Research Paper

Kataryna Wolczuk and Darius Žeruolis

Ukraine Forum | August 2018

Rebuilding Ukraine
An Assessment of EU Assistance

Contents

Summary

- Ukraine opted for political association and economic integration with the European Union (EU) when it signed an Association Agreement (AA) in 2014. The agreement is unprecedented in that the country has committed to reforms without having the prospect of EU membership. However, the scale of Ukraine's reform commitments is not matched by its capacity to implement them.

- The EU's assistance from 1992 to 2013 helped to raise awareness of European rules and standards in Ukraine, but had a negligible impact on the functioning of state institutions.

- Since 2014, the EU has stepped up its assistance and has in effect supported the rebuilding of Ukrainian state institutions.

- A number of important innovations have been introduced. These include the creation of the dedicated Support Group to Ukraine (SGUA), longer and bigger assistance programmes (under devolved agreements), staff positions dedicated to reform, and extensive macro-financial assistance.

- At the macro level, the SGUA's coordination and planning of assistance have focused on developing an approach that embraces whole sectors. In contrast, assistance before 2014 consisted of a large number of individual projects. The SGUA has led to much better coordination with other international donors.

- Ukraine has benefited from the expertise of high-level EU officials in the country. Their expertise has supported both the political and technical aspects of interactions with the Ukrainian government.

- At the micro level, much of the EU's support is in the form of technical assistance projects. These can be effective in transferring specific technical knowledge and skills, but their narrow focus and short time scales are far less beneficial for institution-building. All international donors face this problem, but EU assistance is particularly affected.

- Given the challenge of transforming Ukrainian institutions, a smarter, more flexible and more differentiated approach to using EU assistance for individual projects is needed. This paper offers a number of recommendations for addressing the shortcomings identified.

1. Introduction

Ukraine opted for economic integration with the European Union (EU) when it signed an Association Agreement (AA) in 2014. The agreement, which includes a Deep and Comprehensive Free Trade Area (DCFTA), is unprecedented in terms of the reform commitments made by a country without the prospect of eventual EU membership.[1] Once the agreement is implemented, Ukraine will benefit from increased trade, integration into the EU single market, and institutional and socio-economic modernization.[2]

However, the scale of Ukraine's reform commitments is not matched by its capacity to implement them. All post-communist countries suffered from this type of mismatch in the 1990s. It is especially pronounced in those post-Soviet countries with no foreseeable prospect of receiving investments from EU structural and cohesion funds.

Notwithstanding this caveat, Ukraine has taken on its commitments precisely to kick-start domestic reforms and to complete its transition from a post-Soviet country to a liberal democratic state with a functioning market economy. After a quarter of a century of institutional malaise, this requires a fundamental transformation of state institutions and the economy.

Essentially, the AA-DCFTA is a bilateral agreement that regulates relations between the EU and Ukraine and also contains a free-trade area. The agreement covers a large swathe of the EU *acquis* – the accumulated body of acts and court decisions that constitute EU law. As well as removing (or lowering) tariffs and quotas, the AA-DCFTA will progressively align Ukraine's regulatory frameworks with those of the EU.[3] This process is known as 'legal approximation', whereby EU rules are incorporated into national laws and institutions are created or reformed to administer those rules. Legal approximation is often viewed as a technocratic, 'low-politics' process. Yet it can have a profound impact on how national institutions function.

Crucially, the implementation of the AA-DCFTA is premised on strong state capacity to enact new rules. State capacity refers to the state's institutional capability to design and carry out a range of public policies that deliver benefits and services to citizens and business. This capacity is precisely what Ukraine lacks. Herein lies the paradox: Ukraine has pursued the agreement as a template for reforming the state, perhaps because this offers the best chance of reform, but does not possess the capacity to implement it. Building state capacity entails having a long-term vision that may need to override short-term political gain. It could be argued that because European integration requires long-term planning, there is a lack of political will to go through with it – since the political class tends to focus on short-term political and economic priorities in order to stay in power. This tension

[1] Blockmans, S. (2017), *The Obsolescence of the European Neighbourhood Policy*, Brussels: Centre for European Policy Studies, and London: Rowman and Littlefield International.
[2] Ecorys and CASE Ukraine (2007), 'Trade Sustainability Impact Assessment for the FTA between the EU and Ukraine within the Enhanced Agreement', http://trade.ec.europa.eu/doclib/docs/2008/january/tradoc_137597.pdf (accessed 12 Jun. 2018). For a more recent and general analysis see Adarov, A. and Havlik, P. (2016), 'Benefits and Costs of DCFTA: Evaluation of the Impact on Georgia, Moldova and Ukraine', Vienna Institute for International Economic Studies and Bertelsmann Stiftung, https://wiiw.ac.at/benefits-and-costs-of-dcfta-evaluation-of-the-impact-on-georgia-moldova-and-ukraine-dlp-4111.pdf (accessed 12 Jun. 2018).
[3] For a compact and accessible analysis of the AA-DCFTA, see Emerson, M. and Movchan, V. (eds) (2018), *Deepening EU-Ukrainian Relations: What, why and how?*, London: Rowman and Littlefield International.

