies and respective representatives of donors' organizations (by consent).

Thematic Groups' meetings are held at the Ukrainian party's or donors' initiative at least twice per year or in case of a need.

Thematic sub-groups/Sections are chaired by (First) Deputy Ministers, heads/deputy heads of central executive power bodies to the competence of which the key issues of Thematic sub-groups/Sections' belong and by respective representatives of donors' organizations (by consent).

As the result of Thematic sub-groups/Sections meetings the protocol is drawn up which is directed to the Ministry of Economy of Ukraine for summarizing up.

5. The main tasks of Thematic groups are:

- defining a number of issues that need donors support in the framework of national social and economic development programmes (action plans);
- identification of project ideas in accordance with the agreed criteria in the context of national programmes' (action plans') purposes and tasks;
- defining problems that hinder achieving development goals and identifying ways for solving them;
- other issues on cooperation and development.

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6. According to the Partnership commitments of the Paris Declaration on aid effectiveness partner-country takes the lead in coordinating aid at all levels in conjunction with other development resources, the MoE, as an authorized body to coordinate and provide the realization of the state policy in the sphere of economic and technical cooperation with foreign states and international organizations, performs the coordination of the GDG activity.

The functions of the GDG Secretariat are carried out from the Ukrainian side – by a respective unit in the MOE, responsible for international technical assistance attraction and cooperation with the international financial institutions, and from donors' side – by the UN Representative Office in Ukraine.

7. The GDG Secretariat:

- forms agenda and schedule of its meetings at the Ukrainian party's or donors' proposals;
- fulfills the preparation and distribution of notifications to GDG members about place and time of meetings, and also drafts of agenda and decisions on issues included to the draft agenda;
- summarizes up expert conclusions, decisions laid down in the protocols of the GDG Thematic sub-groups/Sections meetings;
- performs other organizational measures.

8. The GDG within its competence has the right to:

- receive in an established order from ministries, other central and local executive power bodies, enterprises, institutions and organizations, as well as donors' community the information, documents and materials necessary for the realization of its powers;
- attract experts, specialists and representatives of the relevant ministries and other Ukrainian authorities, governmental institutions or research institutes, NGOs, people's deputies of Ukraine and foreign specialists (by consent) for the consideration of issues falling under its competence.

9. Decision making on all issues within the GDG competence is carried out by consensus. The Thematic sub-groups/Sections decision is documented by the protocol of the meeting signed by the Chairpersons of Thematic sub-groups/Sections (both by the Ukrainian party as well as donors').

The copy of the GDG Thematic sub-group/Section's decision is directed to the Ministry of Economy of Ukraine and to all its members.

## **SECTION 2.**

# **PFM STRUCTURES AND SYSTEMS OVERVIEW**

### **2-1. PFM system in Ukraine**

Public finance management is exercised through a system of government agencies and institutions utilizing systems and procedures to manage the PFM activities.

The major task of these agencies engaged in the PFM sector ensures the coordinated management of individual sub-sectors. This is achieved through a clear division of roles and responsibilities between the financial authorities and institutions.

There are several functional elements in public finance management: forecasting, strategic and operational planning, budget formulation and decision, reporting and accounting, payment and internal and external control functions.

#### **STRATEGIC MANAGEMENT**

Operational public finance management is a set of measures developed on the basis of the operational financial situation analysis, financial planning, oversight and regulation, development and fulfilment of financial plans. Operational financial management is a major function of the state apparatus dealing with the financial system: the Ministry of Finance of Ukraine, State Treasury Service of Ukraine, State Tax Service of Ukraine, financial departments (units), ministries, agencies, local radas, financial services at state enterprises and organisations.

In the field of public finance management, the Verkhovna Rada of Ukraine has the following powers: to consider a draft and approve the State Budget of Ukraine, to supervise the execution of the State Budget, to adopt decisions on reporting concerning its execution, to consider and approve all legislative acts related to the financial system and financial policy in the country, to oversee their implementation, the utilization of loans received by Ukraine, to approve all decisions related to the financial policy of the State.

The powers exercised by the Cabinet of Ministers of Ukraine in public finance management are as follows: developing and implementing the strategic areas of a uniform public financial policy, drafting a law on the State Budget of Ukraine, ensuring the execution of the State

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Budget of Ukraine approved by the Verkhovna Rada of Ukraine, submitting a report on its execution as well as ensuring the implementation of all laws related to the public financial policy.

## **OPERATIONAL MANAGEMENT**

Operational public finance management is a set of measures developed on the basis of the operational financial situation analysis, financial planning, oversight and regulation, development and fulfilment of financial plans. Operational financial management is a major function of the state apparatus dealing with the financial system: the Ministry of Finance of Ukraine, State Treasury Service of Ukraine, State Tax Service of Ukraine, financial departments (units), ministries, agencies, local radas, financial services at state enterprises and organisations.

A central specialised body of executive power in the sphere of financial management is the Ministry of Finance of Ukraine, being part of and subordinated to the Cabinet of Ministers of Ukraine. The primary responsibilities of the Ministry of Finance consist in as follows:

- developing and implementing the main directions of the public finance policy, ensuring its realisation;
- ensuring stability of public finances, their active impact on the socio-economic development of the country;
- organising the budget process, drafting and ensuring the execution of the State Budget of Ukraine;
- concentrating financial resources on priorities of social and economic development of Ukraine and its regions;
- analysing the results of all-level budget execution;
- improving financial and budget planning methods;
- carrying out work on developing the financial market (stock market, credit market, financial services market);
- exercising financial control over the rational and targeted use of budgetary funds, monies of state special-purpose funds;
- regulating the financial activity of economic agents through establishing rules for financial transactions, forms of financial documents, procedures and standards of accounting and financial reporting.

A special service within the Ministry of Finance of Ukraine dedicated to servicing of the State Budget of Ukraine is the State Treasury Service of Ukraine. This financial body was set up by the Decree of the President of Ukraine of April 27, 1995 to ensure the effective cash

management of the Ukrainian State Budget, precise control over the State Budget revenues and their use. The major tasks of the State Treasury Service of Ukraine are:

- arrangements for the execution of the State Budget of Ukraine based on the principle of the Treasury Single Account and oversight thereof;
- management of the Ukrainian State Budget funds and those of the state special-purpose extra-budgetary funds;
- financing the expenditures of the State Budget of Ukraine;
- accounting of cash-based execution of the State Budget of Ukraine, producing status reports on the State Budget execution;
- management of the domestic and external debt;
- guiding the lower-level territorial units;
- maintaining the consolidated registers of spending units of the State Budget funds, state extra-budgetary funds;
- drafting the regulatory-methodological documents on accounting, reporting and arrangement of the all-level budget execution for enterprises, institutions and organisations utilising the budgetary funds and those of the state extra-budgetary funds.

The Ministry of Finance of Ukraine organises the execution of the State Budget of Ukraine through the State Treasury of Ukraine and its territorial units.

The criterion underlying the execution of budgets is to ensure revenue from taxes, levies and mandatory payments to the budgets of all levels. This is a function of the State Tax Service of Ukraine (STAU) with a broad mandate and Tax militia as part of STAU. The State Tax administration implements the tax policy of the Government.

## FINANCIAL CONTROL

Public financial control ensures the implementation of the public finance policy. In fact, financial control is a final stage of a management process as composed of four interrelated elements: forecasting or planning, budgeting, budget execution and control.

**Financial control** — a specific type of activity carried out by all tiers of state power and governance as well as by non-governmental structures to ensure the lawful appropriate level of financial discipline, an efficient flow of centralised and decentralised funds as well as to seek ways of improving the processes of allocation and reallocation of financial resources in the country.

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The functions of public financial control are split between the supreme government bodies, including the financial system management functions. The public control comprises the national and departmental control.

The national public financial control is exercised by the Verkhovna Rada of Ukraine, Cabinet of Ministers of Ukraine, Ministry of Finance of Ukraine and its services - State Treasury Service of Ukraine, State Tax Service of Ukraine, special public financial control bodies, including the Accounting Chamber and State Control and Revision Service of Ukraine.

A special place is occupied in the system of public financial control bodies by the Accounting Chamber — a permanent controlling body, set up by the Verkhovna Rada of Ukraine, it operates independently of any other state bodies and is accountable to the Verkhovna Rada of Ukraine. The main functions and powers of the Accounting Chamber are as follows:

- exercising control over implementation of Ukrainian laws, execution of the State Budget of Ukraine and state targeted extra-budgetary funds;
- if authorised by the Verkhovna Rada of Ukraine, exercising control over the State Budget execution with quarterly breakdown of revenue and expenditure, expenditures on servicing domestic and foreign debt of Ukraine, spending of targeted funds;
- controlling efficient management of the State Budget funds by the State Treasury Service of Ukraine, legality and timeliness of the State Budget funds flows, national targeted funds at the National Bank of Ukraine, authorised banks and credit institutions;
- supervising the local self-governments, enterprises, banks, organizations as regards their utilization of the budgetary funds;
- conducting comprehensive audits and thematic checks;
- submitting proposals on improvement of budget legislation.

The important public financial control body within the executive is the State Control and Revision Service of Ukraine, composed of the Main Control and Revision Office, control and revision offices in the Autonomous Republic of Crimea, in oblasts, cities of Kyiv and Sebastopol, control and revision subdivisions and branches in raions, cities, urban residential districts.

The State Control and Revision Service operates within the Ministry of Finance of Ukraine and is subordinated thereto. The control and revision offices in the field are subordinated to the Main Control and Revision Office of Ukraine. The State Control and Revision Service of Ukraine coordinates its activity with local radas of the people's deputies and executive power bodies, financial authorities, State Tax Service and other control authorities.

## 2-2. Legal and Institutional Framework for PFM

PFM roles and responsibilities in Ukraine are clearly defined and assigned. The roles are assigned under several pieces of legislation including:

- Constitution of Ukraine (establishing the roles and responsibilities of the executive, judiciary, and legislature including in budgeting process),
- Budget Code (regulating all stages of budget process including planning, approval, execution, audit),
- Tax Code (setting tax policy and regulating issues of tax administration),
- Customs Code (setting customs policy and regulating issues of customs administration),
- Law on Accounting Chamber (setting responsibilities and process for external audit),
- Law on Internal Financial Control (regulating internal audit and control and roles of State Financial Inspection and government agencies in this process),
- Public Procurement Law (regulating procurement process and defining roles and responsibilities of different actors, such as procuring entity, authorized agency and complaint body).

These are supplemented by normative documents approving statutes of government bodies.

The budgeting process in Ukraine is split between the executive that prepares and executes the State Budget and legislature in charge of approving the budget, introducing amendments, and controlling execution of the State Budget of Ukraine through the Accounting Chamber of Ukraine. The key actors and their major tasks are summarized in Annex 2.1. below.

Other organizations also have roles in the PFM system but these are narrower in scope. The State Statistical Service plays a role in fiscal data collection and dissemination. The State Property Fund is in charge of management oversight of non-unitary SOEs. The Anti-monopoly Committee has a compliance review role in relation to public procurement.

Spending ministries have a critical role in PFM but less emphasis was placed on developing their capacity in line with the PFM responsibilities. Spending ministries tasks comprise of strategic and multiyear planning, budget formulation and budget implementation, capital project preparation and management, procurement, budget management, asset management, SOE oversight and internal controls. These areas will require considerable attention in future, given the introduction of multiyear budgeting in the Budget Code, plans

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to introduce a system of capital project selection and evaluation, and the development of public private partnerships.

A major step was taken to integrate some of the PFM functions in December 2010 when a Presidential Decree (Presidential Decree #1085/2010) reorganized the system of executive bodies subordinating State Tax Service and State Customs Service to the Ministry of Finance in addition to the already subordinated State Financial Inspection (former KRU) and State Treasury Service. [24]

The PFM legal framework is evolving and many legislative and policy initiatives are underway. Recently the Tax Code was approved after years of consultations and discussions, a new edition of the Budget Code introduced a multi-year approach to the budgeting process, and amendments to the Customs Code were approved in 2011 and will become effective in the course of 2012. Several major strategies, discussed in the following section envisage further reforms in key PFM areas.

### **2-3. PFM Reform Program**

The Government of Ukraine has recognized and consistently pursued improvements in PFM processes and performance since the 1990s. The Government's PFM reform between 2006 and 2010 was developed over time in a series of strategic documents. The major initiatives have been: the Concept of PIFC Development until 2017 (2005); PFM System Modernization Strategy (2007); Strategy for Public Sector Accounting Reform for 2007-2015 approved (2007), and the Concept of Local Budget reform until 2011 (2007). More recently the Economic Reform Program of the President of Ukraine (2010) has brought together PFM activities within one of the major pillars of the program. It covers many areas that are already under implementation such as local budget reform, debt reform, budget reform, internal audit reform plus tax and customs codes, capital budgeting, public asset management and strategic planning reforms. These reform programs have been implemented with varying levels of speed and effectiveness as described in the relevant sections of the performance report. [25]

Institutionally PFM reforms are coordinated by the Ministry of Finance as the main body in the area within the executive. At the same time while central PFM roles are clearly defined, some functions are fragmented among several actors. Coordination across the agencies has posed problems. Most vivid example is coordination on macroeconomic and budgetary forecasting, medium term planning and budgeting, operational planning and budgeting and capital budgeting which is split between the Ministry of Finance and Ministry of

Economic Development and Trade. The SOE oversight is split between multiple actors including State Property Fund, MoE, MoF, and line ministries. The recent encouraging development following the Presidential Administrative Reform launched in December 2010 is strengthening the role of the MoF by explicitly subordinating not only Treasury and SFI but also both revenue services. Such centralization is likely to improve coordination and reform implementation in the medium run. [24]

The major focus of the reform in Ukraine should be on integration of the PFM functions into a single efficient system. It is difficult to promote the reform without support from donor organizations.

A number of international development agencies are involved in supporting the PFM reform program through investment projects and technical assistance. The Ministry of Finance is currently implementing two World Bank-financed projects; a Public Finance Modernization Project that supports the development of an integrated financial management information system and the improvement of business processes in the Ministry of Finance, Treasury and SFI; and a State Tax Service Modernization Project that is working to improve the efficiency of tax administration and foster voluntary compliance. Technical assistance is being provided on strengthening municipal finance management (USAID); in budget reform process and aid management (SIDA), and in capital budgeting (World Bank). The PFM agenda was also part of the World Bank development policy lending program, supporting reforms in capital budgeting, public private partnerships, tax administration and policy, as well as overall macro-fiscal management.

Currently, the process of developing the PFM reform strategy in Ukraine is underway. It is based on the already approved Concept for the PFM reform strategy, developed with consultations with the EU and the WB [1.11]. The next in the strategy development is preparation of an Action Plan. Now, the MoF develops this plan with the support of the GIZ. The necessity to attract further TA support from international organizations is crucial for the reform strategy development and implementation. To this end, the Ministry should prepare a plan for attracting ITA to implement future strategy and appropriate TA project applications for donors (see Section 3-8).

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## 2-4. ANNEXES

### Annex 2.1. Major PFM Organizations and Functions in Ukraine [24]

| <i>Organization</i>                 | <i>Major Tasks</i>  | <i>Comments on Key Functions</i>   |
|-------------------------------------|---|--|
| Ministry of Finance                 | <ul style="list-style-type: none"> <li>Budget Formulation and Execution</li> <li>Debt Management</li> <li>Revenue Policy</li> </ul>           | Following Presidential Decrees in December 2010 and early 2011, the State Financial Inspection, Treasury Service, State Tax Service and State Customs Service are subordinated to the Ministry of Finance                                |
| – <i>State Financial Inspection</i> | <ul style="list-style-type: none"> <li>Internal Inspection Service</li> </ul>   | Centralized, government wide internal inspection focusing on compliance.<br>Each ministry has an internal inspection unit<br>The performance audit function is being developed and performance audits of budget programs are carried out |
| – <i>Treasury Service</i>           | <ul style="list-style-type: none"> <li>Treasury servicing of the budget expenditures and revenues as well as extra budgetary funds</li> </ul> | Cash management function not developed   |
| – <i>State Tax Service</i>          | <ul style="list-style-type: none"> <li>Tax collection</li> </ul>  | Administers tax policy while MoF central apparatus sets policy   |
| – <i>State Customs Service</i>      | <ul style="list-style-type: none"> <li>Customs enforcement and collection</li> </ul>  | Administers customs policy while MoF central apparatus sets policy   |

|   |  |   |
|---|--|---|
| <p>Ministry of Economic Development and Trade</p> | <ul style="list-style-type: none"> <li>• Macroeconomic forecasting</li> <li>• National economic policy</li> <li>• Multi-year planning</li> <li>• Capital project selection</li> <li>• Procurement (monitoring and regulatory)</li> <li>• Public Private Partnership</li> </ul> | <p>Multiyear planning is not integrated into the budgeting process<br/>         Macroeconomic and budgetary forecasting not fully integrated<br/>         Budgeting of recurrent and capital expenditure not integrated<br/>         SOE review not developed</p> |
| <p>Accounting Chamber</p>                         | <ul style="list-style-type: none"> <li>• External Audit</li> </ul>   | <p>Supreme Audit Institution<br/>         Can only audit expenditures of the State Budget. State revenues, extra-budgetary funds, state owned enterprises and local governments are outside its remit.</p>  |

## **PART II.**

# **PRACTICAL IMPLEMENTATION**

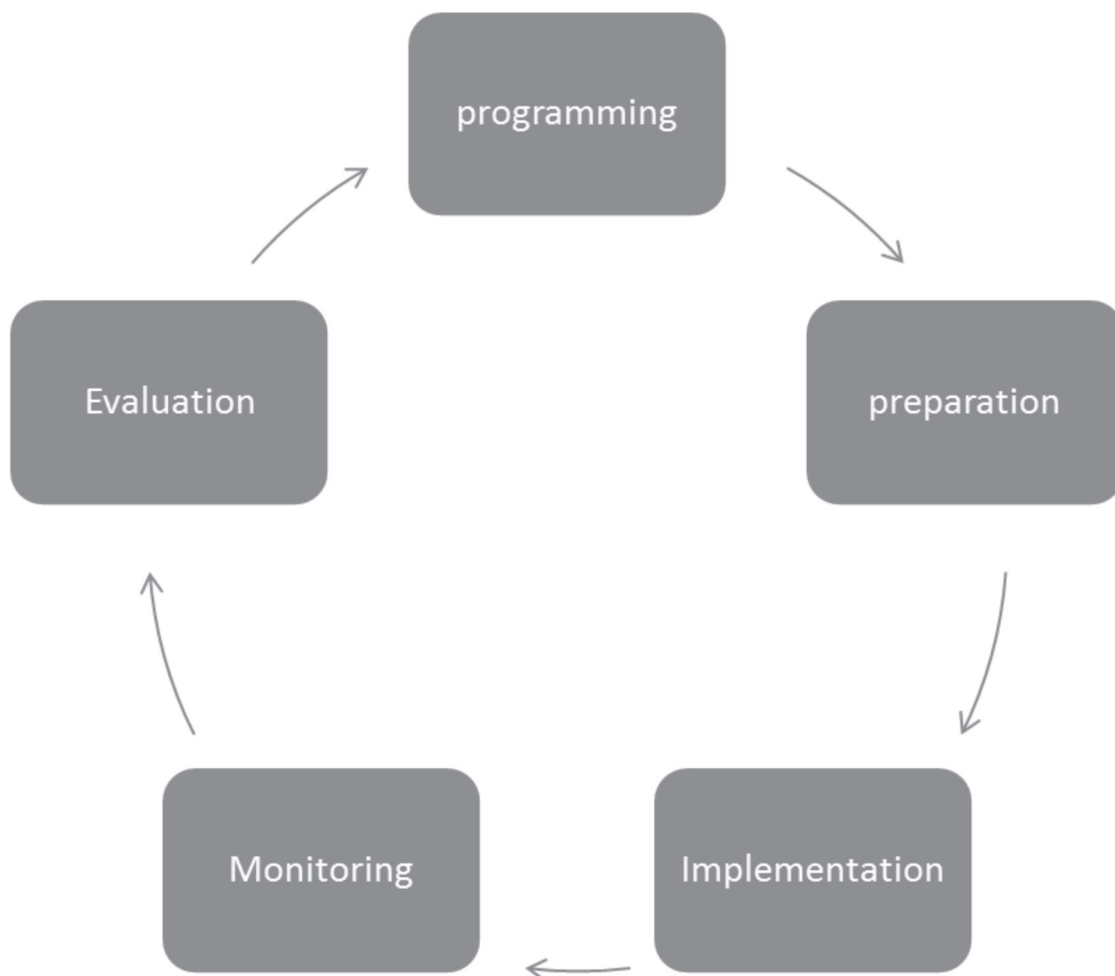
## SECTION 3.

# PROGRAMMING FOR TECHNICAL COOPERATION / ASSISTANCE

### 3-1. BACKGROUND

#### 3-1.1. Introduction to the Project Cycle Management (PCM)

The project cycle management of Operations has 5 phases. Two of them, implementation and monitoring run in parallel. The sections in this guidance manual follow the PCM operational cycle.



**Figure 3.1. Project Cycle Management**

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Project Cycle Management is a term used to describe the management activities and decision-making procedures used during the life-cycle of a project (including key tasks, roles and responsibilities, key documents and decision options).