demonstrates why it is particularly important to develop state capacity to implement reforms regardless of changing political configurations and wavering political will.[4]

In recognition of the gulf between commitment and capacity, the EU provides substantial assistance to Ukraine. Alongside other donors, it has offered aid to the country since the early 1990s, but recently the nature of its assistance has evolved significantly.

EU assistance to Ukraine over nearly three decades has been complex and multifaceted, and has had positive consequences. In broad terms, integration with the EU became a lynchpin of the country's reform process. More specifically, tangible successes, such as obtaining a visa-free regime, were directly linked to EU demands and aid. Now, the assistance aims to increase the capacity of the state to implement the commitments embedded in the AA.

This paper assesses the scope and type of assistance being provided, focusing on its dynamic nature and the relative effectiveness of different components.[5] There has been little analysis of EU assistance per se.[6] Various EU documents exist that outline the scale and amounts of assistance. But there has been little systematic, in-depth and independent assessment of the intended results and actual impact of these efforts in Ukraine.[7]

As with other countries in the EU's European Neighbourhood, supporting Ukraine's efforts to implement the reforms required for integration will continue to present challenges for the EU, but these echo wider and well-recognized problems facing most international donors. In Ukraine, the fundamental challenge is the weakness of state institutions; the country's notorious corruption and state capture are just symptoms of this.[8]

While the availability of sufficient assistance funds is important, so too is the effectiveness with which they are used to reform state institutions.[9] Since 2014, the EU has launched important innovations that have already made a marked difference; as a result, assistance to Ukraine is now systematic, dynamic and tailored. However, the main improvements have taken place at the macro level, with the European Commission adopting a more strategic approach that embraces whole sectors and coordination with various donors. At the micro level, however, there remains much room for improvement, with ineffective modes of aid – through technical assistance – still on offer.

---

[4] State capacity cannot be simply reduced to policymaking capacity. The creation and implementation of rules are premised on a range of factors, such as levels of horizontal organization across sectors (coordination), organizational culture, bureaucratic efficiency and so on.
[5] For earlier studies, see Gressel, G. (2016), *Keeping up Appearances: How the EU is supporting Ukraine's transformation,* ECFR, http://www.ecfr.eu/publications/summary/keeping_up_appearances_how_europe_is_supporting_ukraines_transformation; Chromiec, J. and Koenig, N. (2015), 'Supporting Ukraine's Difficult Path Towards Reforms', Policy Paper 143, Jacques Delors Institut–Berlin, http://www.institutdelors.eu/wp-content/uploads/2018/01/ukrainekoenigchromiecjdienoct2015.pdf?pdf=ok (accessed 12 Jun. 2018).
[6] Particip GmbH, Analysis for Economic Decisions, Development Researchers' Network, Deutsches Institut für Entwicklungspolitik, European Institute for Asian Studies, Instituto Complutense de Estudios Internacionales, and Overseas Development Institute (2010), *Evaluation of the European Commission's Cooperation with Ukraine (2002–2009)*, Rome: Particip-ADE–DRN-DIE–ECDPM-ODI, https://ec.europa.eu/europeaid/strategic-evaluation-eu-cooperation-ukraine-2002-2009_en (accessed 12 Jun. 2018).
[7] The website of the European Commission's Directorate General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR) lists external evaluations commissioned since 2006; the list is very short for Ukraine and thematic evaluations are even fewer. The most relevant study, on the 2002–09 period, notes that EU projects in those years achieved their intended outputs, but that there were few attempts to evaluate their results and outcomes. The two most significant recommendations were about monitoring outcomes and impacts of supported interventions and applying a sector-wide approach more widely. Only the latter was implemented by the European Commission.
[8] For a comprehensive analysis of the reforms in Ukraine, see Ash, T., Gunn, J., Lough, J., Lutsevych, O., Nixey, J., Sherr, J. and Wolczuk, K. (2017), *The Struggle for Ukraine*, Chatham House Report, London: Royal Institute of International Affairs, https://www.chathamhouse.org/publication/struggle-for-ukraine (accessed 12 Jun. 2018).
[9] While the focus here is on assistance aimed at state institutions and infrastructure, other domestic actors, such as civil society, media and business also play a pivotal role, not least because they can put pressure on the government to change policies. It would be useful to analyse the effectiveness of EU support for these non-state actors, but this is beyond the scope of this paper.