The PCM starts at the programming phase and runs clockwise through the operations. The operations in the PCM model are similar but the terminology may differ as the phases are split differently by different experts. Below the EC PCM cycle has split 'preparation' used in this manual 'identification' and 'formulation'. See Annex 3.4 for an example of the European Commission version of the PCM, which stresses the programming phases of the cycle. The diagram also shows the relationship between the PCM operations and the activities undertaken.

This cycle highlights three main principles:

1. Decision making criteria and procedures are defined at each phase (including key information requirements and quality assessment criteria);
2. The phases in the cycle are progressive – each phase should be completed for the next to be tackled with success; and
3. New programming and project identification draws on the results of monitoring and evaluation as part of a structured process of feedback and institutional learning.

In practice, the duration and importance of each phase of the cycle will vary for different projects, depending on their scale and scope and on the specific operating modalities under which they are set up. For example, a large and complex engineering project may take many years to pass from the identification through to the implementation phase, whereas a project to provide emergency assistance in a post-conflict context may only take a few weeks or months to commence operations on the ground. Nevertheless, ensuring that adequate time and resources are committed to project identification and formulation is critical to supporting the design and effective implementation of relevant and feasible projects

PCM principles and the Logframe Approach help to ensure that:

- projects are supportive of overarching policy objectives of the Ukraine and of development partners;
- projects are relevant to an agreed strategy and to the real problems of target groups/beneficiaries;

- projects are feasible, meaning that objectives can be realistically achieved within the constraints of the operating environment and capabilities of the implementing agencies;
- benefits generated by projects are likely to be sustainable;
- uses the Logical Framework Approach (as well as other tools) to support a number of key assessments/analyses (including stakeholders, problems, objectives and strategies);
- incorporates key quality assessment criteria into each stage of the project cycle; and requires the production of good-quality key document(s) in each phase (with commonly understood concepts and definitions), to support;
- to support the achievement of these aims, PCM requires the active participation of key stakeholders and aims to promote local ownership;

The sections 4-5, 7-8 are based on the PCM guidelines published by the EC, which has a link housed in Section 9.

This section is dealing with the project programming stage and links to other sections of this guide.

### 3-1.2. Programming: Types of assistance

Programming is the first step in the project cycle management (PCM). It is very important as it sets the directions and key activities of the proposed project.



PCM Cycle – Showing Position of Current Section in Manual

Donor Assistance is implemented through different types of assistance such as investment, procurement contracts or grants, special loans, loan guarantees and financial assistance, administrative cooperation involving experts sent from the Member States.

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The following paragraphs explain about the most frequently used interventions in Donor Assistance projects.

Donors normally offer similar types of assistance and you must chose funding for your project.

There are 3 main criteria for deciding on the best type of instrument for a project Type of activities:

- Service TA or twinning, STE (Short Term Expert), TAIEX, Works, supplies
- Size in months or years of implementation or the size of the budget project requires
- Directly or indirectly linked to EI acquis (law). If directly linked only normally use Twinning and TAIEX for EU project services.

**What is Technical Assistance and how is it used?**

- Technical Assistance has two areas of action: transfer of 'know-how' and Technical Assistance involving Investment. Significant resources are allocated for the purpose of strengthening administrative capacity and are mainly delivered through the instrument of TAIEX, Twinning and service contracts.
- TA assistance can be provided to implement the *acquis communautaire* (EU Law) and to prepare for participation in EU policies, and to fulfil the requirements of the Copenhagen political criterion: the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.
- Technical assistance can be provided for transfer of know how is a process of assisting partner countries to develop the structures, strategies, human resources and management skills needed to strengthen their economic, social, regulatory and administrative capacity.
- Strengthening the institutional and administrative capacity of beneficiary countries is a key requirement for countries to comply with the Association Agreement. This requires modernisation of their administrations and judiciary, taking account of the principles of professionalism and neutrality. Preparing for closer EU cooperation and improved governance requires far reaching changes across a broad range of sectors in many of the institutions and organisations involved in the legislative and enforcement process.

### What is Twinning and how is it used?

- Twinning is one of the main instruments of EU institution building support for Ukraine. Twinning helps beneficiary countries to develop modern and efficient administrations, with the structures, human resources and management skills needed to implement to the same standards as Member States. Twinning provides the framework for administrations and semi-public organisations in the beneficiary countries to work with their counterparts in Member States. Together they develop and implement a project that targets the transposition, enforcement and implementation of a specific part of the *acquis communautaire*.
- Twinning has a Resident Twinning Advisor from a Member State administration. To implement the project they work full time for a minimum of 12 months in the corresponding Ministry in the partner country. Often they are supplemented by carefully planned and timed missions of other specialists, training events, awareness raising visits, etc to accompany the reform process towards the targeted result. For more information see:  
[http://ec.europa.eu/enlargement/how-does-it-work/technical-assistance/twinning\\_en.htm](http://ec.europa.eu/enlargement/how-does-it-work/technical-assistance/twinning_en.htm)

### What is TAIEX and how is it used?

- TAIEX is the 'Technical Assistance and Information Exchange Instrument' (TAIEX) and it provides technical assistance and advice in the fields of approximation, application and enforcement of the *acquis communautaire* in the legislation of the beneficiary countries. The role of TAIEX is that of a catalyst, channelling requests for assistance as well as that of a facilitator between the concerned institutions and s Member State.
- TAIEX currently provides assistance in the form of seminars, workshops, expert and study visits; training, Peer Review and Assessment type assistance, database and translation services. The beneficiaries of TAIEX assistance includes those sectors, both public and private, which have a role to play in the beneficiary countries in the transposition, implementation and enforcement of EU legislation. In Ukraine it is possible to have a seconded expert for up to 6 months to arrange interventions such as peer reviews, study or assessment visits, seminars, workshops and training.
- As it is a demand driven instrument TAIEX assistance responds to requests from the beneficiary countries and from Member States. TAIEX tends to facilitate the

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delivery of appropriate short term tailor-made expertise to address issues at short notice.

[http://ec.europa.eu/enlargement/taixex/what-is-taixex/index\\_en.htm](http://ec.europa.eu/enlargement/taixex/what-is-taixex/index_en.htm)

**What are Grant Schemes and how are they used?**

- A Donor Grant Schemes usually involve contracts that are of a non-commercial nature. Grants are used for the advancement and promotion of the European Integration objectives and for the implementation of a particular non-commercial action, or to support the functioning of a particular non-commercial body or organisation.
- A Grant Scheme is usually a sub-component of a larger project. The usual process is for managing organisation to make a public announcement, a call for proposals which sets out the scope of the grant, the priorities, the eligible criteria, the maximum funding available, and the closing date for applications.
- Eligible non-commercial organisations can apply for a grant by submitting an application, which contains a detailed project proposal. The applications are assessed according to pre-set criteria. Usually projects that have clearly demonstrated their eligibility criteria, have presented a realistic and achievable project; have adequate administrative and financial capacity are awarded a grant.

**What is works and supply contracts and how is it used?**

- Works and simply contracts fund the provision of infrastructure, equipment or materials. They are usually linked to a specific objective in the areas of European Integration and good governance. For example IT system to monitor EU regional development funds.
- The following table provides a summary of the types of instruments most frequently used in donor programmes, the approximate value that is usually attached to each action, the duration, and the inputs the activities and the conditions required for each action.

Main type of actions supported by donors is housed in in the Table 3.1. to help you choose the best instrument solution.

Table 3.1. Guide to Main Donor Instruments –for programming purposes

| Instrument  | Value-approx.        | Duration    | Inputs  | Activities   | Conditions   |
|---|----------------------|-------------|---|--|--|
| Twinning Managed by EUD (Twinning-light: maybe used in future –smaller project) | 0.6-2 meuro          | 12-24 mths  | RTA: long-term expert, MS Medium & Short term experts<br>Study visits, 'stage'                          | <ul style="list-style-type: none"> <li>Direct support to Implementation or adoption of <i>acquis</i> in Public Administration</li> <li>Concrete operational result in connection with the EU <i>acquis</i> or other EU policies</li> </ul> | Experts from MS public Administration<br>Joint development and implementation of project between MS and Ukraine. |
| TAIEX (see note 2 for full name) Managed Centrally, supported by EUD            | 20-200 thousand euro | 0.5-6 mths  | Short-term MS experts (0.5-6 mths), conferences, study visits, seminars, workshops, peer reviews        | <ul style="list-style-type: none"> <li>Transposing, applying and enforcing the <i>acquis</i>.</li> </ul>   | Experts from MS public Administration  |
| Technical Assistance /Service Contract  | 0.2-10 meuro         | 12-24 mths  | Long-term expert, not necessarily MS – depends on the eligibility criteria) Medium & Short term experts | <ul style="list-style-type: none"> <li>Indirect support to Implementation or adoption of <i>acquis</i> or private sector experts required</li> </ul>   | Consultancy firms, Semi-Public bodies  |
| Framework Contracts and Short Term Experts                                      | <0.2 meuro           | 0.5-12 mths | Short and medium -term experts, conferences, workshops, studies (feasibility, assessments... etc)       | <ul style="list-style-type: none"> <li>Indirect support to Implementation or adoption of <i>acquis</i> or private sector experts required</li> </ul>   | Selected Consultancy firms /framework contractors  |
| Investment for <i>Acquis</i> and good governance (supply and works contracts)   | 0.2-30 meuro         | 12-36 mths  | Equipment / Supplies Infrastructure   | <ul style="list-style-type: none"> <li>Investment to institutions which implement the <i>acquis</i> -e.g. border infrastructure, veterinary control</li> </ul>   | Often links to Twinning or TA projects   |
| Grant Schemes   | 0.3-10 meuro         | 24-36 mths  | Funds for grants to Civil Society<br>TA to manage scheme  | <ul style="list-style-type: none"> <li>Provides grants for specific priorities and concrete results.</li> </ul>  | For NGOs, social partners  |

**Notes:**

1. Co-financing by Ukraine varies with donor, but for example is normally required - 10% for Service Contracts (e.g., Twinning, TA), 20% for investment (supply & works contracts), varies-maybe 5-10 %contribution by grant beneficiaries
2. Other Schemes complement Ukraine national programme-Sector specific (e.g., Education: Erasmus etc.). TAIEX = Technical Assistance Information and Exchange
3. Small projects (below Euro 100,000) should be consolidated into larger programme components

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**3-1.3. Key Stages in the Project Timeline**

Every Project has to go through the following key stages :

- Programming
  - Approval of the Financing Agreement
  - Contracting
  - Implementation
  - Completion of Disbursement ~Closure Reporting.
- Annual project programmes for several years run at the same time. Administration for one year is not isolated from other activities, which means that activities from different years have to be dealt with in the same period. It is not unusual for the programming activities for the current year to be happening at the same time as contacting activities for an earlier programme. Project implementation, and project management is likely to be needed at the same time as contacting for a later year.
  - Multi-tasking and efficient planning is necessary for project management and administration. The simultaneous nature of the activities, and the impact that this has on the workload of the public administration has to be taken into account when planning for a future project programme.
  - The Table 3.2. provides a visual representation of the project timeline. It clearly shows the overlap in activities across different programming years.

**Table 3.2. Example of Cycle of Donor Programmes**

| Year           | 2012         | 2013                      | 2014                      | 2015                      | 2016                      | 2017            | 2018            | 2019            |
|----------------|--------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------|-----------------|-----------------|
| Programme 2012 | Program-ming | Funding With Donor agreed | Contracting               | Contracting               | Implementa-tion           | Implementa-tion | Disburse-ment   |                 |
| Programme 2013 |              | Program-ming              | Funding With Donor agreed | Contracting               | Contracting               | Implementa-tion | Implementa-tion | Disburse-ment   |
| Programme 2014 |              |                           | Program-ming              | Funding With Donor agreed | Contracting               | Contracting     | Implementa-tion | Implementa-tion |
| Programme 2015 |              |                           |                           | Program-ming              | Funding With Donor agreed | Contracting     | Contracting     | Implementa-tion |

*Note: Contracting and implantation duration is probably maximum required, normally contracting completed more quickly.*

Due to the long time it takes to initiate large projects it is essential to think 2 years ahead and have a 'portfolio' of projects going through the PCM cycle.

The MoF – IFID annual programming cycle is linked to this process (see Para 3-1.4. below).

The IFID within the Ministry of Finance (MoF) of Ukraine is responsible for attracting donor technical cooperation support for the Public Finance Management Sector (PFM).

The Ministry of Finance has a system for developing projects so that it can maximize the attraction of foreign donor assistance. The system assists the user department to:

- Have projects to support the Government and Ministry strategy
- Present a good quality project to the right donors.
- Ensure MoF donor coordination, continuity of projects, and non-duplication of a project.

Ministry of Finance regulations provide a legal basis for this programming system and controls to ensure compliance. Details are provided IFID.

The MoF IFID Department gives a call for proposals annually in October-November, though projects can be submitted throughout the year. See annual cycle below.

### **3-1.4. Ministry of Finance Annual Programming Cycle**

The IFID within the Ministry of Finance (MoF) of Ukraine is responsible for attracting donor technical cooperation support for the Public Finance Management Sector (PFM).

There is a programming cycle through the year and a model/standard programme of themes for meetings-with specific additions- can be can be used.

The table below outlines the Programming Annual Cycle (not the Project Cycle Management, though it is indicated obliquely) for IFID and the thematic role DCWG will have at each meeting. It also shows linkages to the monitoring of current projects and to reporting to the MoE.

The MoF legal requirements and the structures and responsibilities are outlined in Section 2 and 9 of this manual.

The benefits of this process are to:

- improve the effectiveness of donor project support to the GoU and Donor strategic plans;

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- provide a DoMIS for current and future donor projects and programmes;
- improve the linkage between the Ministry and Donors;
- provide a structure to the DCWG and IFID workplans.

**Table 3.3. IFID/ MOF ANNUAL CYCLE  
FOR PROGRAMMING OF DONOR PROJECTS**

| Timing           | IFID & MoF Activities  | DCWG & Other Related Activities                          |
|------------------|--|--|
| September        | Overview MoF PFM strategy and gap analysis, identify potential areas for new or further projects or need for revised strategy<br><br>(Using Donor Matrix MIS for MoF programming cycle in October-November)                                      | DCWG discusses areas for potential support               |
| October/November | IFID requests project concept notes and suggests potential projects or areas for support to PFM partners/departments<br><br>IFID advises on completion of project concept forms<br><br>Departments send in Project Concept forms for programming | Monitor and report to MoE on current projects            |
| December         | IFID checks, and compiles results of MoF programming project concept papers (prepared in Oct-Nov)<br><br>Project Concept papers registered by IFID   | DCWG meeting reviews project concept paper               |
| January/February | IFID updates current Donor Matrix MIS for past year and donor development plans for future/current year<br><br>IFID and Departments work with donors to agree potential projects for donor support   | Monitor and report to MoE on current projects            |
| March            | IFID & MoF finalizes initial negotiations with donors and compiles future project plans linked to GoU and Donor strategy   | DCWG reviews current projects and future donor programme |

|             |  |   |
|-------------|--|---|
| April/March | IFID reviews current performance of donor projects   | Monitor and report to MoE on current projects |
| June        | Compiles report on current project performance and identifies project extensions and new areas for support | DCWG reviews current implementation report    |
| July/August | IFID evaluates current and planned projects and identifies areas for further donor support                 | Monitor and report to MoE on current projects |

### Responsibilities of MoF staff in the programming cycle

The structures and responsibilities of the Ministry of Finance are detailed in Section 2.

The Key personnel for donor project development are:

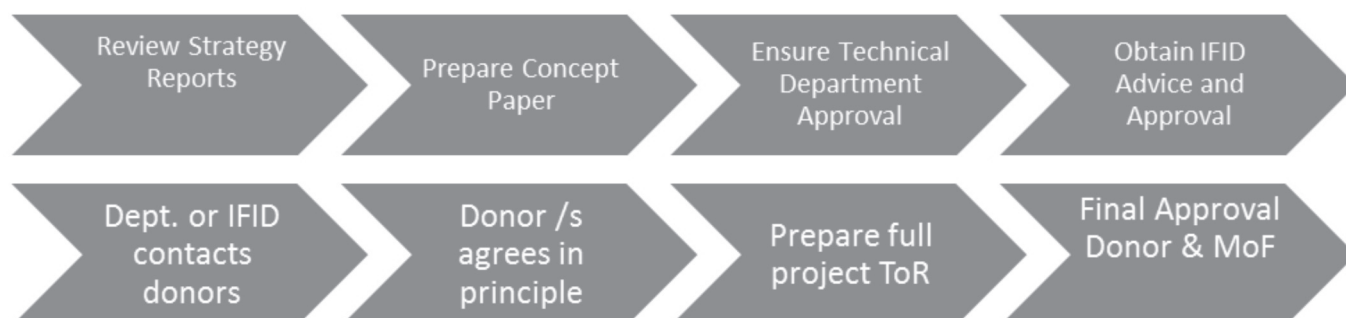
- IFID officers should have the necessary knowledge to support the line Ministry personnel with Donor related activities. It is not however the IFID officer's responsibility to develop the ideas or to prepare the technical content of the projects. These actions are the responsibility of the relevant technical departments and agencies in each department of the Ministry.
- The TA coordinator (TAC) in each department in the ministry should be actively involved to improve programming, implementation and to monitor projects financed under donor programmes. The TAC is responsible to IFID for the technical aspects of the projects and should ensure good and timely development and implementation of projects.

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## 3-2. PROCESS

### 3-2.1. Systems Overview for Programming

The programming and project preparation process comprises of a number of steps:



#### OBJECTIVE

Ensure the most relevant and effective projects to support PFM development are undertaken and to maximize the attraction of foreign donor assistance to the PFM sector

#### STAKEHOLDERS

The main stakeholders are the:

- Lead department or organization and potential beneficiaries of project in PFM
- Aid Management section and IFID, MF
- Partner donors
- MoF Departments responsible for policy, funding and legal matters
- National aid coordination organizations
- Other relevant bodies or persons

#### INPUTS

The main inputs are:

- Guidance on aid programming and forms and regulations from MoF and GoU and IFID
- Government and MoF DoMIS database, Strategy Documents and donor country strategy Gap Analysis in PFM sector
- Relevant current donor Projects' documents and advice
- Ministry budget and future expenditure documents
- Supporting documents and working papers

## ACTIVITIES / PHASES



- **PHASE 1. REVIEW STRATEGY REPORTS:**

Projects need to fit into the wider donor strategy and at the same time they need to fit with the National, Ministerial, and Departmental action plans. In the same way all donor assistance must be linked to PFM development and action plans set clearly within the European perspective, e.g. the Action Plan for implementation of the EU-Ukraine Agenda and Association Agreement priorities and Ukraine's strategies.

These strategies and action plans provide some background about the documents that set out the PFM strategic aims and the objectives that have to be achieved by Ukraine. The list is not exhaustive and there are likely to be other relevant documents particularly at Ministry, Agency and Departmental levels.

## ACTIVITIES ON THIS STAGE ENVISAGE:

1. Nominate a department coordinator for aid programming and donor IFID liaison, preferably supported by a small working group of key personnel, and actively supervised by a senior level manager.
2. Undertake a review and analysis of:
  - IFID guidance documentation and DoMIS strategy and projects database.
  - PFM strategy and gap analysis documents including the PEFA and OECD/EU reports.
  - Relevant current projects outputs, activities and recommendations
3. Identify potential gaps in PFM strategy implementation that require donor project support. Use the DoMIS database (see Section 1-4. DoMis for further information)
4. Discuss within Department and with main technical partners on suitable potential projects.

- **PHASE 2. PREPARE CONCEPT PAPER & APPROVALS:**

Complete a draft 2 page project concept form outlining the project (see Annex 3.2. of this section). Use guidance and example for completing project concept form and further details housed in Annex 3.1.

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Review and improve the project concept papers with department officials, technical partners, beneficiaries. Each key stakeholder signs acceptance of the project concept form. A checklist of key quality requirements for a project is housed in Annexes to sections 4-5. This can be used as a broad guide to check the project concept paper is well prepared.

#### ENSURE TECHNICAL DEPARTMENT AND IFID APPROVAL:

1. Send the 2 page concept paper to IFID and discuss with IFID staff to improve the project concept form's chances of receiving donor assistance. Resend IFID the final signed version of the concept paper agreed with the department and IFID.
2. IFID Aid Management Department reviews final project concept for relevance, quality and practicability and then accepts (or rejects proposal).
3. The proposed project is registered in the DoMIS database and a copy placed in an active programming file in IFID. The registration number, an original of the project concept form and any advice on suitable donors are sent to the department/s.
4. See Annex 3.1. for guidance in preparing a project concept note

#### • PHASE 3 : CONTACT DONORS / THE DONOR PROJECT TIMELINE

Important: to meet donor timeline. The timeline for each Donor Project or Programme will run for up to five years. Donor programmes are most commonly known by the year when the programming process starts, for example "Donor 2012".

#### Steps to contact donors:



*Note: Activities 'Prepare full project ToR' and 'Final Approval Donor & MoF' are described in Section 4 "Project Preparation"*

1. The User Department files the registered project concept form and prepares the staff/beneficiaries to promote the project proposal. The project registration number will be used as a reference number on all relevant correspondence. Donors will require a project registration reference number as proof of an approved MoF project proposal.
2. User Department and IFID should prepare a presentation to donors covering:
  - How project fits with Donor country strategy and GoU strategy

- Why project is important to Ukraine
  - Clear presentation on project concept paper
3. The User Department and Beneficiaries work with IFID on contacting and negotiating with appropriate donors. See Section 9-1.
  4. Once a donor signals interest in funding the proposed project, the User Department will work with the donor to prepare a project fiche or terms of reference, based on the project concept paper. See Section 4.
  5. The original of the project concept documents are stored safely in a file marked with the projects title and project number and stored with other donor projects' documentation, e.g. Terms of Reference. The file will be used continually during the project preparation phase.