2. The Association Agreement: Ukraine's Demand for Integration

The AA had rather inconspicuous – and inauspicious – origins.[10] In the early 2000s, Ukraine had persistently sought a new agreement to replace the EU–Ukraine Partnership and Cooperation Agreement that was then in effect. The EU had agreed to open negotiations in 2007, and these negotiations – including those for the DCFTA – concluded in 2011. The signing of the AA was repeatedly postponed, however, amid EU concern over a general deterioration of democratic standards under Viktor Yanukovych's 2010–14 presidency and specifically the 'selective justice' applied to his political opponents (especially the former prime minister, Yulia Tymoshenko). The EU made signing the AA contingent on enacting specific democratic reforms, something that was anathema to the president, whose government was intent on monopolizing power and associated with the embezzlement of state funds.

Russia was keen to exploit this predicament. It conducted a campaign in 2012–13 to pull Ukraine into its own Eurasian integration project and away from the EU.[11] It engaged in a trade war with Ukraine in the summer of 2013 and threatened to cut economic ties if Kyiv concluded the AA; at that point trade with Russia accounted for about one-third of Ukraine's external trade. As Yanukovych's position worsened owing to a recession in late 2013, Russia offered Ukraine a financial package and lower energy prices. Despite the strings attached, the offer was too enticing for Yanukovych to resist. Against huge public expectations, he did not sign the AA at the Eastern Partnership summit in Vilnius in November 2013. His U-turn triggered mass protests in Ukraine. These quickly evolved into the so-called 'Revolution of Dignity' and eventually resulted in his regime disintegrating in February 2014.

Ukraine's new leadership spurned Russian overtures and proceeded to foster closer ties with the EU. Russia retaliated with punitive measures, including illegally annexing Crimea, initiating a 'limited' war in Donbas and applying various economic sanctions.[12] These actions exposed the weakness of the state and plunged Ukraine into severe economic decline in 2014 and 2015. Despite all these challenges, the country's new leadership signed the AA in June 2014.

Russian militancy[13] presents particular foreign policy challenges for the EU in its Eastern Neighbourhood. The EU has sought to address this, in dealings with the countries of the Eastern

[10] Ukraine demanded a new agreement with the EU for several years before the negotiations started in 2007. Subsequently, the offer of a new agreement was made to other Eastern Partnership countries. Moldova and Georgia signed their agreements in November 2014.
[11] Dragneva, R. and Wolczuk, K. (2015), *Ukraine between the EU and Russia: The Integration Challenge*, Basingstoke, UK: Palgrave Macmillan.
[12] Ibid.
[13] Ibid. See also Ash et al. (2017), *The Struggle for Ukraine*.

Partnership (EaP),[14] by using its transformative power to compensate for its lack of geopolitical clout – as Richard Youngs summarizes:

> The EU has declined to offer EaP states full protection or assume responsibility for their security and territorial integrity. It has offered neither the prospect of EU accession, nor major new benefits short of membership. Overall, European financial support to EaP partners has increased, but not dramatically. If the EU has not fully retreated from the region, neither have its efforts sufficed to gain significantly more strategic influence over EaP states.
>
> [However], the EU has been both more insistent that its geopolitical advantage lies in its focus on democratic reforms in EaP partners and less rigid in the tactics through which it pursues that focus. The reform-oriented dimension of EU policies is now framed and calibrated more instrumentally as a tool of purposive power – sometimes enhanced for this use, at other times set aside where this is judged to be geopolitically optimal.[15]

Ukraine is a key country in which the EU has stepped up its support for reforms, with EU assistance acquiring particular salience as ‘a tool of purposive power’. But as the term implies, this means that assistance does need to be used purposefully and effectively.

The AA-DCFTA and rebuilding the state

The crisis in Ukraine’s state institutions has been evident since the collapse of the USSR in 1991. The post-Soviet countries in general, and Ukraine in particular, represent a curious and unprecedented case of the retreat of the state, marked by a precipitous decline, even in comparison to the Soviet era, in the capacity of government to deliver public goods for citizens. In Ukraine, the problems caused by that hugely reduced capacity pervade national, regional and local state structures. This is, at least in part, a Soviet legacy. As real power was vested in the Communist Party, state institutions never developed autonomous policymaking capacity; therefore, when Ukraine became independent state officials literally did not know how to design and implement public policies. This led to a collapse in the state’s ability to function once the communist system had been so abruptly abandoned.