## Output

The completed project concept paper with registration reference.  
Copies of key documents are kept in IFID and main stakeholders files.

## 3-3. ANNEXES

### List of Annexes:

Annex 3.1. Guidance on Preparing a Project Concept Note

Annex 3.2. Project Concept Proposal Form

Annex 3.3. Project Proposal Form – Example of completing a donor project concept form

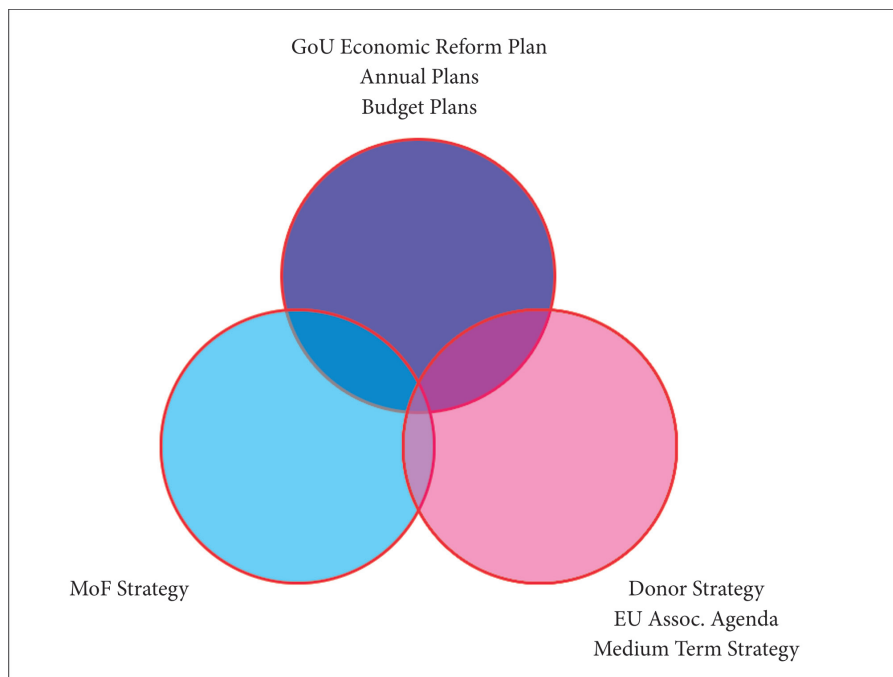
Annex 3.4. PCM: Main Documents and Responsibilities

### Annex 3.1. Guidance on Preparing a Project Concept Note

The administrative section of the project concept form should be completed by the technical Department, except for the registration number which is provided later by IFID. Example of the form housed in the Annex 3.2., and the Guidance on completing form see in the Annex 3.3.

#### STRATEGY ANALYSIS

The project Concept must fit into the small triangle where donor, government and Ministry of Finance overlap.



**Figure 3.4. Stakeholders' Strategies Overlap**

If your project does not quite fit into the 3 strategies, try to adjust your project or the project terminology to fit.

**Objectives** - Identify suitable donors and a legal framework for your project concept.

#### Stakeholders:

- MoF Department and IFID;
- Potential Donors

#### Inputs:

- Your project concept idea

- IFID Manual
- MoF Regulations and Strategy documents
- Ministry of Economy or Civil Service Agency guidance on donors
- Government of Ukraine Strategy documents and relevant laws

**Activities:**

1. Check your project concept idea with the strategies and gaps in the DoMIS system (See Section 1-4.)
2. Review the donor strategies and housed in the donor country strategies on the Internet (see Section 1 and 9).
3. Identify any suitable donors. Remember to think creatively to find a fit. For example setting up a government backed 'bad bank' for underperforming loans could be covered by 'Private Sector Banks' or 'Public Debt' objectives in donor programmes.
4. Check with the documentation and IFID if the suitable donor/s are:
  - Already funding or planning a project in the field
  - Have particular interest for future projects that will fit with your project concept.
  - Have a country comparative advantage in a specialist technical expertise (E.G. good at Public Finance Control)
5. Review Section 2 of this manual and examine the legal requirements housed.
6. Check on the technical and public finance laws relevant to your project concept.
7. Ensure your project concept has or can have the legal basis to be technically feasible.
8. Ensure your department complies with the legal requirements and good practice of aid and project management cycle.
9. Review PFM structures and identify all potential stakeholders.
10. Review good practice in project cycle management provided by EU, OECD, World Bank, Information provided in Section 9 of the manual.

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11. Prepare initial draft of section of project concept paper on legal framework and stakeholders and identify in a simple working note the legal obligations during the project management cycle.

**Outputs:**

- List of Potential Donors and their areas of interest for your project concept.
- Legal basis for the feasible and sustainable technical implementation of objectives / results of project and legal changes required.
- An understanding of the legal requirements and good practice of aid management.
- List of potential beneficiary departments in PFM.
- A framework where your project will fit in the strategies of Ukraine and donors.

**THE NEEDS ANALYSIS OR SITUATION ANALYSIS**

This is the section you have to justify the need for your project idea. You should explain the current situation; what is not being achieved because of this situation – does the situation need to change to be in line with the EU and Gov strategies – does this provide a strong justification for my project?

- Explain the current state of issues and problems,
- Point out specifically the need for the project and the key problems that it will address.
- Summarise the project's relevance to EU and Ukraine priorities – make clear links to the relevant strategic documents.

**STAKEHOLDER ANALYSIS**

Who is the key stakeholder that will manage and drive the project forward? Who is in the wider group that will be involved in the project?

- This is the part of the concept note is where you explain the full scope of the need for the project and how far reaching its benefits and impact will be.
  - Explain who is the key and immediate stakeholder (owner of the project idea and the project subject)
  - Who else, for example other Departments, Agencies, other Departments will the project have impact on?
  - Briefly explain the interests that the people have in the projects.

**The objectives – what will change or improve because of the project**

- This is the part of the concept note where you explain how things will change because of your project. What will be made better, how much better will it be?
  - Explain what how the overall situation will have changed for the better as a consequence of the project activities;
  - Explain what specific things will have changed or improved;

**Who is the target group – the people that will benefit from the activities of the project?**

- This is where you explain who will benefit from your project.
  - Describe who will benefit from the activities supplied by the project?
  - Describe how the target the project and explain how they will benefit from the project activities.
  - Is there a wider group that will also benefit from the activities of the project?
  - In what way will they benefit from the activities?

**What is the main type of instrument that will be used – it could be more than one.**

- Identify which instrument is the most appropriate to deliver the components of your project between service; works; supply, a grant scheme or Twinning;
- Explain why it is the most relevant instrument and the type of activities that will be supplied. See the table earlier in this document which provides guidance about which instrument should be used in which circumstances.

**Timing of the project - When should the project be delivered – when is it needed?**

- Ideally when is the project needed – what should be the project start date?
- How long will the project last - duration of the project in months?
- Remember the time lag that there will be between programming and the start of implementation.

**BUDGETING AND FUNDS FLOW**

There are 2 main funding sources for Donor projects:

- Donor projects - the project Terms of Reference and proposal is an ‘application’ form for donors and the EU fiche is really the application form for EU;
- National Co-financing – varies: for example, 10% of project for Twinning/Technical Assistance (TA) and 25% for investment (works and supplies contracts). Normally this finance is provided by Central Government, but may also be local or other funding.

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The size of project will depend on the work required - the table which appears earlier in this document provides a rough indication of the budget that is appropriate. Some donors (EU) favour larger projects.

Finance is not needed immediately when the project is approved but later at the time when project implementation will begin. Before implementation can begin the project has to go through the contracting procedures, which can be lengthy. In most cases there is a one or two year gap between the project being approved and the start of implementation. For EU project the formal date to conclude contracting is three years after the financing agreement is signed, but in most cases it is done within one or two years.

The time lag between project approval and implementation needs to be taken into account to ensure that the finance is available during the correct financial year. This means that funds must be included in the medium term expenditure framework for the Ukrainian Government and that it is also included in the Ministry's annual budget.

The following table demonstrates the various stages and the associated actions that need to be taken to guarantee that the finance is available in the correct year.

**Table 3.4. Stages of the project funds planning**

| Year | Phase  | Donor Funds (Except Budget Donor Support) | Ukraine - Government                                  |
|------|--|---|---|
| n *  | Prepare Concept Paper                          | Estimate project value                    | Put co-finance in MTEF                                |
| n    | Present Project Fiche                          | Finalize financial values                 | Put into Annual Budget n+1                            |
| n+1  | Contracting                                    | Allocates funds                           | Ensure budget and other resources ready               |
| n+1  | Project Starts                                 | Manages funds                             | Utilise funds n+1 and put in MTEF & Annual budget n+2 |
| n+2  | Project Implementation and further contracting | Manages funds                             | Utilise funds n+2 and & Annual budget n+3             |
| n+.. | Project Implementation and further contracting |   | Continue until end of project                         |

- n = the current year

## Annex 3.2. Project Concept Proposal Form

### Project Proposal Form – Initial Concept

Please complete the form below for a Donor Project Concept, which covers key areas needed by Donors and the Ministry of Finance (1 cover page only and the Project Framework).

|   |                  |                                     |
|---|------------------|-------------------------------------|
| Accepted by IFID Head of Department     | Signed:<br>date: | IFID Project Registration<br>№: 00X |
| Approved Beneficiary Head of Department | Signed:          | date:                               |
| Project Title                           |                  |                                     |
| Main Beneficiary Department             |                  |                                     |
| Contact person (email and tel.)         |                  |                                     |
| Donors to be approached                 |                  |                                     |

### 1. Analysis of Situation (10 lines)

1.1 Table: Confirm project is in Strategic Plans and Specify reference information

| Document                 | (Tick) | Details of Reference (Page/Section Article/<br>paragraph Number) |
|--------------------------|--------|--|
| Economic Reform Strategy |        |  |
| MoF strategy             |        |  |
| SCM strategy             |        |  |
| Assoc Agenda             |        |  |
| Other:                   |        |  |

1.2. Specify other technical reports that outline the issues.

1.3. Explain the current state of issues and problems

1.4. Explain solutions to issues/problems, and how the project will assist.

### 2. Stakeholder Analysis

2.1. Key stakeholders:

2.2. Target beneficiaries:

2.3. Current/planned projects in area:

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*Continue of the Annex 3.2.*

**3. Implementation arrangements**

|   |  |
|---|--|
| <i>Required project start date:</i>   |  |
| <i>Duration of the project in months:</i>   |  |
| <i>Outline how the project should be implemented:<br/>service (experts, study visits etc.), works/ supply</i> |  |
| <i>Donor funding: €</i>   |  |
| <i>Co-financing:</i>  |  |

**4. Pre-Conditions:**

|                                |
|--------------------------------|
| <i>Main risks for project:</i> |
| <i>Lessons learned:</i>        |

**Project framework**

*Complete the framework with a clear objective and purpose, and activities*

|   |               |                   |
|---|---------------|-------------------|
| <b>PROJECT PLANNING FRAMEWORK</b>   |               |                   |
| Programme name:   |               |                   |
| Total budget :  | Donor budget: | MoF Co-financing: |
| <b>Overall objective</b>  |               |                   |
| <i>Insert summary of overall goal (from situation analysis)</i>                               |               |                   |
| <b>Project purpose</b>  |               |                   |
| <i>Insert solutions/objectives in point form. Maximum 3 points.</i>                           |               |                   |
| <b>Results</b>  |               |                   |
| <i>Insert main project outputs to assist in meeting solutions. Maximum 3 points</i>           |               |                   |
| <b>Activities</b>   |               |                   |
| <i>Insert main project activities to assist in meeting each result. Maximum 3 points each</i> |               |                   |

### **Annex 3.3. Project Proposal Form – Example of completing a donor project concept form**

#### **Project Proposal Form – Initial Concept**

Please complete the form below for a Donor Project Concept, which covers key areas needed by Donors and the Ministry of Finance (1 cover page only and the Project Framework).

|   |  |   |  |  |  |
|---|--|---|--|--|--|
| Accepted by IFID Head of Department     | Signed:<br>date:                         | IFID Project Registration №: <b>001</b> |  |  |  |
| Approved Beneficiary Head of Department | Signed:                                  | date:                                   |  |  |  |
| Project Title                           | Budget Reform and Aid Management Project |   |  |  |  |
| Main Beneficiary Department             | Budget Department and IFID               |   |  |  |  |
| Contact person (email and tel.)         | Oleksandr Kravchuk                       |   |  |  |  |
| Donors to be approached                 | SIDA                                     | EU                                      |  |  |  |

#### **1. Analysis of Situation (10 lines)**

##### *1.1 Table: Confirm project is in Strategic Plans and Specify reference information*

| Document                 | (Tick) | Details of Reference (Page/Section Article/<br>paragraph Number) |
|--------------------------|--------|--|
| Economic Reform Strategy | X      | Page x, Paragraph 5  |
| MoF strategy             | X      |  |
| SCM strategy             | X      |  |
| Assoc Agenda             |        |  |
| Other:                   |        |  |

##### *1.2. Specify other technical reports that outline the issues.*

World Bank Report № xxx/2008 on Budgetary Management  
OECD/UNDP Report on Aid Effectiveness in Ukraine, 2008

##### *1.3. Explain the current state of issues and problems*

Budget: Lack of MTEF, budget codes and control, inefficient use of resources, uncontrolled expenditures.

Aid management: fragmentary aid coordination and weaknesses in PFM sector that cause the inefficient use of resources, low communication between donors, lack of the European perspective and strategy.

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*Continue of the Annex 3.3.*

*1.4. Explain solutions to issues/problems, and how the project will assist.*

Budget: Creation of international budget standards and systems, improvement of budget planning and revenues, staff up-skilling.

Aid management: Improving the donor and IFI funds use in PFM sector – the project will assist in strengthening the administrative capacity, design the systems and data bases...

## **2. Stakeholder Analysis**

*2.1. Key stakeholders:*

MoF- budget, macroeconomic departments responsible for MoF systems, and IFID in charge of coordination in PFM sector.

*2.2. Target beneficiaries:*

MoF and line ministries in budget sector, MoF staff responsible for aid management and PFM.

*2.3. Current/planned projects in area:*

WB XXX, Twinning (EU-France), GTZ Budget expert.

## **3. Implementation arrangements**

|   |   |
|---|---|
| <i>Required project start date:</i>   | October 2011  |
| <i>Duration of the project in months:</i>   | 36  |
| <i>Outline how the project should be implemented:</i><br>service (experts, study visits etc.), works/supply | services (experts, study tours, etc.); works, supplies, grants    |
| <i>Donor funding: €</i>   | 3 million   |
| <i>Co-financing:</i>  | Ukraine budget and source: € 100,000, MoF special project budget. |

## **4. Pre-Conditions:**

*Main risks for project:*

A new law is not adopted, the WB IT system is not operational

*Lessons learned:*

The WB and USAID projects showed the need for the budget system revision.

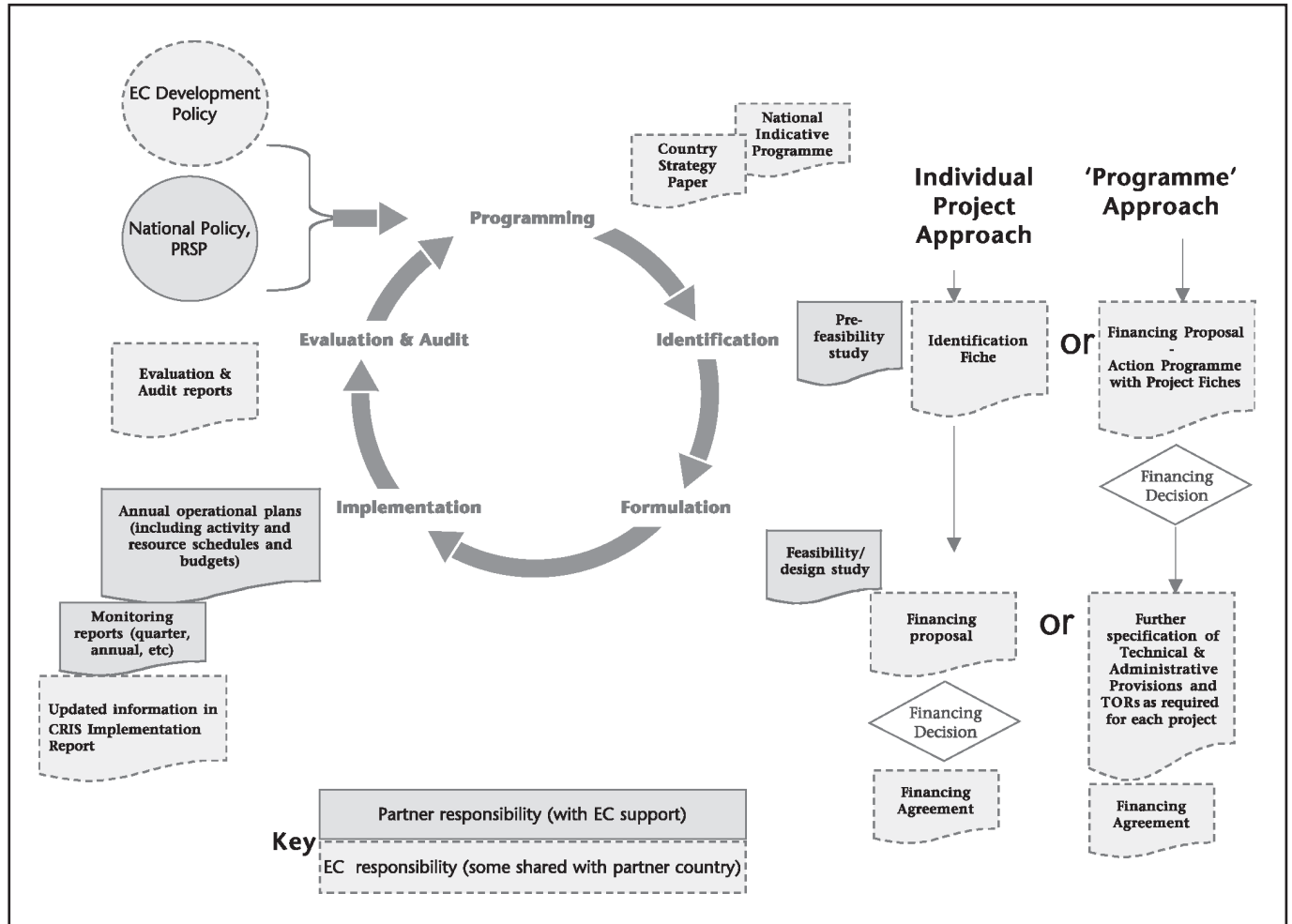
## PROJECT FRAMEWORK

Complete the framework with a clear objective and purpose, and activities

|  |                             |                               |
|--|-----------------------------|-------------------------------|
| <b>PROJECT PLANNING FRAMEWORK</b>  |                             |                               |
| Programme name: Budget and Aid Management Project  |                             |                               |
| Total budget:<br>€ 3,100,000   | Donor budget:<br>€3,000,000 | MoF Co-financing:<br>€100,000 |
| <b>Overall objective</b>   |                             |                               |
| <i>Insert summary of overall goal (from situation analysis)</i>  |                             |                               |
| To improve capacity of public administration to link state policy to budgetary decisions   |                             |                               |
| <b>Project purpose</b>   |                             |                               |
| <i>Insert solutions/objectives in point form. Maximum 3 points.</i>  |                             |                               |
| <ol style="list-style-type: none"> <li>1. Establish effective international standard budgeting mechanism and improved staff capacity</li> <li>2. Improved results from utilization and attraction of donor and IFI funds in PFM sector</li> </ol>  |                             |                               |
| <b>Results</b>   |                             |                               |
| <i>Insert main project outputs to assist in meeting solutions. Maximum 3 points</i>  |                             |                               |
| <ol style="list-style-type: none"> <li>1. Budget standards, procedures and systems developed with supporting IT system</li> <li>2. Improved capability of 100 civil servants to manage satisfactorily the budget process and the aid programmes in PFM</li> <li>3. Effective aid coordination and management structures, systems and procedures</li> </ol>   |                             |                               |
| <b>Activities</b>  |                             |                               |
| <i>Insert main project activities to assist in meeting each result. Maximum 3 points each</i>  |                             |                               |
| <ol style="list-style-type: none"> <li>1.1 Prepare operational systems and manuals for budget</li> <li>1.2 Develop legal and structural framework</li> <li>1.3 Develop software for budget system</li> <li>2.1 Train 100 civil servants in budget process in 10 courses</li> <li>2.2 Train 25 AM practioners in new aid coordination systems, and programme cycle management</li> <li>2.3 Provide international experience exchange for 40 key practioners in PFM</li> <li>3.1 Develop aid management systems and procedures and guidance notes</li> <li>3.2 Develop an improved aid programme and project management IT system</li> </ol> |                             |                               |

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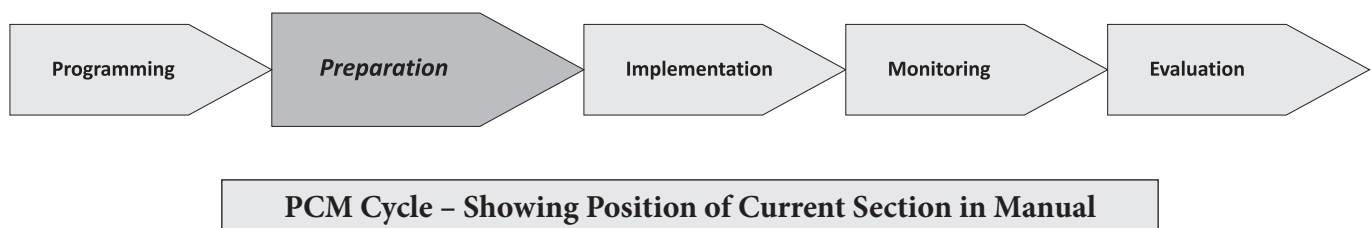
**Annex 3.4. PCM: Main Documents and Responsibilities**



\* - Source- European Commission- PCM delivery, see Section 9.

## SECTION 4. PREPARATION FOR A PROJECT

### 4-1.BACKGROUND



*Note: To be used in conjunction with monitoring and evaluation sections.*

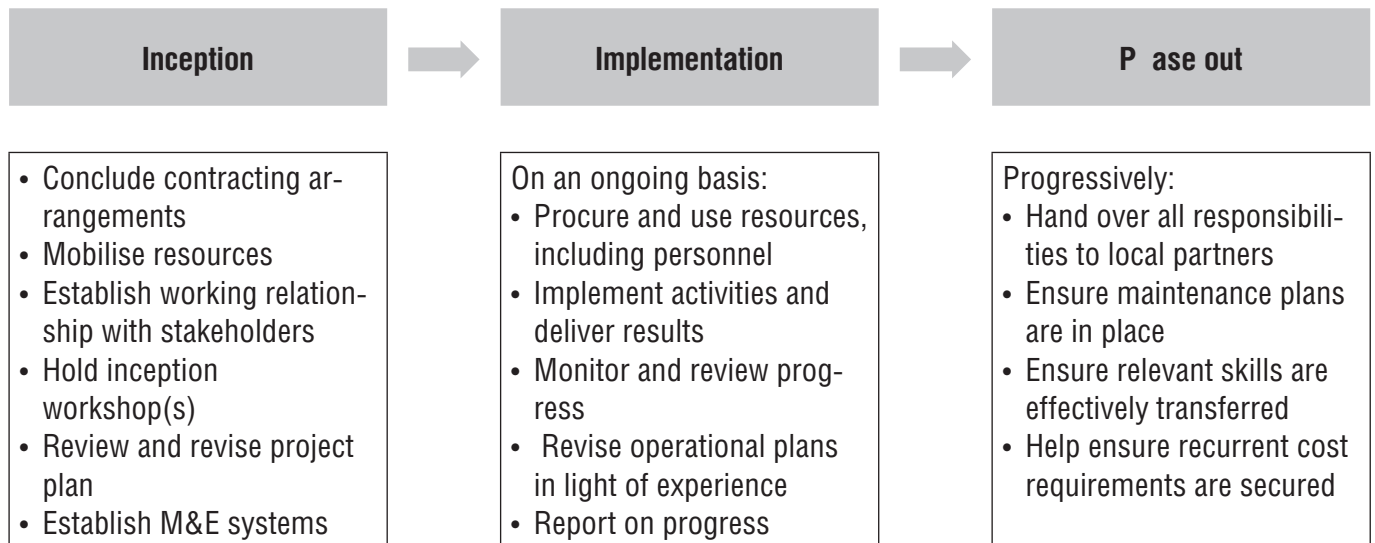
#### OBJECTIVE OF PROJECT PREPARATION

The purpose of the project preparation stage is to:

- Confirm the relevance and feasibility of the project idea as proposed in the project concept paper;
- Prepare a project design, including the management and coordination arrangements, financing plan, cost-benefit analysis, risk management, monitoring, evaluation and audit arrangements;
- Prepare a Terms of Reference and obtain project proposal and a financing decision from donor and MoF;
- Prepare for implementation of the project;
- Tender and Contract the work.

This work can be seen in a schematic view in the diagram covering both main preparation and implementation stages below.

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## 4-2. PROCESS

### STAKEHOLDERS

The main stakeholders are the:

- Lead department or organization and potential beneficiaries of project in PFM
- Aid Management section and IFID, MoF
- Partner donors
- MoF Departments responsible for policy, funding and legal matters
- National aid coordination organizations
- Other relevant bodies or persons

A detailed description of the stakeholders is housed in Section 1-2 and roles and Responsibilities in Monitoring and Evaluation Process in section 7-8.

### INPUTS

The main inputs required for the process are:

- Guidance on preparation of projects and regulations from MoF GoU and IFID
- Project Concept paper and developing Terms of Reference, Project Fiche, etc. and donor in PFM sector
- Relevant partner donor advice and reports, current projects' documents and recommendations

- Ministry budget and future expenditure documents
- Supporting documents and working papers

## ACTIVITIES

1. Nominate a department Technical Assistance Coordinator (TAC) for preparation (and usually also for implementation) of the project and donor IFID liaison, supported by a small working group of key personnel, and actively supervised by a senior level manager. This team will be a 'shadow' steering committee, which can become project steering committee members or a specialist working group when the project is implemented.
2. The coordinator will be responsible for managing the project preparation process and arranging a secretariat to the working group.
3. The coordinator should:
  - Learn about methodology used for preparing projects. See Resources Manual. Areas include:
    - Logframe Analyses
    - Quality assessment on Project relevance, feasibility, management
    - Preparing Terms of Reference and Project initiation
    - Work with donors on the development of the project formulation and preparation. Often donors will provide support / expert to assist in this process.
4. The work of the Coordinator (TAC) and working group includes to:
  - Prepare Action Plan for project preparations
  - Organise and participate in consultations with key stakeholders throughout the phase (e.g. partner government institutions, nongovernment entities, civil-society groups, donors, etc), and promote their active involvement in decision making.
  - Build the project design using the approved project concept paper and the contents of any other pre-feasibility study documents.
  - Prepare Terms of Reference and any required tendering documents.
  - Manage the tender process (as required), including the selection of a preferred contractor and the conduct of pre-mission briefings.
  - Monitor the progress of action plan and the expert/s assisting in the preparation process, assess the content and quality of study reports, and decide on next steps.

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- Finalize tender and project document. Use the checklist in Annex 4.1. of this section – Project Preparation – Check list to assess quality of project design and documentation.
  - Submit documents to IFID for assessment.
  - Manage the project proposal through the financing process.
  - Participate in tenders and conclude contract or Financing Agreement in conjunction with donor
  - Prepare the practical facilities and resources required for the project's implementation.
5. The working group meets or communicates to complete each task in the preparation/ formulation task list according to an agreed action plan.
6. There are a number of tools available to support the planning and formulation of good quality projects. These include:
- Guidance on financial management, internal control framework and reporting requirements are available see Section 9 - Useful Links and Documents. A checklist for quality assessment criteria is housed in Annex 4.1. Project Preparation. Guidance on key areas are available for:
  - The Logical Framework Approach, including the preparation of the Logframe Matrix (which contains the project description, key assumptions/risks, indicators and sources of verification), project design, supporting activity, resource and cost schedules;
  - Institutional capacity assessment, building on previous analysis undertaken;
  - Risk management methodology;
  - Guidance on promoting participation and the use of facilitation skills;
  - Guidance on preparation of TORs
7. A representative/s of the working group will be a member of the evaluation committee assessing the tender offers. Details on managing an evaluation committee are available in Section 9 – Useful documents and links.
- Quality assessment criteria (see below and in Annex 4.1.);

**OUTPUT**

- Completed tender and contracting documents
- Originals of key documents related to the project stored in safe storage and copies of relevant documents (e.g., Contract and terms of reference etc.) housed in a project working file.

### 4-3. ANNEXES

#### **Annex 4.1. Project Preparation – Check List**

Guidance on the specific assessment criteria and standards to be applied for individual projects, or to a programme/package of projects, are provided in the table below. This table is applicable to all projects. The individual standards should be applied as a guide in a practical way, given that not all will be appropriate to every project or programme in the PFM sector.

**Table 4.1. Quality attributes criteria and standards at Identification**

|  |
|--|
| <b>RELEVANT – the project meets demonstrated and high priority needs</b>   |
| <p><b>Consistent with, and supportive of, Donor and development, and cooperation policies</b></p> <p>1.1 The proposal is consistent with Donor development policies and decisions, and a coherent argument is provided to demonstrate how the project will support them (i.e. poverty alleviation and/or economic integration, sustainable development and promoting gender equality)</p> <p>1.2 A ‘project approach’ is an appropriate response given the development context</p> <p>1.3 The initiative is consistent with the Country Strategy Paper (and/or other framework documents)</p>                              |
| <p><b>Consistent with, and supportive of, Partner Government policies and relevant sector programmes<sup>23</sup></b></p> <p>2.1 Relevant PG policy documents and decisions are referred to, including (where relevant) the country’s Poverty Reduction Strategy</p> <p>2.2 The relevant sector policy is described, including key ongoing initiatives, sector targets and resource commitments</p> <p>2.3 Relevant policy, programme and project linkages are described, and it is clearly demonstrated that the project is consistent with the programme and policy framework, and supportive of ongoing initiatives</p> |

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**Key stakeholder and target groups are clearly identified, equity and institutional capacity issues analysed, and local ownership demonstrated**

3.1 The past and ongoing stakeholder identification and consultation process is described – who, how, when and different stakeholder interests (expectations and concerns) are appropriately analysed

3.2 Existing or potential conflicts between stakeholders have been explicitly identified and analysed

3.3 An assessment of institutional structures, capacity and governance issues is provided (strengths and weaknesses), particularly for the institution(s) which will be primarily responsible for project implementation

3.4 Evidence is provided of local ownership of project ideas, such as previous or current commitments of resources (cash or kind) to related activities and active local involvement in decision making

3.3 Gender disaggregated data is provided on the socio-economic status of target groups (e.g. health, education, income, human rights) and equity issues are explicitly assessed with respect to other vulnerable groups such as the disabled

**Problems have been appropriately analysed**

4.1 The problem analysis includes assessment of cause and effect relationships, and identifies underlying problems which impact on target groups

4.2 The problems facing different socio-economic groups (including gender differences and the needs of disabled people) are appropriately identified and described, including the nature and incidence of poverty

4.3 The set of problems and/or opportunities that the project should aim to address are identified

**Lessons learned from experience and linkages with other ongoing/planned projects or programmes have been assessed and incorporated into strategy selection**

5.1 Reference is made to the lessons learned from other projects/programmes implemented in the sector or in similar environments (from review and evaluation reports), and these lessons are reflected in the proposal

5.2 Complementarity with ongoing or planned programmes/projects is assessed, including those of other donors

5.3 Implementation options/strategies are appropriately analysed, including the requirements for further formulation/design work

**FEASIBLE - The project is well designed and is likely to deliver tangible and sustainable benefits to target groups**

**The preliminary<sup>24</sup> objectives are clear and logical, and address clearly identified needs**

6.1 The project's (preliminary) Overall Objective is clearly linked to a relevant policy or sector objective, and thus demonstrates how the project is likely to contribute to a long term development outcome

6.2 The project's (preliminary) purpose clearly specifies a direct benefit(s) that the target group(s) will derive from the implementation of the project, and is consistent with the analysis of problems facing the target group(s)

6.3 The project's (preliminary) results/outputs describe tangible improvements to services, facilities or knowledge that will directly support achievement of the project's purpose

**The preliminary resource and cost implications are clear, and a preliminary economic and financial analysis has been carried out**

7.1 The (preliminary assessment of) resources required to implement the project are clearly described

7.2 Project investment and operating costs are described and analysed in sufficient detail, including the financial contributions of different stakeholders

7.3 Recurrent cost implications are estimated, and an assessment made of the local capacity to meet these costs at the end of the project investment phase

7.4 Where appropriate, initial estimates of the likely financial and economic viability of the project are provided, and requirements for further Economic and Financial analysis of the project's costs and benefits is specified

**Preliminary coordination/management and financing arrangements are clear and support institutional strengthening and local ownership**

8.1 Anticipated project management responsibilities are briefly defined, build on the analysis of institutional arrangements and capacity, and promote local ownership and capacity building

8.2 Anticipated arrangements for coordinating the work of different stakeholders are briefly described, give 'voice' to target groups, allow potential conflicts of interest to be addressed, and appear practical to implement

8.3 Anticipated arrangements for providing overall direction to the project are described (i.e., role and composition of a project steering committee)

8.4 Anticipated financial management arrangements for providing an adequate level of overall internal control are described (i.e. accounting and financial information and reporting systems).

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This criteria (on monitoring and evaluation) does not need to be applied at the Identification stage

**Assumptions/Risks are identified and assessed, and appear acceptable**

9.1 Assumptions in the (draft) Logframe Matrix highlight key factors outside the direct control of project managers which have the potential to impact negatively on the project (risks)

9.2 The importance of different risks is assessed, including the degree of negative impact they might have on achieving objectives

**The project is (likely to be) environmentally, technically and socially acceptable and sustainable**

10.1 An appropriate level of environmental impact analysis has been carried out, and the scope of further studies determined

10.2 The project is (likely to be) technically feasible, meets relevant industry standards and uses/introduces technology that is appropriate to the needs/resource endowment of target groups

10.3 Gender analysis has been carried out, and the project has a clear (preliminary) strategy to ensure benefits are appropriately shared by women and men

10.4 The project has a clear strategy to ensure benefits are appropriately targeted at identified vulnerable groups (i.e., the poor, women, children, disabled people and the old or infirm)

**WELL MANAGED - The preparation of the project is being well managed (by donor task managers)**

**Good practice principles of project cycle management are applied by Ministry and Donor Task Managers**

11.1 Terms of Reference for Donor funded studies/work are clear and comprehensive, and understood by concerned staff

11.2 The project is appropriately assessed through the project management cycle, using agreed/relevant Quality Assessment processes and criteria

11.3 The quality of key project documents (e.g. Identification Fiche, Financing Proposal) is assessed and meets established quality standards

11.4 Use of the Logical Framework Approach and its associated tools are being appropriately applied through the project cycle to support analysis and decision making

11.5 Contracts are being effectively managed, including the production of high quality contract documents, briefing of contractors, review of reports and administration.

## SECTION 5.

# PROJECT IMPLEMENTATION

### 5-1. BACKGROUND:



PCM Cycle – Showing Position of Current Section in Manual

*Note: To be used in conjunction with monitoring & evaluation*

#### 5-1.1. Project Implementation

The purpose of the implementation stage is to:

- Deliver the results, achieve the purpose(s) and contribute effectively to the overall objective of the project;
- Manage the available resources efficiently; and
- Monitor and report on progress.

The implementation stage of the project cycle is in many ways the most critical as it is during this stage that planned benefits are delivered. All other stages in the cycle are therefore essentially supportive of this implementation stage.

This section is focused on larger projects, but the principles can be used for smaller, short term projects.

#### 5-1.2. Financing of Projects

There are 2 main funding sources for Donor projects:

- Donor projects - the project Terms of Reference and proposal is an ‘application’ form for donors and the EU fiche is really the application form for EU.
- National Co-financing – varies: example: 10% of project for Twinning/Technical Assistance (TA) and 25% for investment (works and supplies contracts). Normally this finance is provided by Central Government, but may also be local or other funding.

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The size of project will depend on the work required - the table which appears earlier in this document (see Section 3) provides a rough indication of the budget that is appropriate. Some donors (EU) favour larger projects.

Finance is not needed immediately when the project is approved but later at the time when project implementation will begin. Before implementation can begin the project has to go through the contracting procedures, which can be lengthy. In most cases there is a one or two year gap between the project being approved and the start of implementation. For an EU project the formal date to conclude contracting is three years after the financing agreement is signed, but in most cases it is done within one or two years.

The time lag between project approval and implementation needs to be taken into account to ensure that the finance is available during the correct financial year. This means that funds must be included in the medium term expenditure framework for the Ukrainian Government and that it is also included in the Ministry's annual budget.

Financial changes during the life of the project are often required, and a section below outlines the process.

## **5-2. PROCESS**

### **5-2.1. Programme Implementation**

#### **OBJECTIVES**

Ensure the effective and efficient of the project to obtain strategic goals in the PFM sector.

#### **STAKEHOLDERS**

The main stakeholders are the:

- Lead department or organization and potential beneficiaries of project in PFM
- Steering Committee of project
- Project team
- Aid Management section and IFID, MoF
- Partner donors
- MoF Departments responsible for policy, funding and legal matters
- National aid coordination organizations
- Other relevant bodies or persons

## INPUTS

The main inputs are:

- Guidance on projects implementation (sections D Implementation and E Monitoring and Evaluation) and regulations from MoF GoU and IFID
- Project proposal and contract, Terms of Reference, Project Fiche etc. and donor guidance for project management relevant to the in PFM sector
- Relevant current donor advice and reports of Projects' documents and advice
- Ministry budget and future expenditure documents
- Supporting documents and working papers
- Project activities and outputs.

## ACTIVITIES

1. Nominate a department Technical Assistance Coordinator (TAC) for implementation of project and project team, donor and IFID liaison. Establish a steering committee, supported by small working groups if necessary of key personnel, and actively supervised by a senior level manager. This steering committee will monitor and manage, at a higher level, the project.
2. The coordinator will be responsible for managing the project implementation process and arranging a secretariat to the steering committee and technical working groups.
  - The coordinator should learn about methodology used for preparing projects. See Section 4 and Section 9.
3. The key counterparts in the MoF to the project should work with the project team and donors on the development of the project implementation. This involves informal meetings and contacts on a regular basis.
4. The Technical Coordination and working group comprises of MoF and Project Team personnel, and can be as seen as sub-group of the steering committee. The work of the working group includes:
  - Prepare, in conjunction with project team and approve Action plan (inception report) for project
  - Organise and participate in consultations with key stakeholders throughout the phase (e.g. partner government institutions, nonstate entities, civil-society groups, other donors, etc), and promote their active involvement in decision making.

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- Prepare quarterly reports and other technical reports required for the project steering committee IFID, Ministry of Economy.
- Manage the implementation process (as required), including ensuring the backing and resources are available for the project's successful implementation.
- Monitor the progress of action plans and performance of the project to meet expectations.

The technical working group should meet formally every 3 months to agree the past and future quarterly work plan and discuss substantive issues, which may need also to be presented to the steering committee for approval, and preparing, in conjunction with project, regular reports sending them to IFID which will review and assess the performance of the project and will report to the Ministry of Economy. Example of report to MoE is in Section 7, Annex 7.2.

- Manage the financing process- Ukraine and donor funds (when appropriate).
  - Evaluate the project and prepare for any future project requirements
5. The Steering Committee of the project. The Steering Committee for the project is a formal body which meets every 3 to 6 months (depending on donor requirements) and comprises of Ministry, Donor and project key personnel. It is charged with overall monitoring and management of the project. Key activities include:
- Commenting and Approving Action Plan and technical working groups
  - Commenting and approving project reports and workplans
  - Review and modifying project activities to meet current objectives
  - Giving overall strategic guidance
  - Resolving areas of disagreement
- (See Section 9 for more information and use Section 7 for guidance on committee administration).

## OUTPUTS

- Completed Project undertaken and closed
- Originals of key documents related to the project stored in safe storage and copies of relevant documents (eg. Contract and terms of reference, project reports and monitoring and evaluation reports, audit reports, steering committee and working group minutes and documents etc.) are housed in a project working file.
- Key findings incorporated into further projects or extension of the project design.

## **5-2.2. Ukraine Financing**

The Donor projects will normally require the Government of Ukraine to fund certain costs or provide resources. These vary from donor to donor and will normally include:

- Funding of local costs or a percentage of a project, particularly if it involves infrastructure or supplies.
- Office and conference accommodation
- Overhead costs: electricity, telephone lines office supplies etc.
- Staff to work in or with the project

Failure to provide these resources, often due to administrative errors, reduces the effectiveness of projects and causes ill feeling between partners.

### **OBJECTIVES**

To ensure Ministry resources are available to support donor project.

### **STAKEHOLDERS**

The main stakeholders are the:

- Lead department or organization and potential beneficiaries of project in PFM
- MoF Departments responsible for funding matters
- Steering Committee of project
- Project team and partner donors
- Aid Management section and IFID, MoF
- Other relevant bodies or persons

### **ACTIVITIES**

1. The technical department must ensure funds and physical resources are requested in good time and that timing is adjusted so funds are available to complement project activities.
2. The appropriate Ministry Systems and procedures must be used. Contact IFID for guidance on this topic.
3. Timing is a crucial issue and the table below indicates the timeline for planning. See Section 3, Annex 3.1, Table 3.4. for the various stages and the associated actions that need to be taken to guarantee that the finance is available in the correct year.

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The day to day resources must be planned as MoF procedures may have a long lead-time to get approvals, particularly for arranging project accommodation and overheads if provided by MoF.

4. Staff Resources for project management must be clearly identified and their duties add to their staff members 1 job description and time allocated to do the work.
5. To be completed after discussion with MoF.
6. An accurate record is kept of funds and resources used for audit purposes and to show the donor that the MoF has kept to the project agreement.

## **OUTPUTS**

- Accurate records kept of expenditure and usage of resources

### **5-2.3. Changes and Transferring of Funds in Donor Projects**

It is sometime necessary to adjust donor projects during its implementation. Normal reasons are:

- The objectives or priorities of the project have changed over time
- More effective means of undertaking the work to meet a sub-objective have been found
- This results in a reduction or increase in a cost or the need to transfer funds to another priority.

The transferring of funds from one component to another in a project should be undertaken only if there are good strategic reasons for the change, and with the beneficiary and donor approval.

## **OBJECTIVE**

To maximize the effectiveness of a project's outputs and impact by transferring resources and the scope of activities between components in the project.

## **STAKEHOLDERS**

The main stakeholders are the:

- Lead department or organization and subsidiary bodies in MoF
- Aid Management section and IFID, MoF
- Main and partner donors
- Project contractor/s
- Departments responsible for funding and legal matters
- National aid coordination organizations
- Other relevant bodies or persons

## **INPUTS**

The main inputs are:

- Memorandum of Understanding and contracts for the project
- Project budget and expenditure documents
- Summary table showing revisions to activities and finance
- Supporting documents and working papers
- Application forms and certificate for the IFID

## **ACTIVITIES**

1. Undertake a review of the current project and finances and analyze where changes and savings are possible. Discuss with main technical partners and donors.
2. Prepare a summary document indicating the proposed technical and financial changes based on the project's contracts, reports and financial data. Attach photocopies of the relevant sections of the supporting documentation and the working sheets/notes to explain the transactions in the summary
3. Agree the proposed changes with all technical partners and donors. Each key stakeholder signs acceptance of the summary form
4. Prepare an IFID application form and a certificate, which requests the changes to the project and confirms that the main parties: technical departments, project contractors and donors (maybe) are willing to fund any shortfall in funding in the new proposal.
5. The application form, certificate, summary changes document with attached supporting photocopies of relevant extracts and working notes are sent to IFID.

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6. Aid Management Department reviews documents and if satisfied arranges for the Vice Minister to sign approval. If unsatisfied IFID will ask for clarification on small items and for major irregularities, reject the proposal
7. The approval is registered and sent to the appropriate department for distribution to stakeholders.
8. The original of the revised transfer document is stored safely with the project contract documentation

## **OUTPUT**

The original version of the signed document is safely stored in the files containing the main projects legal and financial documents. Copies for IFID and main stakeholders are held in their files.

### 5-3. ANNEXES

#### **Annex 5.1.: Project Implementation – Quality Assessment Checklist**

These guidelines should be used with the project preparation – quality assessment checklist and are to be used only as a broad guide to indicate assessment areas of the project

| <b>Quality Attributes, Criteria and Standards during Implementation</b> |   |
|---|---|
| <b>1</b>  | <p><b>EFFECTIVE and WELL MANAGED _ The project is delivering the anticipated benefits and is being well managed</b><br/> <b>The project remains relevant and feasible</b></p> <p>The project remains consistent with and supportive of current policy and programme priorities</p> <p>The project strategy and objectives remain relevant to the needs of beneficiaries (target group and ultimate beneficiaries), including women and men and vulnerable groups such as the disabled</p>   |
| <b>2</b>  | <p><b>Project objectives are being achieved</b></p> <p>Results are being delivered as planned, are of good quality and the project's target group find them relevant to their needs</p> <p>The results being delivered are contributing effectively to the achievement of the project purpose</p> <p>The project is likely to contribute to the overall objective, and there is evidence that the project's ultimate beneficiaries will indeed benefit from the project (including women and men and particular vulnerable groups such as the disabled)</p> |

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|   |  |
|---|--|
| 3 | <p><b>The project is being well managed by those directly responsible for implementation</b></p> <p>Inputs are being provided on time and within budget</p> <p>Activities are being implemented on time</p> <p>Relevant information on project achievements/results is being collected and used, and is accessible to stakeholders in an appropriate format and language</p> <p>Operational plans and budgets are reviewed and updated on a regular basis (including risk management plans), and reflect lessons learned from experience on the ground</p> <p>Transparency and accountability systems (including financial management systems and independent audit) are adequate and effective in identifying/deterring corrupt practices</p>                             |
| 4 | <p><b>Sustainability issues are being clearly addressed</b></p> <p>Financial sustainability issues are being addressed (e.g. affordability, govt. budget commitment, cost-recovery mechanisms, private sector management, etc)</p> <p>The technology being used/promoted by the project is appropriate and can be maintained</p> <p>Issues of environmental and social sustainability are being appropriately assessed and managed</p> <p>Institutional strengthening and capacity building activities (e.g. policy and systems development, training of trainers) are being effectively carried out, and skills transferred</p> <p>There is a plan for the phase out of any external assistance/TA, and the handover of any management responsibilities they may have</p> |

|   |  |
|---|--|
| 5 | <p><b>Good practice principles of project cycle management are applied by Task Managers</b></p> <p>Terms of Reference for donor funded studies/work are clear and comprehensive, and understood by concerned staff</p> <p>The project is appropriately assessed through the project management cycle, using agreed/relevant Quality Assessment processes and criteria</p> <p>The quality of key project documents (e.g. Financing Proposals, Operational plans, Progress reports and Mid-term evaluation reports) is assessed and meets established quality standards</p> <p>Use of the Logical Framework Approach and its associated tools are being appropriately applied through the project cycle to support analysis and decision making</p> <p>Contracts are being effectively managed, including the production of high quality contract documents, briefing of contractors, review of reports and timely payment of certified invoices</p> |
|---|--|

## **SECTION 6.**

# **DCWG ROLE AND FUNCTIONS IN THE MOF**

### **6-1. BACKGROUND**

The Ministry of Finance has a Donor Coordination Working Group (DCWG) which comprises donors and representatives of the Ministry of Finance led by the Division for cooperation with international organizations and coordination of international technical assistance (IFID).

Donor coordination was until 2009 organized as part of the World Bank PFM Project, but is from that point and time conducted by the ministry/IFID, which is responsible for coordinating the donor working group, in conjunction with the SIDA. The Aid Management Section of IFID acts as a secretariat to the group.

The DCWG history has been chequered, with meetings being held only 2 times in the period 2008-2010. Since IFID took over in late 2010 the meetings are now held in a roughly quarterly time frame.

#### **6-1.1. Objectives of the DCWG**

The DCWG has the objective of improving the effective coordination and management of programming and implementation of donor-funded activities in the PFM sector.

The key tasks of the DCWG are:

- Providing information and advice for practitioners in the technical cooperation field.
- Providing guidance on future developments for donor programmes and attracting donor funds within the PFM policy framework.
- Resolving any issues arising between DCWG participants or relevant stakeholders

There are two overriding principles:

- The DCWG meetings work on consensus principles;
- The activities are focused on pragmatic, results-oriented solutions.

## 6-1.2. Organization of the DCWG Meetings

The DCWG is not an official government committee and is working informally. The participants of the DCWG are the main stakeholders in the sector and donor programmes.

- Ministry of Finance:
  - Aid Management (IFID)
  - Beneficiary departments and organisations
- Donors:
  - All donors working in the sector
  - All donor projects working in the sector (by invitation)
  - Other relevant stakeholders with a practical stake in the work.(by invitation)
  - Government bodies
  - Other relevant bodies

The terms of reference for DCWG were developed by the MoF and approved by the donor community in June, 2012 at the DCWG meeting. Currently the ToR awaits signing of the internal order by the Minister (see Annex 6.1 for the original ToRs).

The IFID Aid Management Unit is the secretariat for working group and is responsible for organizing the meetings and preparing related documentation.

The meetings are hosted by the Ministry of Finance and are attended by the Donors and the IFID staff. The meetings usually last 1,5-2 hours. The group focuses on practical policy and implementation issues.

The DCWG is moving towards a closer alignment to the IFID's work programme and using both the 'implementation' development part of its terms of reference and the policy development.

The DCWG is providing a useful service to the development of the PFM aid programme in a number of ways:

- Providing practical solutions to implementation in the PFM sector;
- Providing practical programming forum;
- A forum for communication between participants;
- Team and trust building.

The current mix of practitioners in the field of PFM by the inclusion of project personnel is useful and should be continued.

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## **ROLE OF THE DCWG IN RELATION TO THE THEMATIC SUB GROUP 2A**

The DCWG was set up as a practical solution to the coordination of donor programmes and projects mainly working within the Ministry of Finance on Public Finance issues (see Section 1, Annex 1.2.).

Even when the thematic group 2A is established the DCWG group will probably be the key body in the PFM sector as it deals at a more focused and practical level with all stakeholders in PFM only. So it must be fitted into the thematic group structure without reducing its usefulness and effectiveness, and without causing duplication of effort.

The most satisfactory solution will be to keep the DCWG and loosely link it as an informal working group of the thematic sub group 2A. Programming and implementation issues of a wider nature discussed in DCWG can be presented by the MoF or donors to the thematic subgroup 2A.

### **ORGANIZATION OF DCWG**

The current informal approach is an appropriate format as it minimizes administration. The IFID should continue to provide the administrative support, but it is essential that this workload is kept to a practical minimum as the Division has limited staff resources. The DCWG participants can support the secretariat by preparing supporting documentation for meetings. Standardization can also help – standard forms and agendas are discussed below.

The formal and informal organisation of the DCWG is not mutually exclusive. The current informal approach linked closer to the IFID's work activities may develop into a more structured arrangement later.

### **DCWG AND PRAGMATIC DEVELOPMENT**

The DCWG in its 'resurrection' stage since autumn 2010 has worked well on the development of day-to-day implementation (e.g. REMS – see Annex 6.3.) and developing rapport but now it needs to expand its agenda to include programme planning, ensuring synergy between projects and developing links between aid and budget functions. It is important to provide 'value added' to the participants and therefore a balance is needed between the time given to practical management and to strategy issues within meetings.

An important feature of the DCWG work programme is the development of concrete solutions and tools to improve the effectiveness of the aid delivering in the PFM sector, whether in the fields of policy/strategy or implementation.

The practical exchange of information and implementation development should continue, supported by IFID.

The practical 'programming' objective can be achieved by providing thematic topics to focus discussion in meetings, possibly linking the DCWG discussions to the Ministry of Finance's work schedule for programming and possibly other activities, and to the Donor Matrix MIS development.

This will give the opportunity for DCWG to discuss policy/strategy issues based on the data from the MIS and for practitioners to also provide their considerable expertise to developing the Donor Matrix MIS.

The first step has been taken within a quasi - DCWG meeting of donors discussing the potential for developing a donor Matrix management information system (MIS).

The table below offers an indicative time frame for a year for linking of DCWG meetings to the Donor Matrix development, if it goes ahead.

**Table 6.1. Time frame for DCWG preparation activities and Donor Matrix information**

| №  | Programme Activities for DCWG – Indicative                          | Timing |
|----|---|--------|
| 1. | Current Donor Matrix PFM provided.                                  | March  |
| 2. | Plan for developing programming and implementation MIS discussed.   | May    |
| 3. | Report examples from DOMIS shown to DCWG for comment and Db design. | Sept   |
| 4. | Working results from strategy, gaps and project modules -           | Dec    |
| 5. | Discussion. MoF Programming reviewed & Revised 2011 donor matrix    | Mar    |
| 7. | DCWG reviews plans for administration requirements for IFID.        | June   |
| 8. | Review programming and new projects' progress                       | Sept   |

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There is a programming cycle through the year and a model/standard programme of themes for meetings - with specific additions - can be used.

DCWG will have at each meeting, as at present, discussions on current programming and implementation issues, but specific topics will be keynote discussions. This will also allow for standard DCWG agendas, with minor modifications and partially prepared standard minutes, which will reduce administration.

**Table 6.2. Generic Annual Programme for key discussions / themes at DCWG Meetings**

|                  |  |
|------------------|--|
| <b>March</b>     | Current Donor Matrix and donor development plans for current year (MoF donor matrix is updated at the end of the year) |
| <b>June</b>      | Review current implementation of donor projects  |
| <b>September</b> | Overview MoF PFM strategy and gap analysis (sets frameworks for MoF programming cycle in October-November)             |
| <b>December</b>  | MoF project concept for donor support<br>(Results of MoF programming project concepts prepared in Oct-Nov)             |

Further Ministry of Finance work activities can be linked to the DCWG timetable to provide synergy and structure to the DCWG activities.

## **6-2. PROCESS**

### **6-2.1. DCWG Secretariat Guide**

#### **ACTIVITIES UNDERTAKEN BY AM OFFICER RESPONSIBLE FOR DCWG SECRETARIAT**

##### **OBJECTIVE**

- Effective management of the DCWG

## STAKEHOLDERS

- IFID and MoF Departments
- DCWG Participants

## INPUT

- DCWG working files
- Previous minutes of meeting and participant changes

## Preparation for meeting

1. Review the key files for DCWG secretariat management and obtain guidance from IFID management on work plan for DCWG meeting ~ (4 weeks before DCWG meeting)
2. Prepare a draft Agenda for DCWG based on annual plan for DCWG and status of programming and implementation in PFM sector- (see Section 3 - for Annual Plan; Annexes 6-3.: Template 6.1- for Agenda template).
3. Agree agenda and venue and timing with IFID management and co-chairperson for donors
4. Book accommodation and arrange refreshments for DCWG meeting
5. Send invitation letter to participants named in the IFID File (see Annexes 6-3:Template 6.2. for example of letter and participants list) to be sent 2 weeks before meeting by email:

Include the following items:

- a. Agenda, details of meeting (see Template 6.1 of the Annexes)
  - b. Technical reports for review to be discussed at meeting
  - c. Request for REMS information (see Template 6.4. of the Annexes) to provide information for meeting
6. In week before meeting obtain latest version of compiled REMs information
  7. Finalize the DCWG arrangements. Timing within 1 week of meeting.
    - a. Finalize arrangements for accommodation, refreshments.
    - b. Interpreters and translation, audio visual equipment.
    - c. Prepare list of attendance
    - d. PowerPoint presentations
    - e. Packs of papers for participants-if required
  8. On day of meeting (or before) Chairpersons for IFID and Donor finalize:
    - a. technical information provided to meeting
    - b. Presentations and discussions, timing.

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### **The Meeting Management**

9. On the day of meeting ensure all inputs will be available- accommodation and audio visual equipment, refreshments, printed material, interpretation, visitor reception
10. Chairperson manages the meeting, and works through the agenda
11. Write notes for minutes of the meeting, requesting key contributors to provide a paragraph on their topic.

### **After Meeting – Timing within week after meeting**

12. Finalize and compile the minutes of the meeting, chairperson checks draft minutes. (Example template for minutes of meeting in Annexes - Template 6.5.)
13. Update the participants attendance list and note improvements to manual - written in on Annex 6.2.)
14. Finalize financial details
15. Place a copy of the DCWG meeting related documents, e.g. minutes of meeting are stored safely in a file
16. Update the subdirectory in the IT system to include latest DCWG materials including minutes.
17. Send copy of a list of decisions and persons responsible to participants. Request action, with timing deadlines.

## **OUTPUT**

The agreed DCWG Agenda and materials provided to all participants.

DCWG Meeting held

Minutes of DCWG meeting with relevant documents prepared

IFID Files updated

Copies of key documents are kept in IFID files.

### **6-3. ANNEXES:**

#### **List of DCWG Implementation Resources / Templates:**

Template 6.1: DCWG AGENDA

Template 6.2: INVITATION LETTER TO DONORS

Template 6.3: LIST OF PARTICIPANTS

Template 6.4: FORMAL LETTER FOR DONORS AND REMS

Template 6.5: DCWG PROTOCOL

Template 6.6: EXAMPLE OF LIST OF POTENTIAL PROJECT PROPOSALS

Annex 6.1. TERMS OF REFERENCE OF THE DONOR COORDINATION WORKING GROUP

Annex 6.2. LIST OF REPRESENTATIVES OF THE MOF AND DONOR COMMUNITY – COORDINATORS OF PROJECTS REALIZATION AND PROGRAMS OF TECHNICAL AND INTERNATIONAL COOPERATION IN SPHERE OF PUBLIC FINANCE MANAGEMENT

Annex 6.3. REMS Form

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## Template 6.1: DCWG Agenda

MEETING OF THE DONOR COORDINATION WORKING GROUP (DCWG)  
 FOR PFM AREA

*time, day of week, month, year*  
 Ministry of Finance of Ukraine  
 11 Mezhygirska str., room ...

### AGENDA

|   |   |
|---|---|
|   | Before-meeting coffee   |
| 1 | Opening remarks:  |
| 2 | Approve minutes of last meeting   |
|   |   |
| 3 | Introduction part ~ outline proposed Agenda and any additions   |
|   | <b><i>Information about current developments in the PFM donor coordination sphere:</i></b>  |
| 4 | Note: delete incorrect topics – chose a, b, c or d<br>a. Programming ~ identify potential areas for further development ~ based on Donor Matrix and gap analysis ~ September<br>b. Programming ~ results of project concept paper prepared for PFM ~ December/January<br>c. Programming ~ project selected with donors ~ March<br>d. Project preparation and Implementation ~ July<br>i. Programming – progress on projects selected with donors.<br>ii. Review and assessment of performance of current projects ~ and note general weaknesses in systems and assessment of performance. |
| 5 | Implementation of current projects and Aid Management in PFM<br>• Day to day issues affecting performance<br>• News and useful information ~ donors and Ukrainian Government<br>• Focus on 1 project – project makes presentation (10 min.)   |
| 6 | Specialist Topic on Aid Management Development<br>• (insert topics here)  |
| 7 | <b>Discussions:</b><br>Donor community representatives  |
|   | <b>Closing remarks and closure of meeting items</b><br>- summary of agreed decision or items of further action  |
|   | <b>Informal discussions</b>   |

## Template 6.2: Invitation Letter to Donors

*Dear Colleagues,*

The Ministry of Finance of Ukraine invites you to attend the next meeting of the Donor Coordination Working Group (DCWG) in the PFM area.

The meeting will be held **on** *date, year*, **at** *timeframe*.

Address: 11, Mezhygirska St., room ....

Please, confirm your participation. The agenda is attached.

Sincerely yours,

*Name*

Head, Department of Debt and International Financial Policy  
Ministry of Finance of Ukraine

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### **Template 6.3: List of Participants**

**DONOR COORDINATION WORKING GROUP (DCWG)  
 FOR PUBLIC FINANCE AREA**

(Meeting: Date, year, time, MoF, room\_\_\_\_)

#### **Ministry of Finance of Ukraine**

1. *Name* – Director, Department of Debt and International Financial Policy
2. *Name* – Deputy Director, Department of Debt and International Financial Policy – Head of Division of Cooperation with International Organizations and Coordination of International Technical Assistance
3. *Name* – Deputy Head, Division of Cooperation with International Organizations and Coordination of International Technical Assistance
4. *Name* – Head of Unit for project implementation development and TA, Department of Debt and International Financial Policy
5. *Name* – Chief Financial Economist, Unit for project implementation development and TA, Department of Debt and International Financial Policy
6. *Name* – Representatives of other Departments

#### **The World Bank**

7. *Name* – Senior Economist, the World Bank in Ukraine
8. *Name* – Economist, the World Bank in Ukraine

#### **Project “Public Finance Modernization”**

9. *Name* – Consultant for Coordination and Project Administration

#### **Swedish International Development Cooperation Agency (SIDA)**

10. *Name* – Head of SIDA in Ukraine
11. *Name* – Coordinator of projects in Ukraine

## European Union

12. *Name* – First Secretary, Aid Effectiveness;

## European Union Twinning Project “Support of the Ministry of Finance of Ukraine in the Area of Public Debt Management and Budget Planning”

13. *Name* – Resident Twinning Adviser on budgetary forecasting, ADETEF, France  
14. *Name* – Deputy Director, ADETEF representative office in Ukraine;

## Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

15. *Name* – Expert-Advisor to the Ministry of Finance of Ukraine

## Embassy of the Kingdom of the Netherlands

16. *Name* – Representative

## United States Agency for International Development (USAID)

17. *Name* – Project management specialist - Financial Sector

## United States Agency for International Development Project “Financial sector development”

18. *Name* – Representative

## United States Agency for International Development Project “Municipal Finance Strengthening Initiative”

19. *Name* – Head of Financial Policy Department, Institute for Budgetary and Socio-Economic Research

## United Nations Development Program (UNDP)

20. *Name* – Senior Programme Manager

### Template 6.4: Formal Letter for Donors and REMS

**Dear Donors,**

The Ministry of Finance of Ukraine (MoF) would like to inform you that according to the established practice the next meeting of the **Donor Coordination Working Group for PFM Area (DCWG)** is expected to be on..... The exact date and time will be provided soon.

Thus, we kindly invite you to complete the REMS form as soon as possible. Your prompt response will allow the Ministry to distribute the consolidated REMS for each donor before the next DCWG meeting.

Thank you in advance for cooperation and looking forward to receiving the requested information.

**Sincerely yours,**

*Name*

Head, Division for Cooperation with International Organizations  
and Coordination of International Technical Assistance

Deputy Director, Department of Debt and International  
Financial Policy

Ministry of Finance of Ukraine

## Template 6.5: DCWG Protocol

### PROTOCOL OF MEETING OF THE DONOR COORDINATION WORKING GROUP FOR PFM AREA (DCWG)

*Time, Day, Date, Year*

**Ministry of Finance of Ukraine**

**11 Mezhygirska str., room ....**

1. The list of participants is attached.

Chairperson/s:

Meeting started at:

Meeting finished at:

#### **1. Opening Remarks**

Xxx welcomed the participants to the meeting and noted apologies for non – attendance received from xxxx xxxxx

#### **2. Agenda Minutes**

The minutes of the last DCWG meeting were approved with (insert: no, or some) amendments. The amendments were:

#### **3. Introduction**

The meeting reviewed and agreed the agenda and added ....

#### **4. Programming / Programme Implementation**

The meeting reviewed the programming and policy development.  
*(Insert section on meeting)*

Decisions made and responsible person:

*(Insert decision and persons responsible to undertake action)*

#### **5. Implementation of current projects.**

The meeting discussed a number practical issues concerning day to aid day management. These were:

- 
-

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The presentation and discussion on the chosen focused project for the meeting was on the project (title of project)  
*(Insert a section on meeting)*

Decisions made and responsible person:  
*(Insert decision and persons responsible to undertake action)*

**6. Specialist Topic:**

The meeting received a presentation and held discussion on the specialist topics  
*(insert section on meeting)*

Decisions made and responsible person:  
*(Insert decision and persons responsible to undertake action)*

**7. Closing Meeting**

The chairperson summarized the discussion of the meeting, thanked the participants for attending and closed the meeting.

The next DCWG meet will be held in approximately 3 months.

## Template 6.6: Example of List of Potential Project Proposals

### List of Potential Project Proposals in PFM Sector for 2012-13 - based on the Donor Matrix Information System DoMIS

| PFM Reference  |  | Current Status             | Proposed project                                      |
|--|--|----------------------------|---|
| 1.1 Budget Legislation   |  |                            | New project If Association Agreement requires changes |
| 1.2 Institutional framework for budgeting                              |  |                            |   |
| 1.2.3 Organizational arrangements                                      |  | BAM project is in progress | New or extension project required                     |
| 2.1.1 Policy based budgeting   |  |                            |   |
| 2.1.2 Macroeconomic forecasting and MTEF                               |  | Twinning finished          | New project required                                  |
| 2.2. Budget preparation and presentation (2.2.1, 2.2.3, 2.2.4, 2.2.8,) |  | BAM project is in progress | New or extension project required                     |
| 2.3 Multiyear budgeting (2.3.1, 2.3.2,)                                |  | BAM project is in progress |   |
| 3.1 Tax policies (3.1.3, 3.1.5, 3.1.6, 3.1.7)                          |  |                            |   |
| 3.2 Fiscal policy  |  |                            | Budget Execution and Monitoring Project required      |
| 4.1.1 Budget expend cycle and 4.1.2                                    |  |                            | Budget Execution and Monitoring Project required      |
| 4.1.5 Budget mid-term review   |  | BAM project is in progress | New or extension project required                     |
| 4.2 Managing payables, personnel and procurement management            |  |                            |   |
| 4.3 Government debt management   |  | Twinning finished.         | New or extension project required                     |
| 5.1 Accounting (can link to audit projects)                            |  |                            | New or extension project required                     |
| 5.1 Internal Audit to International Standards                          |  |                            |   |
| 5.2.2 External Audit to international standards and donor/loan funds   |  |                            |   |
| 5.4 Performance measurement and evaluation                             |  | BAM finishing in 2012      | New or extension project required?                    |
| 6.1 Donor Coordination   |  | BAM finishing in 2012      | New or extension project required?                    |
| 6.2.2 Implementation of projects                                       |  |                            | New EU Budget Support Coordination project            |

## **Annex 6.1. Terms of Reference of The Donor Coordination Working Group**

### **Example of Terms of Reference Donor Coordination Working Group under the Ministry of Finance of Ukraine to Improve Technical Assistance Operations in Modernizing PFM Functions**

These ToR are based on the intentions of the Paris Declaration; stipulating ownership and responsibility of the Government of Ukraine (GoU) with respect to the process of public finance management (PFM) modernization as well as at the same time emphasizing readiness of the development partners willing to get involved in this process to achieve the Declaration's provisions in terms of coordination and harmonization in their cooperation with the GoU and in their cooperation with other interested development partners.

The Ministry of Finance Order/Decree of (date) .....on the introduction of this **Donor Coordination** Working Group and these ToR, provide the legal ground for activities under these ToR.

#### **Chapter I. Responsibilities and Goals**

**Donor Coordination Working Group to Improve Technical Assistance Operations in Modernizing PFM Functions** (hereinafter called the Group) has been established on the initiative of the Ministry of Finance of Ukraine (MoF) related to GoU launching of activities to modernize the PFM system and in this setting up cooperation with a number of external development partners (donors) for the purpose of achieving the goal to facilitate the required coordination and management of technical assistance to the MoF.

This Group is an informal group and not part of the Government Committee structure. It is de facto a subgroup of the thematic group 2A.

The Group responsibility based on the thematic group procedural rules shall cover as follows:

- defining a number of issues that need donors support in the PFM Section of the framework of national social and economic development programmes (action plans);
- identification of project ideas in accordance with the agreed criteria in the context of PFM and national programmes' (action plans') purposes and tasks;

- defining problems that hinder achieving development goals and identifying ways for solving them and improving efficiency of the development of the PFM sector and project programming and implementation;
- other issues on cooperation and development.

To respond to the needs, other priorities and lines of cooperation may be reflected and reinforced through changes and amendments to these ToRs.

## Chapter II. Key Bodies

The key bodies to represent Ukraine in the Group meetings and operations are as follows: the Ministry of Finance of Ukraine (MoF). The nominated representative development is the Department of Budget and Department of state dept management and international financial policy.

The Ministry of Finance of Ukraine (MoF) shall be **the Lead Body** in Group activities and its representative shall chair the Group meetings jointly with the Lead Donor.

The Ministry of Economy as well as other government bodies and agencies and Non Government Organizations (NGOs) in Ukraine may get involved in Group activities and meetings at the initiative and decision of the MoF or the Group.

Annex 1 to these ToRs presents the list of acting development partners in PFM modernization. This list will be updated from time to time to reflect changes in donor engagement in PFM modernization at the MoF.

Together, the MoF and donors shall nominate a **Lead Donor**. The current lead donor is SIDA, and their representative is joint chairperson.

## Chapter III. Organization and Preparation of Group Meetings

The Head of the Group is the *insert correct title* Ministry of Finance of Ukraine. The Head of the Group shall lead the Group meetings, organize its activities and be responsible for performing the Group functions.

The Director of MoF's IFI Department is the Deputy Head of the Group.

Meetings shall be a forum for Group operations and take place as it deems necessary, but normally quarterly. MoF may stage additional separate meetings on its own initiative or

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responding to the initiative of other stakeholders.

The Group meetings are jointly chaired by the Lead Body and the Lead Donor shall be attended by representatives of the relevant MoF structural units, donors, donor projects (by invitation) and other stake holders (by invitation).

The Lead Body shall organize the Group meeting and invite the relevant stakeholders advising on the date, venue and agenda. The Lead Body could delegate these responsibilities to the Lead Donor as far as information to other donors is concerned.

#### **Chapter IV. Technical Secretariat**

A **Technical Secretariat** shall support the Lead Body of the Group as follows:

- prepare the Group meetings, monitor implementation of decisions made and agreements reached at these meetings;
- facilitate the Lead Body in its operations and Group activities;
- summarize proposals and problem issues of beneficiaries, recipients and donors and brief minutes of meetings of DCWG ;
- formulate proposals with respect to a future Work Plan for the Group;
- make the Group plans and activities outcome public, in particular through placing the relevant materials at the official MoF web site;
- cooperate with all the stakeholders and exercise other functions, as it may be necessary, for the sake of the Group efficient operations.

The Technical Secretary should be a representative of MoF IFI Division.

#### **Chapter V. Final Provisions**

These ToRs may be amended in the process of Group operations through agreement between the GoU representatives and donors concerned.

### Annex 6.2. List of representatives of the MoF and donor community – coordinators of projects realization and programs of technical and international cooperation in sphere of public finance management

| № | Institution                    | Full name | Position  | E-mail            | Tel. |
|---|--------------------------------|-----------|---|-------------------|------|
| 1 | Ministry of finance of Ukraine | Name      | Deputy Director of the Department of State Dept management and international cooperation – head of Division of Cooperation with International Financial Organizations | xxx@minfin.gov.ua |      |
| 2 | Ministry of finance of Ukraine | Name      | Head of Unit for project implementation development and TA, Department of Debt and International Financial Policy   | xxx@minfin.gov.ua |      |
| 3 | Ministry of finance of Ukraine | Name      | Chief Financial Economist, Unit for project implementation development and TA, Department of Debt and International Financial Policy                                  | xxx@minfin.gov.ua |      |

| № | Donor   | Full name | Position   | E-mail                  | Tel. |
|---|---|-----------|--|-------------------------|------|
| 1 | World bank  | Name      | senior economist, the World Bank in Ukraine  | xxx@worldbank.org       |      |
| 2 |   | Name      | economist, the World Bank in Ukraine   | xxx@worldbank.org       |      |
| 3 | European Union  | Name      | Coordinator of projects “Financial Institutions”, “Public administration Reform” of The Delegation of the European Commission in Ukraine | xxx@eeas.europa.eu      |      |
| 4 | Swedish International Development Cooperation Agency (SIDA) | Name      | Head of SIDA in Ukraine  | xxx@sida.se             |      |
| 5 | German Technical Cooperation (GIZ)                          | Name      | Coordinator of projects  | xxx@foreign.ministry.se |      |
| 6 |   | Name      | Advisory support to the ministry of Finance of Ukraine   | xxx@gmail.com           |      |

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| №  | Donor  | Full name | Position   | E-mail                      | Tel. |
|----|--|-----------|--|-----------------------------|------|
| 7  | ADETEF   | Name      | Director of representative Office ADETEF in Ukraine                              | xxx@adedef.finances.gouv.fr |      |
| 8  | Ministry of finance of Netherlands                         | Name      | Second Secretary, Embassy of the Kingdom of the Netherlands                      | xxx@minbuza.nl              |      |
| 9  | United States Agency for International Development (USAID) | Name      | Project management specialist - Financial Sector                                 | xxx@usaid.gov               |      |
| 10 | United Nations Development Program (UNDP)                  | Name      | Senior Programme Manager UNDP in Ukraine, Prosperity, Poverty Reduction and MDGs | xxx@undp.org                |      |

**Annex 6.3. Donor Reports & Events Monitoring System (REMS)**

|       |      |      |        |              |
|-------|------|------|--------|--------------|
| Donor | SIDA | HELP | Month: | October 2012 |
|-------|------|------|--------|--------------|

**Please check you are using the correct Month's form.**

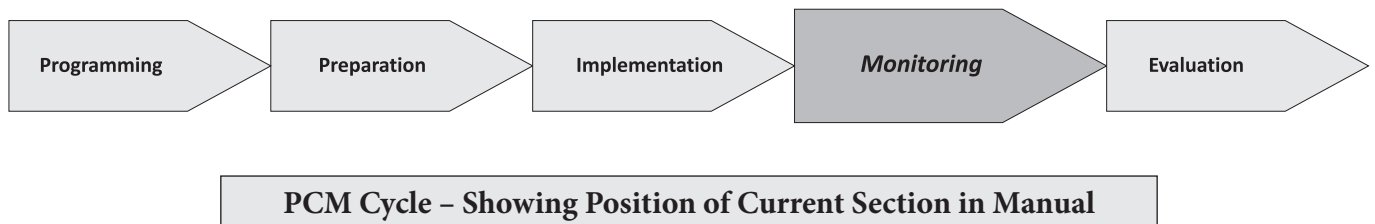
| Document Date | Title | Reference or Project | Received by | Tag | Draft / Presented | Language | Size | Abstract or Link | Comment |
|---------------|-------|----------------------|-------------|-----|-------------------|----------|------|------------------|---------|
|               |       |                      |             |     |                   |          |      |                  |         |

**Table 2 - Future Experts and Events**

| Start Date | Title | Reference or Project | Received by / eneficiary | Tag | Type | Language | End Date | Terms of Reference Summary | Comment |
|------------|-------|----------------------|--------------------------|-----|------|----------|----------|----------------------------|---------|
|            |       |                      |                          |     |      |          |          |                            |         |

## SECTION 7. PROJECT MONITORING

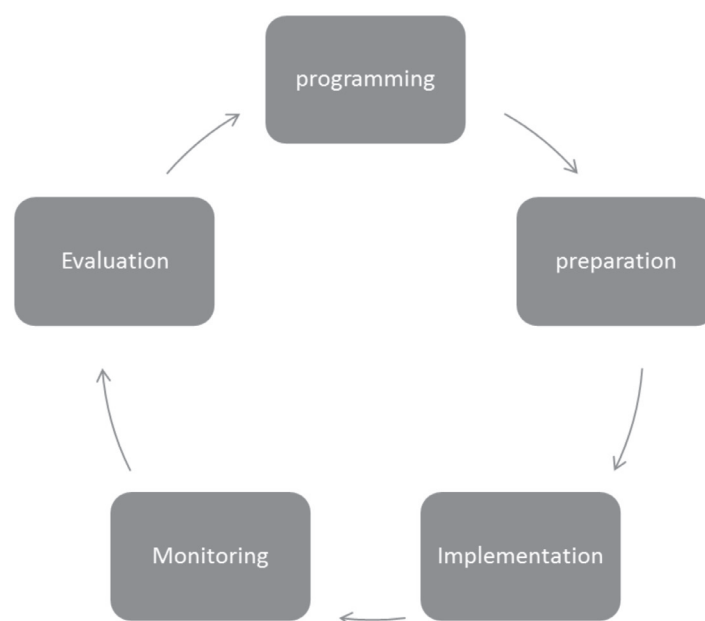
### 7-1. BACKGROUND



*Note: This section must be used in conjunction with Section 4-5 Project Preparation and Implementation*

#### 7-1.1. Project Cycle Management (PCM) and Monitoring

The purpose of project implementation stage is to deliver results planned, achieve project's purpose (specific objective) and to contribute to overall goal of the project. Besides, it is important that all projects manage available resources efficiently and in line with an approved plan. The implementation stage of a project cycle is closely linked to monitoring and evaluation. A process as it is during this stage that planned benefits are delivered and must be monitored to ensure maximum results.



**Figure 7.1. Project cycle management**

The overall purpose of program monitoring and evaluation process and related reporting is to ensure accountability for the use of donor and public (in case of co-financing) funds not only in legal and financial compliance terms but also from the point of view of performance. Program monitoring, evaluation and reporting are also used to improve project design and implementation and learn lessons for the future projects (programming cycles).

More specifically, project monitoring and evaluation in the MoF should be carried out with the following objectives in mind:

- To ensure project implementation is on track – regular monitoring of project implementation allows seeing if the project is delivering expected benefits with the resources agreed. It also allows to identify any deviations from the planned performance thus pointing to potential adjustments to project activities, performance indicators; project management arrangements; or both;
- To improve project design – monitoring and evaluation of project implementation can identify systemic problems in project implementation that stem from its design. For example, a project might have unrealistic objectives or there can be changes in project environment requiring adjustment to objectives, performance indicators, activities, project expert team composition, project budget etc. There also can be cases where quality of produced project outputs is of insufficient quality and corrective action is needed in terms of change of experts;
- To learn lessons for future programming cycles – successful project management requires experience that can be gained only over time and practical application of project management tools and techniques. Lessons learned from project monitoring and evaluation should be used when new projects and donors are being identified, project designed developed, and implementing team being selected.
- To meet external reporting requirements – the above three purposes of monitoring and evaluation are internal to the MoF. Besides, the MoF has quarterly as well as ad hoc reporting obligation to the Ministry of Economy and other stakeholders such as the Presidential Administration. Regular internal monitoring is essential for preparing external reports.

Regular reviews of project progress should involve key stakeholders with direct responsibilities for implementation on the ground (i.e. the project management team). Regular reviews provide a structured opportunity to discuss and agree on the content of progress reports; build a common understanding of key issues/concerns and of actions that need to be taken.

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Such reviews may be more or less ‘formal’, and should take place regularly throughout the implementation period

### **7-1.2. Normative Regulation**

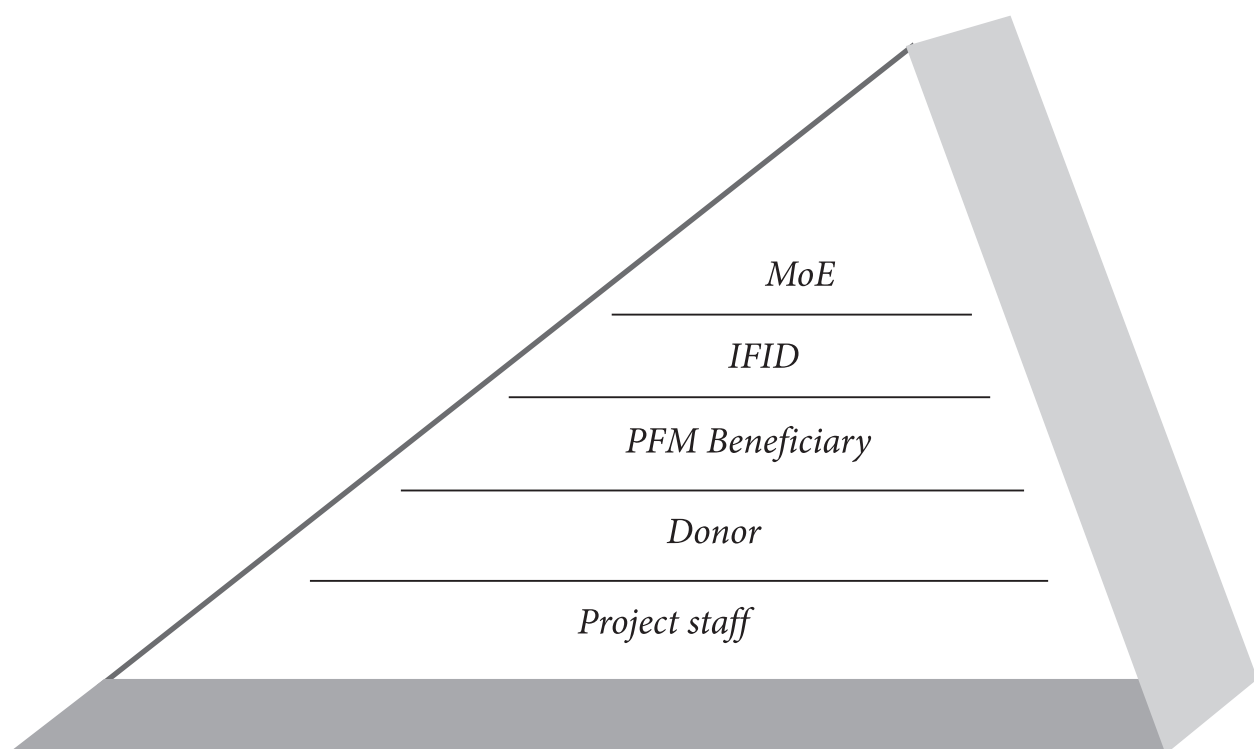
Internal regulation of the MoF identifies the following main requirements as to monitoring and evaluation of projects within the PFM area:

- Beneficiary, MoF, supports and supervises the targeted use of TA project funds by a recipient during the project (program) implementation period. Receiving and preparing regular reports on progress and modifications to the project and managing the Steering Committee.
- The IFID carries out an overall control on donors’ projects (programs) implementation together with authorized donor representatives through participation in relevant project structures (e.g. Steering Committee) during project (program) implementation period (current monitoring), and at the final stage of the project (final monitoring).
- The IFID through its TA unit will request from time to time reports and information on the aid programmes in the PFM. Two reporting mechanisms in particular will be required. A donor matrix form for donor programming and Ministry strategy development for donor funds, and a resources and short-term REMS report to provide information on technical documents available in the PFM sector and future activities in the short-term. The Ministry of Finance provides in the middle of each month, a special Report and Events Monitoring System (REMS) form to each donor. The REMS was developed and introduced in the DCWG meeting as an exchange information system on donor projects products and events for better monitoring and coordination of donor activities by the MoF.
- The IFID could also approach the beneficiary’s departments at the MoF and request information for REMS related to implementation of donor projects / program at the MoF by a special letter. The answer to the letter should be prepared and send back to IFID in three working days.
- The IFID analyses results of current monitoring and arranges for post-evaluation of projects (programmes) and their influence on separate areas or regions.

- Based on the analysis, IFID estimates donor project (program) effectiveness according to verifiable indicators and level of importance of the project (program) for strategic and current development of MoF.

### 7-1.3. Roles and Responsibilities in the M&E Process

Project monitoring and evaluation should be carried out at various levels. Basic roles and responsibilities, which can be tailored to each specific project / donor, are outlined below:



**Figure 7.2. Roles and responsibilities in project monitoring and evaluation**

- **Project Team.** A team of experts that are normally managed by a Team Leader (TL) implements every project (exception being individual experts, for example under the Twining arrangement). The TL is responsible for ongoing monitoring of project implementation. This process is internal to the project. However, at the same time it is the basis for preparing project monitoring reports to all external parties, namely, the donor, beneficiary, and IFID. Types of M&E reports, each project has to prepare at least 4 types of reporting:
  - Internal reports, if any (no required format and frequency);
  - Report to donor (format and frequency as required by each donor);
  - REMS report (format and frequency defined by IFID);

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- Quarterly report to project beneficiary and IFID (format and frequency defined by IFID).

In detail, these reports are described under the M&E sections later in this chapter.

- **Donor organizations** – are critical to project M&E. In case of a direct funding from a donor to a project-implementing agency (normally consulting company), donors undertake their own project monitoring and evaluation, which is based on requirements and procedures approved by that donor. Normally all donors will rely on internal project monitoring reports prepared by projects themselves.
- Based on principles of the Paris and Accra Declarations, all donors are expected to share those reports with the Ukrainian Government – both – project direct beneficiaries and IFID. Practice of sharing such information shall be established in the project ToRs and detailed during inception phase of every project.
- **PFM beneficiary** – an organizational unit of MoF or other PFM sector institution (or in the case of large project with several distinct components – there could be several units – beneficiaries) that directly benefits from a project and therefore guides and oversees its implementation. The PFM beneficiary benefits from the project's results and therefore directly oversees its implementation;
- **IFID** – unit within the PFM sector that is responsible for overall monitoring of implementation of all projects within the PFM. IFID regularly collects information from all PFM beneficiaries / projects about project implementation and prepares accountability reports to both – the Minister and the Ministry of Economy (and any other external party, as required). IFID may also carry out by itself or commission external support for undertaking evaluation of project implementation. Besides, IFID maintains the REMS data base and the Donor Matrix;
- **Ministry of Economic Development and Trade (MoE)** – regularly – on six monthly basis – collects high-level information on project implementation for the whole of Ukraine. Within the MoF, IFID is in charge of organizing the process of data collection. This is done on the basis of specific format (see Annexes 7-3). On the basis of information collected it prepares high-level reports on utilization of development cooperation funds in Ukraine. The MoE coordinates a network of sector committees for coordination of donor programmes (technical assistance) – See Section A for further information.

Every project should have steering committee established. The role of the steering committee is to oversee implementation of the project and to ensure that it meets requirements of project donor and beneficiaries. Generally, any steering committee should involve representatives from the project, donor, PFM beneficiary, and IFID. The later is also responsible for technical organization of meetings of steering committees.

### 7-1.4. Main Differences Between Monitoring and Evaluation

Monitoring and evaluation are both concerned with the collection, analysis and use of information to support informed decision-making. However, before explaining each concept in detail, it is useful to understand the basic differences between the two in terms of who is responsible, when they occur, why they are carried out and the level of focus in terms of the Logframe objective hierarchy. This distinction is shown in the table below.

**Table 7.1. Main differences between monitoring and evaluation**

|              | Monitoring   | Evaluation   |
|--------------|--|--|
| <b>What?</b> | Use of project inputs, implementation of project activities, delivery of expected outputs, relevance of outputs to external environment; efficiency. | Assessment of effectiveness and impact of project's results on project objectives, other impacts. Sustainability and relevance.                                  |
| <b>Why?</b>  | Check progress, take immediate remedial action, and update plans.  | Learn broad lessons applicable to other projects; Provide accountability   |
| <b>How?</b>  | Regular recording of data on progress using agreed monitoring framework (Logframe)   | In depth analysis based on monitoring data and external inputs (from evaluator and stakeholders), use of other than monitoring sources of data widely practiced. |
| <b>Who?</b>  | Project management (TL); donor; IFID; MoE  | Usually is done by or incorporates external inputs (for objectivity), but can be done also by donor or IFID (or on their behalf)                                 |
| <b>When?</b> | Ongoing (regular)  | Periodic – project mid-term, completion, ex-post (some time after project completion); thematic (covering specific topic)  |

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Monitoring and various kinds of evaluation normally have different object, scope and timing. The Figure 7.3. below indicatively shows when monitoring and evaluation normally takes place depending on project life cycle.

### 7-1.5. Preparing for M&E at the Launch of a Project

It is important that every project establishes its monitoring and evaluation framework. Normally it is done at the beginning of the project, e.g. during its inception phase. In cases where such framework has not been established at the start of the project, it should be done as soon as possible. Establishing a monitoring and reporting framework should be a joint responsibility of a project, its donor and beneficiary. It should also involve IFID for validation of approach.

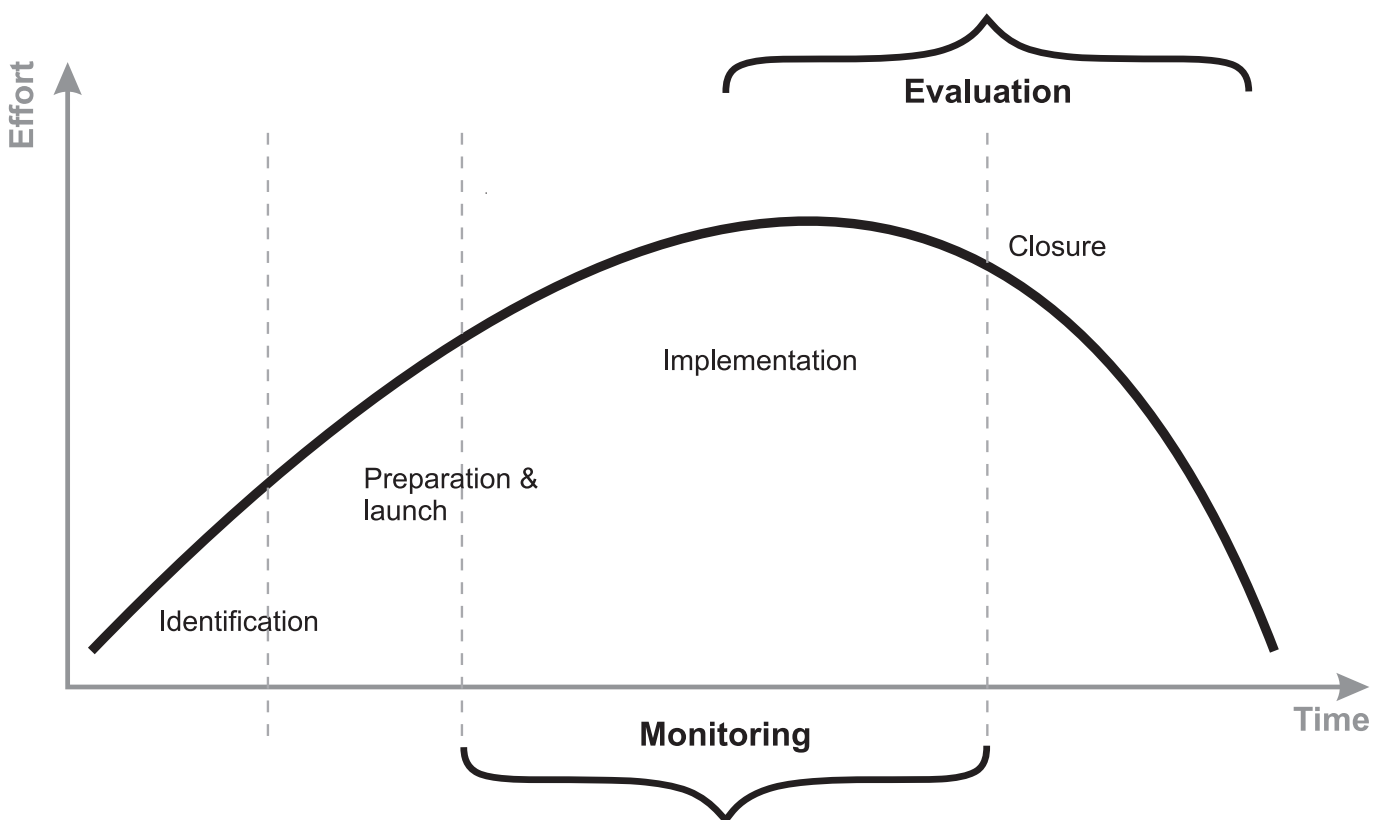


Figure 7.3. Monitoring and Evaluation within the Project Life Cycle

Normally, **monitoring and evaluation** framework of a project consist of four main **tools**:

- **Logical framework** – is the main document outlining project's objectives, results and outputs, activities, their timing and risks and assumptions. Different donors

might use slightly different version of the logical framework matrix. However, differences are not major. MoF does not have one for itself, and generally will use that of a specific donor. Example of a logical framework matrix is presented below:

**Table 7.2. Logical Framework Matrix**

| Project Description   | Indicators   | Sources of verification  | Assumptions  |
|---|--|--|--|
| <b>Overall objective – the project’s contribution to policy or programme objective (impact)</b> | How the OO is to be measured including Quality, Quantity, and Time?            | How the information on achievement of indicators will be collected? By whom, from where, and when? |  |
| <b>Purpose – direct benefits of the target group</b>  | How the Purpose is going to be measured including Quality, Quantity, and Time? | How the information on achievement of indicators will be collected? By whom, from where, and when? | If the Purpose is achieved, what assumptions must hold true to achieve the OO?       |
| <b>Results – changes that occur as the result of project delivering its outputs</b>             | How the Results are to be measured including Quality, Quantity, and Time?      | How the information on achievement of indicators will be collected? By whom, from where, and when? | If Results are achieved, what assumptions must hold true to achieve the Purpose?     |
| <b>Outputs – products that the project delivers as a result of its activities</b>               | How the Outputs are to be measured including Quality, Quantity, and Time?      | How the information on achievement of indicators will be collected? By whom, from where, and when? | If Outputs are delivered, what assumptions must hold true to achieve the Purpose?    |
| <b>Activities – tasks that have to be undertaken to deliver the expected results</b>            |  |  | If Activities are completed, what assumptions must hold true to deliver the Results? |

- **Project risk management matrix** – is a document that summarizes risks that exist in the project environment and identifies strategies that a project team, donor, and beneficiary will take to prevent those risks from happening or minimise their impact in case they take place. Risks are the opposite (negative) side of assumptions (positive). As such they are normally taken from the final project inception report and logical framework. (assumptions column). For example, if the assumption is that there will be a political support for a certain reform, then the risk could be that such support is lacking or inadequate;

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- The inception report should also normally already contain information on how project is intending to address its potential risks. Example of a risk management matrix can be as follows:

| No. | Risk | Impact |      |     | Probability |      |     | Strategy to mitigate risks |
|-----|------|--------|------|-----|-------------|------|-----|----------------------------|
|     |      | High   | Med. | Low | High        | Med. | Low |                            |
| 1   |      |        |      |     |             |      |     |                            |
| 2   |      |        |      |     |             |      |     |                            |
| 3   |      |        |      |     |             |      |     |                            |

- A typical risk management matrix includes the following items:
  - Description of the risk (as opposite or negative condition to that of assumption in the logical framework);
  - Assessment of its impact on project objectives in case the risk materializes or becomes real. Generally this is assessed from high to low;
  - Probability of that risk happening (also from high probability to low); and
  - Proposed project strategy and actions to mitigate or minimize the probability of the risk or dealing with its consequences.
- Work plans – Equally in the inception phase each project is required to prepare activity work programme schedule (work plan) detailing specific activities it will undertake and outputs deliver in line with logic of the logical framework matrix. As a rule, each project should have general activity plan for the whole project with the 1st year being spelled out in more detail. However, these are only indicative. Specific and detailed activities with their timetable are to be prepared on quarterly basis. It is the quarterly work plan, which is used as the main project-monitoring tool within PFM. Typical activity work programme schedule could look like:

| Component:                                      | Xxx (as in Logframe)      | Expected Result: | Xxx (as in Logframe)      |
|---|---------------------------|------------------|---------------------------|
| <b>Outputs to be delivered (as in Logframe)</b> | <b>Planned activities</b> | <b>Progress</b>  | <b>Responsible person</b> |
| xxx   | xxx                       | xxx              | xxx                       |
| xxx   | xxx                       | xxx              | xxx                       |

- Resource plans – contain information on how resources (generally human resource inputs, but very often also financing) are to be used for delivery of activities and outputs. As the resource plan follows activity work programme schedule, they are also for the whole of project, annual and quarterly.

The above documents are required by most donor-funded services and twinning contracts. Exception could be assistance from the STE and Taiex. Therefore all projects jointly with a donor and PFM beneficiary prepare these documents during inception phase. It is responsibility of IFID to review and validate them upon completion of project inception. Once approved by IFID in writing, the documents will then be used as the main framework for monitoring and evaluation.

If the above documents – all or some of them – are missing, project PFM beneficiaries and IFID should jointly request both project and its donor to prepare them and submit for approval to the MoF.

### 7-1.6. Key Concepts and Terms to Know

The above documents that form the core of the M&E system contain structured information. It is important that all parties involved in monitoring and evaluation actions have the same understanding of the main concepts and terminology used.

**Resources** – often called “means” – they are physical and non-physical resources that are necessary to carry out the planned activities and manage the project. A distinction can be drawn between human resources and material resources and financing.

**Activities** – are specific tasks that are performed by a project to produce its outputs. Examples include – preparation of legislation, undertaking of a review, holding a seminar, and carrying out information camping. Depending on specifics of every project, activities can be very detailed or at sufficiently aggregate level.

**Outputs** - measure the immediate and concrete consequences of the measures taken and resources used: e.g.: number of laws prepared, number of teachers trained. Sometimes, like in the approach used by the EU, “outputs” are referred to as “results”

**Outcomes or Results** - measure the results in terms of target group benefits following project’s completion, e.g.: *improved attraction of donor aid, better tax collection, better skilled staff etc. Outcomes usually correspond to specific project objectives;*

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*Impacts* - measure the long-term consequences of the outcomes including longer-term sustainability of outcomes. Outcomes correspond to overall objective of a project;

**Specific objective** – explains what change specifically is expected to take place following implementation of the project. Other words – it shows what the expected benefits to the target group will be. For example, effectiveness of tax collecting authority will be improved as a result of implementing capacity building project.

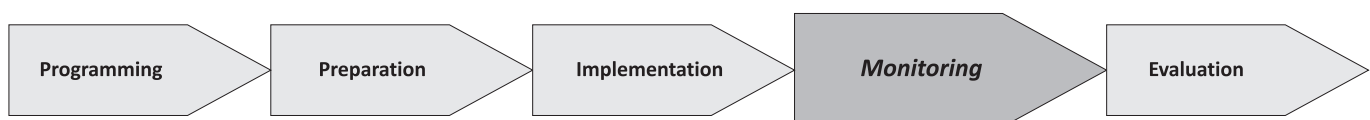
**Overall objective** – explains why the project is important to society, in terms of the longer-term benefits to final beneficiaries and the wider benefits to other groups. They also help to show how the project/programme fits into the PFM policies of the government and donor concerned. The overall objective will not be achieved by the project alone (it will only provide a contribution), but will require the contributions of other programmes and projects as well.

**Indicators** – allow to measure whether planned activities, outputs, and outcomes and impacts have been achieved. Indicator can be quantitative, e.g. number of laws passed, or qualitative, legal framework is in line with EU standards, or both. Indicators are:

- Baseline, e.g. showing the state of play before the project start date;
- Targets, e.g. showing desired level of performance and impact;
- Actual, e.g. the state of affairs at the point of measurement other than baseline.

**Sources of verification** indicate where and in what form information on the achievement of the overall objective, the specific objective or purpose, and the outputs or results can be found and their indicators.

## 7-2. PROCESS



PCM Cycle – Showing Position of Current Section in Manual

During project implementation there should be an ongoing assessment of: (i) the continued relevance and feasibility of the project; (ii) progress in achieving objectives and resources used; (iii) quality of management, including risk management; (iv) prospects for sustainability

of benefits; and (v) action required to correct any non-performance, deviations, adverse impact of external change. This is achieved through ‘monitoring’, which is the systematic and continuous collection, analysis and use of management information to support effective decision-making.

## **OBJECTIVE**

The purpose of the monitoring process stage is to:

- Ensure the project delivers the results, achieve the purpose(s) and contribute effectively to its overall objective;
- Ensure the management of the available resources efficiently; and
- Monitor and report on progress.

The monitoring process is tool or process linked to the implementation stage of the project cycle, which is in many ways the most critical, as it is during this stage that planned benefits are delivered.

This section is focused on larger projects, but the principles can be used for smaller, short term projects.

## **STAKEHOLDERS**

The main stakeholders are the:

- Lead department or organization and counterparts and beneficiaries of project in PFM
- Steering Committee and working groups of project
- Project team
- Aid Management section of technical department and IFID in MoF
- Partner donors
- MoF Departments responsible for policy, funding and legal matters
- National aid coordination organizations
- Other relevant bodies or persons

## **INPUTS**

The main inputs are:

- Guidance on project implementation (sections D Implementation and E Monitoring and Evaluation) and regulations from MoF GoU and IFID

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- Project progress reports and main legal documents
- Relevant current donor advice and Project's technical documents and advice
- Ministry payments and budget expenditure documents
- Supporting documents and working papers
- Regular contact and informal meetings with project staff.

## ACTIVITIES

1. A Monitoring process is established by the MoF Department and Steering Committee.
2. The project's progress reports and technical documents and activities are reviewed and assessed by the technical staff in the department to ensure they meet expectations and agreed with the project. Check project activities performed and indicators.
3. The reports are passed to the technical working groups (and when accepted to the steering committee for approval and feedback).
4. The project plans and proposed activities are modified to suit the revised situation and approved by the Steering Committee.

## OUTPUTS

- Progress reports approved by MoF and steering committee
- Quarterly reports provided to the National Aid Coordinator
- Completed REMS and DoMIS record of technical outputs and activities
- Key findings incorporated into the current project or extension of the project design.

## TOOLS

The above monitoring is carried out using a variety of **M&E tools**. These are briefly described below. Specifically, the frequency of preparing reports is outlined along with identifying the responsible party. Specific format are provided in the annex.

- **REMS report** – is a database, which should be updated by the PFM projects on monthly basis. It includes information on past and planned project events. The purpose of this database is to share project information across PFM sector so that related activities could be identified and coordinated. IFID ensures that inputs from the projects are regular. In case where they are not, IFID should encourage project steering committee to take make such reporting formally mandatory (see REMS form at Annex 6.3) . The REMS software includes interactive help and useful links

to video tutorials on administration of REMS are available in Section 9: Useful links and documents.

- **Quarterly report** – is the main monitoring and reporting document. It is prepared every quarter by the project and submitted to both PFM beneficiary and IFID for information and comments. It is the document that forms the basis of quarterly Steering Committee meetings. Preparation of this report is based on the project work plan (as presented above). Often the project Logframe is also used as the quarterly monitoring framework.
- Quarterly report should provide information on implementation of planned project activities and delivery of outputs during the previous quarter and establish the plan for the next quarter. It should also contain brief information on major achievements that can be highlighted to MoF senior management, as well as point to major problems / concerns and their potential solutions. Finally, it should provide information on whether any changes are required to any of the project documents. These aspects can be covered in a short supplementary letter of PPP presentation to the Steering Committee (or both);
- **Bi-annual report** – is a report prepared by the projects for the Ministry of Economy (MoE) and is cross checked by IFID, who collects these reports from all PFM projects and prepares a Narrative summary report to the MoE. This report is very similar to that of quarterly progress report except that: 1) it should contain information on past two quarters; and 2) it requires some additional information on project goals and indicators of achievement. The format of this report (project monitoring card) is presented in the Annex 7.2.

The Narrative summary report is prepared by IFID. It briefly summarizes overall progress by highlighting major successes that are relevant for the Government level as well as points to urgent problems requiring MoE intervention.

- **Annual progress report** – is based on 4 quarterly reports and focuses on overall project performance vis-à-vis – overall objective, specific objective(s), key outputs and risk management. The purpose of this report is to determine overall project progress, its likely impact and identify whether any corrective action is needed. It also summarizes resource usage in the past year. Project's logical framework, resource plan and the risk matrix are used as the main reference documents in order to prepare this report.

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It is expected that projects prepare draft of this report and submit to IFID. Based on this submission, IFID consults with the PFM beneficiary and the donor as well as the project and holds joint meetings with them, if necessary.

- **Final report** – is prepared at the end of each project. It is done on the basis of project documents outlined such as logical framework. This report should show how the project was implemented, highlight its achievements, major deviations, and identify lessons learned and future needs. The report is prepared by the project and sent for approval to the PFM beneficiary and IFID.

## QUALITY CHECKING

In preparing and assessing above described monitoring reports, the following main questions should be raised:

Operational level: inputs, activities and outputs (mostly quarterly and bi-annual reports):

- Are inputs are being provided on time and within budget?
- Is the use of inputs in line with priorities of the PFM beneficiary?
- Are activities are being implemented on time?
- Are outputs being delivered on time and in quality that is of satisfactory level to the beneficiary?
- Is there is evidence of beneficiaries implementing / applying outputs delivered by the project;
- What are the major operational ongoing risks? Are they being tackled?
- Any other issues?

Strategic level: results, outcomes and impacts (mostly annual and completion reports):

- Are the results are being delivered as planned, are of good quality and the project's target group find / PFM beneficiary them relevant to their needs?
- Are the results being delivered are contributing effectively to the achievement of the project purpose (specific objective)?
- Is the project likely to contribute to the overall objective, and there is evidence that the project's ultimate beneficiaries will indeed benefit from the project?
- Do the project strategy and objectives remain relevant to the needs of beneficiaries?
- Are institutional strengthening and capacity building activities (e.g. policy and systems development, training) being effectively carried out, and skills transferred?
- Is there a plan for the phase out of any external assistance/TA, and the handover of any management responsibilities they may have?

Most of the above monitoring reports will be prepared in the table format (following either the work plan or the resource plan or the risk matrix). On the basis of those reports, IFID should prepare a short narrative report summarizing overall progress, key achievements and pointing to the main problems and potential solutions. It should be no more than 3-5 pages. Information contained in it should be highly strategic – one that is relevant for the senior decision makers at the level of MoF and externally – at the government level.

### 7-3. ANEXXES

#### List of Annexes:

Annex 7.1. Information regarding current international assistance projects and cooperation with donors

Annex 7.2. Project Monitoring Card

Annex 7.3. Information on Actions to improve usage of international technical assistance resources

Annex 7.4. Information on the status of projects, results and conclusions about the effectiveness of existing international technical assistance projects in which the Ministry of Finance of Ukraine is the beneficiary

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**Annex 7.1. Information regarding current international assistance projects and cooperation with donors**

| Donor | Project name | Project components | Project major goals | Project main task according to goals | Task performance / Results achieved |
|-------|--------------|--------------------|---------------------|--------------------------------------|-------------------------------------|
|       |              |                    |                     |                                      |                                     |
|       |              |                    |                     |                                      |                                     |
|       |              |                    |                     |                                      |                                     |
|       |              |                    |                     |                                      |                                     |

**Annex 7.2. Project Monitoring Card**

|                                |   |                                    |  |
|--------------------------------|---|------------------------------------|--|
| <b>Project Name</b>            | <b>Registration number in the MOE</b>                   | <b>Date of previous monitoring</b> | <b>Date of current monitoring</b>          |
|                                |   |                                    | 01.01.2011 – 30.06.2011                    |
| <b>Project goals</b>           |   | <b>Indicators of achievement</b>   |  |
| Project results implementation |   |                                    |  |
| <b>Activities planned</b>      | <b>Results achieved during the previous half a year</b> | <b>Impact on a specific area</b>   | <b>Activities for the next half a year</b> |
| <b>Component 1</b>             |   |                                    |  |
| <hr/>                          |   |                                    |  |
| <b>Component 2</b>             |   |                                    |  |
| <hr/>                          |   |                                    |  |
| <b>Responsible person</b>      |   |                                    |  |
| <hr/>                          |   |                                    |  |
| <b>Recipient's Director</b>    |   |                                    |  |
| Deputy Minister of Finance     |   |                                    |  |
|                                |   | <hr/>                              |  |
|                                |   | (підпис)                           |  |
|                                |   | <hr/>                              |  |
|                                |   | (підпис)                           |  |

**Annex 7.3. Information on Actions to improve usage of international technical assistance resources**

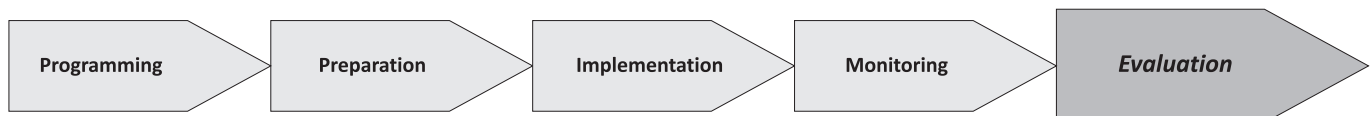
| Donor | Project Name | Project short name | Actions to improve international technical assistance project |
|-------|--------------|--------------------|---|
|       |              |                    |   |
|       |              |                    |   |
|       |              |                    |   |
|       |              |                    |   |
|       |              |                    |   |
|       |              |                    |   |
|       |              |                    |   |
|       |              |                    |   |
|       |              |                    |   |

**Annex 7.4. Information on the status of projects, results and conclusions about the effectiveness of existing international technical assistance projects in which the Ministry of Finance of Ukraine is the beneficiary (Quarterly)**

| № | Donor | Project name (program), # of state registration, Component | Expected results | Status of project implementation/<br>Results achieved | Conclusions on effectiveness |
|---|-------|--|------------------|---|------------------------------|
|   |       |  |                  |   |                              |
|   |       |  |                  |   |                              |

## SECTION 8. PROJECT EVALUATION

### 8-1. BACKGROUND



PCM Cycle – Showing Position of Current Section in Manual

#### 8-1.1. Purpose and Management of the Evaluation Process

Monitoring and Evaluation are often put together, but are actually separate processes (see Section 7 for more information). Evaluation is linked to policy objectives and therefore is treated separately in this manual. Commission areas between Monitoring and Evaluation are covered in section E.

The purpose of evaluation is to make an “assessment, as systematic and objective as possible, of an ongoing or completed project, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both PFM beneficiaries and donors.

Often the evaluation is undertaken by external experts, who provide an independent view on the projects. Therefore the Ministries role in managing an evaluation exercise usually involves the following **major tasks**:

1. Identifying the need for an evaluation and selecting the topics/themes to be evaluated;
2. Designing the evaluation, including preparing the Terms of Reference (more simplified for internal evaluation while detailed for external evaluating. A typical terms of reference should include the following elements:
  - Type (see below) and objective of evaluation
  - Client of the evaluation report and key stakeholders
  - Subject and scope of evaluation (what has to be evaluated)

- Specific evaluation questions;
  - Main forms of evaluation (desk study, interviews etc.)
  - Format of report
  - Deadline
  - Resources
3. Drafting tender documents for the evaluation study and selecting the contractor according to the established rules (in case of external evaluation only);
  4. Carrying out evaluation and ensuring the effective participation of stakeholders and accuracy of information provided;
  5. Ensuring the dissemination of evaluation findings and recommendations.

There are several **principles** that any evaluation must strive towards:

- **Impartiality and independence** of the evaluation process from the programming and implementation functions;
- **Credibility** of the evaluation, through use of appropriately skilled and independent experts and the transparency of the evaluation process, including wide dissemination of results;
- **Participation of stakeholders** in the evaluation process, to ensure different perspectives and views are taken into account; and
- **Usefulness** of the evaluation findings and recommendations, through timely presentation of relevant, clear and concise information to decision makers.

## 8-1.2. Types of Evaluation

There are **different types of evaluation**, which could be grouped by a) the party who carries it out; and b) time when the evaluation takes place. In the first group there are internal and external evaluations. In the second one there are mid-term; thematic; final; and ex-post evaluations. Each type is briefly described below:

- The MoF itself carries out **internal evaluation**. Generally, such evaluation would involve a working group of officials led by the IFID and involving PFM beneficiary and other relevant stakeholders. Such evaluation will not be fully impartial, as it involves affected parties. However, in the absence of resources to fund external evaluation it can be a useful tool to identify project progress and impact and learn

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lessons for the future. The MoF staff should be aware that also the donors can carry out project evaluation internally, e.g. using donor internal staff;

- An independent external evaluator who is commissioned by the MoF (IFID) carries out **external evaluation**. Using of an external expert should ensure impartiality. Therefore it is important that the selection process of the external evaluator is transparent to all parties involved and that the Terms of Reference for his / her work are clear and consulted with all parties including the project;
- **Mid term evaluation** normally takes place in the middle of a larger project (projects of at least 2 year duration). It can be done internally or externally. The purpose of this evaluation is not only to assess progress mid-way through the project but most importantly – to identify if any significant changes are required in terms of log frame, management arrangements, resources and expertise;
- **Thematic evaluation** is very similar to that of the mid-term one except that it can take place at any stage of the project implementation and generally should be focused on some specific aspect / question of project implementation. This can be even questioning continuous relevance of the project, enquiring into its efficiency and effectiveness, or assessing appropriateness of project management arrangements etc. It is very important that specific evaluation question(s) are identified and clearly spelled out in the Terms of reference. For smaller projects thematic evaluation could be internal while for larger ones with more complex questions the MoF (IFID) should seek for an external assessment;
- **Final evaluation** is concerned with actual completion of the project and its immediate results (effectiveness) and their relevance, as well as overall efficiency. Final evaluations are essential for identifying needs for additional assistance as well as learning lessons for future project management. To be fully correct, an external evaluator ideally should carry out final evaluations. However, when there is no possibility for such an arrangement, a “lighter” version of evaluation could be used;
- **Ex-post evaluation** takes place some time after the project, e.g. when project impacts on actual MoF / PFM capacity and their sustainability could be seen and assessed. Primary focus of such evaluation should be on sustainability of project results (also their achievement in cases where there was no final evaluation) and changes in project environment and related needs for further assistance including those stemming from Government priorities. Best, this evaluation is carried out by an external evaluator;

## **8.2. PROCESS**

### **OBJECTIVES**

To establish the success of the project to meet its targets and to make an impact, in the most effective manner.

To provide useful data on the need for further projects and lessons learned.

### **STAKEHOLDERS**

The main stakeholders are the:

- Lead department or organization and counterparts and beneficiaries of project in PFM
- Steering Committee and working groups of project
- Evaluation team
- Project team (only for providing information)
- Aid Management section and IFID in MoF
- Partner donors
- National aid coordination organizations
- Other relevant bodies or persons

### **INPUTS**

The main inputs are:

- Guidance on project implementation (Sections 5 Implementation and 7 Monitoring) and regulations from MoF, GoU and IFID
- Project progress reports and main legal documents
- Relevant current donor advice and Project's technical documents and advice
- Ministry payments and budget expenditure documents
- Supporting documents and working papers
- Regular contact and informal meetings with project staff.
- Quality assessment forms guide-in manual
- Quarterly reports to the Ministry of Economy

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## ACTIVITIES

Note: The evaluation should be taken very seriously as it provides a guide to the achievement on meeting MoF goals and on the potential for the current project (mid-term evaluation) or future projects (final evaluation). A poor assessment can be damaging to the technical department implementing the project.

1. Ensure the project and Ministry Department have all monitoring reports, details on project outputs (technical reports, training undertaken etc.), evaluation of training / activities by participants, financial data, legal documents and steering committee and technical committee meeting. These will be available to the evaluation team.
2. The Ministry department should provide a coordinator for the evaluation (CFE) to work with the independent evaluators, who may come from the donors or the Government of Ukraine evaluation service. The project implementation coordinator is often designated for this task. The coordinator must learn about the evaluation process - guidance on Evaluation is available from the list of internet links provided in the manual links section.
3. The Coordinator (CFE) in conjunction with key stakeholders will review (or prepare) the terms of reference for the evaluation and ensure it is suitable for the evaluation. The evaluation of the work should cover all components of the project and concentrate mainly on the project log frame and ToRs – impacts and results.
4. The coordinator (CFE) will assist in selecting or approving the evaluators and in preparing the Ministry meetings as agreed with the donor and the Ministry – but not agreed with the project team as this could cause a conflict of interest - the evaluator should work independently.
5. The Coordinator and key stakeholders will assist the evaluation team to make an independent assessment.
6. The Coordinator and key stakeholders will receive a debriefing on the evaluation team's finding and review on a draft copy of the evaluation report provided by the team within 1 or 2 weeks. The evaluation report will concentrate on impact, results, sustainability and lessons learned. The Ministry should provide written comments and corrections to the draft report within a 1 week deadline to the evaluation team, copied to the donor (for donor initiated evaluations) or the relevant GoU evaluation unit.

7. The mid – term or final evaluation report should be presented to the Steering Committee (if still operational), a copy provided to IFID, and information placed in the REMS and DoMIS system). The Steering Committee or relevant MoF management level should approve the report and note the lessons learned and potential for future donor projects or extension of current project for mid-term evaluations.

## OUTPUTS

- Approved final on mid – term evaluation report
- All documents securely filed for project closure and archived for the legal period required by Public Finance and donor regulations. Note this period will be for many years.
- Foundation established for new project concept or new direction of current project
- List of methods to improve project effectiveness identified.

When carrying out evaluations, those involved can rely in several **sources**:

- Project Terms of Reference;
- Project Inception Report;
- Original and updated Logframe;
- Monitoring reports (quarterly, annual, completion);
- Any other related reports;
- Selected project outputs;
- Interviews with the project staff, beneficiaries, stakeholders.

When drafting Terms of Reference for Evaluation it is necessary to decide the *relative importance* of each of **the evaluation criteria** for a given study: usually, a mid-term and thematic evaluations will rather focus on questions of continued relevance, efficiency and preliminary indications of effectiveness; whereas final and ex post evaluations are more likely to focus on questions of impact, sustainability and future needs.

Generally the *evaluation report* should mirror the structure of the main evaluation criteria (as below), taking into account the nature of the project, the stage at which the evaluation is carried out, and the users for whom the report is prepared. The following are the main criteria used in evaluations:

- **Relevance** - the appropriateness of project objectives to the problems that it was supposed to address, and to the physical and policy environment within which it operated. It should include and including an assessment of the quality of project preparation and design – i.e. the logic and completeness of the project planning process, and the internal logic and coherence of the project design;

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- **Effectiveness** – an assessment of the contribution made by results to achievement of the project purpose (specific objective), and how assumptions have affected project achievements. This should include specific assessment of the benefits accruing to target groups;
- **Efficiency** - the fact that the project results have been achieved at reasonable cost, i.e. how well inputs/means have been converted into activities, in terms of quality, quantity and time, and the quality of the results achieved. This generally requires comparing alternative approaches to achieving the same results, to see whether the most efficient process has been adopted;
- **Impact** – the effect of the project on its wider environment, and its contribution to the wider policy or sector objectives (as summarized in the project's overall objective);
- **Sustainability** - an assessment of the likelihood of benefits produced by the project to continue to flow after external funding has ended, and with particular reference to factors of ownership by beneficiaries, policy support, economic and financial factors, appropriate technology, environmental aspects, and institutional and management capacity.

### 8-3. ANNEXES

#### Annex 8.1. Outline for an Evaluation Report

The results from the evaluation process should be reflected in the report. A Typical report would involve the following parts:

|  |   |
|--|---|
| <b>Executive Summary</b>               | It should be tightly drafted, and usable as a free-standing document. It should be short, not more than one to five pages. It should focus on the main analytical points, indicate the main conclusions, lessons learned and specific recommendations. Cross-references should be made to the corresponding page or paragraph numbers in the main text that follows.  |
| <b>Main Body</b>                       | The main text should start with an introduction describing, first, the project to be evaluated and, second, the evaluation objectives. The body or core of the report should follow the five evaluation criteria, describing the facts and interpreting or analyzing them in accordance with the key questions pertinent to each criterion.   |
| <b>Conclusions and Recommendations</b> | These should be presented as a separate final chapter. Wherever possible, for each key conclusion there should be a corresponding recommendation. The key points of the conclusions will vary in nature but will often cover aspects of the evaluation criteria. The ultimate value of an evaluation depends on the quality and credibility of the recommendations offered. Recommendations should therefore be as realistic, operational and pragmatic as possible. Recommendations should be carefully targeted to the appropriate audiences at all levels. |
| <b>Annexes</b>                         | <ul style="list-style-type: none"> <li>• Terms of Reference of the evaluation;</li> <li>• Names of the evaluators and their companies;</li> <li>• Methodology applied for the study (phases, methods of data collection, sampling etc.);</li> <li>• Logical Framework matrices (original and improved/updated);</li> <li>• List of persons/organizations consulted;</li> <li>• Literature and documentation consulted;</li> <li>• Other technical annexes (e.g. statistical analyses).</li> </ul>   |

## **SECTION 9.** **USEFUL LINKS AND RESOURCES**

### **9-1. Donors' Country Strategy Papers and Regulatory Environment for Aid Management in Ukraine:**

#### **DONORS COUNTRY STRATEGY PAPERS:**

- 1. EC - Ukraine. National Indicative Programme 2011-2013**  
[http://eeas.europa.eu/delegations/ukraine/documents/eu\\_ua/2011\\_enpi\\_nip\\_ukraine\\_uk.pdf](http://eeas.europa.eu/delegations/ukraine/documents/eu_ua/2011_enpi_nip_ukraine_uk.pdf)
- 2. EU – Ukraine. The Association Agenda**  
[http://eeas.europa.eu/delegations/ukraine/eu\\_ukraine/political\\_relations/association\\_agenda/association\\_agenda\\_uk.htm](http://eeas.europa.eu/delegations/ukraine/eu_ukraine/political_relations/association_agenda/association_agenda_uk.htm)
- 3. IMF and Ukraine** - <http://www.imf.org/external/country/ukr/index.htm>
- 4. GIZ in Ukraine** - <http://www.giz.de/en/worldwide/302.html>
- 5. SIDA Strategy for development cooperation with Ukraine: 2009-2013**  
<http://www.government.se/sb/d/574/a/94005>
- 6. UNDP in Ukraine** - <http://www.undp.org.ua/>
- 7. USAID in Ukraine** - <http://ukraine.usaid.gov/>
- 8. World Bank – Ukraine. Country Partnership strategy for 2012-2016**  
<http://www.worldbank.org/en/country/ukraine/overview>

#### **REGULATORY ENVIRONMENT FOR ITA IN UKRAINE (basic documents):**

- 9. Ukraine Economic Reform Programme for 2010-2014**  
[http://www.president.gov.ua/docs/Programa\\_reform\\_FINAL\\_1.pdf](http://www.president.gov.ua/docs/Programa_reform_FINAL_1.pdf)

10. **Attracting, Usage and Management Technical Assistance in Ukraine** (CoM Regulation No 153 of 15 Feb., 2002)
11. **Strategy for Modernization PFM in Ukraine** (CoM Resolution No 888-p, 2007)  
<http://zakon3.rada.gov.ua/laws/show/888-2007-%D1%80>
  - 11.1. **Concept for development of the PFM area in Ukraine.** (CoM Resolution 03 Sept, 2012, № 633-p)
12. **MoF Strategic Plan for 2011-2013**  
[http://www.minfin.gov.ua/control/publish/article/main?art\\_id=280343&cat\\_id=280342](http://www.minfin.gov.ua/control/publish/article/main?art_id=280343&cat_id=280342)
13. **The plan on priority actions for the European Integration** for Y2011 (CoM Resolution 29 June, 2011, No. 612p)  
<http://zakon1.rada.gov.ua/laws/show/612-2011-%D1%80>
14. **The Deep and Comprehensive Free Trade Agreement (DCTFA)** (CoM Resolution of 15 June, 2011, No 548)

## 9-2. Useful Resources and Links:

15. **DoMIS** database for on overview of PFM related policy document titles and donor projects (Access available through the IFID)
16. **Europe Aid**  
[http://ec.europa.eu/europeaid/index\\_en.htm](http://ec.europa.eu/europeaid/index_en.htm) (also in Polish)
17. **European Union Delegation of Ukraine:**  
[http://eeas.europa.eu/delegations/ukraine/projects/overview/index\\_en.htm](http://eeas.europa.eu/delegations/ukraine/projects/overview/index_en.htm)
18. **List of EC glossaries:**  
[http://ec.europa.eu/translation/english/guidelines/documents/glossaries\\_on\\_europa\\_en.pdf](http://ec.europa.eu/translation/english/guidelines/documents/glossaries_on_europa_en.pdf)
19. **International technical assistance: ways to increase effectiveness.**  
L. Kistersky, T. Lypova, Monograph - 2010. (in Ukrainian)

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**AID PROGRAMMING AND IMPLEMENTATION GUIDE**

**Section 9. Useful links and resources**

20. **Managing a steering committee- general guide**  
[http://www.wcilt.com/pdfquark/steer\\_handbook.pdf](http://www.wcilt.com/pdfquark/steer_handbook.pdf)
21. **OECD:** – <http://www.oecd.org/development/>
22. **PRAG:** Practical Guide to Contract Procedures for EC External Actions – European Commission: Includes a glossary in the annexes.  
<http://ec.europa.eu/europeaid/prag/document.do;jsessionid=T3FqQsXML11V3Q2yj9wl8yJLJTb5Gg6p2QZT4CD1QvNgHL1ZRWTX!-1486556020>
23. **Project Cycle Management Guideline** – Volume 1-Aid Delivery Methods March 2004, European Commission:  
[http://ec.europa.eu/europeaid/multimedia/publications/publications/manuals-tools/t101\\_en.htm](http://ec.europa.eu/europeaid/multimedia/publications/publications/manuals-tools/t101_en.htm)
24. **Public Finance Assessment of Ukraine.** Report. SIGMA. – October, 2011
25. **Public Finance Management Performance Report.** Ukraine. - 2012
26. **REMS** useful tutorial programmes (in English and Ukrainian):

| Video Title  | English Link  | Ukrainian Link  |
|--|---|---|
| 1. REMS Folder layout explanation  | <a href="http://www.youtube.com/watch?v=VQFXKLwZc3E">http://www.youtube.com/watch?v=VQFXKLwZc3E</a> | <a href="http://youtu.be/94JUwHvukCQ">http://youtu.be/94JUwHvukCQ</a> |
| 2.Ukr REMS admin - How to combine files                                    | <a href="http://www.youtube.com/watch?v=RQN05evSiAA">http://www.youtube.com/watch?v=RQN05evSiAA</a> | <a href="http://youtu.be/uWPLco_tQV8">http://youtu.be/uWPLco_tQV8</a> |
| 3.How to Prepare files for Next month                                      | <a href="http://www.youtube.com/watch?v=OQomv54E26Y">http://www.youtube.com/watch?v=OQomv54E26Y</a> | <a href="http://youtu.be/4Nrp7zazl8Y">http://youtu.be/4Nrp7zazl8Y</a> |
| 4.Donor file structure - How to add a new Donor and change drop down boxes | <a href="http://www.youtube.com/watch?v=V7oztlbS-WI">http://www.youtube.com/watch?v=V7oztlbS-WI</a> | <a href="http://youtu.be/3R_x6ub1slY">http://youtu.be/3R_x6ub1slY</a> |

27. **TAIEX in Ukraine:** <http://www.center.gov.ua/eng/>
28. **Twinning Unit for Ukraine:** <http://twinning.com.ua/index.php?lang=ukrainian>
29. **Ways and Tools for Euro-integration.** O. Plotnikov, I. Kistersky, Article. – Newspaper of the Verkhovna Rada of Ukraine ‘Golos Ukrainy’ – of 23 March, 2012 (in Ukrainian)  
<http://www.golos.com.ua/Article.aspx?id=252184>



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