The catastrophic economic decline that followed the collapse of the Soviet Union led to comprehensive state capture and rent extraction in Ukraine (in other words, the extensive siphoning of resources from the state into private hands). The state institutions remained intact but mostly failed to carry out their formal functions. Informal networks and practices filled the vacuum, resulting in the emergence of fiefdoms controlled by powerful, newly enriched oligarchs as well as various coteries of state officials-cum-business people. As these various actors began to control (often via proxies) state institutions in order to better influence policy, it became impossible to distinguish between state and business interests. Predictably, these actors blocked reforms that were unfavourable to their interests. This prevalence of ‘early winners’, combined with the presence of unmotivated and poorly paid civil servants, made it extremely difficult to implement the reforms

[14] Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.
[15] Youngs, R. (2017), ‘Is “hybrid geopolitics” the next EU foreign policy doctrine?’, EUROPP Policy Brief, LSE European Institute, London: London School of Economics, http://blogs.lse.ac.uk/europpblog/2017/06/19/is-hybrid-geopolitics-the-next-eu-foreign-policy-doctrine/ (accessed 12 Jun. 2018).

needed to ensure that the Ukrainian state worked for society as a whole rather than for a few insiders.

Given this context, many Ukrainians continued to pursue what they believed was the main hope for reform in Ukraine: closer ties with the EU. The Ukrainian officials who negotiated the AA between 2007 and 2011 aimed to open up the country to external influence and thereby force their leadership to implement long-overdue reforms. Negotiators had a mandate from the top to take on commitments commensurate with EU membership aspirations – an aspiration first enunciated by President Leonid Kuchma in 1998 and endorsed by his successors.[16] Ukraine's leaders, however, paid little attention to the content of the proposed agreement, apart from a few selected issues that mattered to their close entourage. Once Yanukovych came to power in 2010 his close associate, Andriy Kluyev, swiftly concluded the negotiations. The president, meanwhile, accelerated the hollowing out of state institutions and the plundering of state resources. The events of 2014 vividly exposed the fragile nature of state institutions and the weakness of the economy, showing that Ukraine was in no position at that time to implement the agreement.

Implementation of the agreement will require the state to be rebuilt. Ukraine will need to eliminate or diminish the influence of vested interests that permeate every aspect of the state apparatus. This is why the EU's assistance needs to focus on state institutions. As one EU official in Ukraine observed in 2016:

> The government apparatus is probably too big for the purposes the country needs it to serve. And it is certainly not up to delivering the kind of public service quality that Ukraine requires. We could compare the government's central administration to a company with 220,000–230,000 employees. It is all but bankrupt, but we need this company regardless because it has, so to say, a monopoly on the product it delivers. So we have to reorganize it.[17]

[16] On Ukraine's negotiations with the EU, see Dragneva, R. and K. Wolczuk (2014), 'The EU-Ukraine Association Agreement and the Challenges of Inter-Regionalism', *Review of Central and East European Law* 39(3–4).
[17] EU in Ukraine Cooperation News (2016), 'EU Diplomat: Ukraine's Public Administration Needs New Talent', 1 November 2016, https://euukrainecoop.com/2016/11/01/public-administration/ (accessed 12 Jun. 2018).

3. EU Assistance to Ukraine

Until 2014, the EU, like many other donors, assumed that Ukraine had weak but nevertheless functioning state institutions that merely needed some assistance to perform more effectively. This assumption was shattered in 2014. In recognition of the formidable sacrifices made by Ukrainian society, and of the challenges facing the state, the EU has since provided support to Ukraine well beyond what it usually offers to 'third countries'; this support is at a level second only to that for pre-accession countries. The EU institutions and member states collectively are the biggest donor in Ukraine,[18] while the EU's delegation there is the second-largest that it maintains anywhere in the world after that in Turkey.

The EU has increased its assistance to Ukraine considerably in comparison to pre-2014 levels. It has also made important innovations in this field.

Scale of assistance

Between 1991 and 2015, the EU offered Ukraine assistance worth €12.1 billion: €8.3 billion in loans and €3.8 billion in grants (the former have to be repaid).[19] This has been distributed via a large number of instruments, initiatives and facilities.[20] The largest amount (€2.3 billion) was made available through the European Neighbourhood Policy Instrument (ENPI), which became the European Neighbourhood Instrument (ENI) in 2014. This was followed by €862 million dedicated to the Nuclear Safety Instrument, including investment in the Chernobyl Shelter Fund. The EU also provided macro-financial loans (worth €4 billion overall), European Investment Bank loans (€3.9 billion) and Euratom loans (€383 million) between 1991 and 2015.

On average, Ukraine received €50 million to €70 million per year under the Technical Assistance to the Commonwealth of Independent States programme up to 2004. Under the ENPI, this increased to between €100 million and €150 million per year in 2005–13, as a result of a reformed European Neighbourhood Policy and the Orange Revolution in 2004. Following the Revolution of Dignity in 2014 and the signing of the AA, EU assistance through the ENI has risen to more than €200 million annually.

The level of EU grant assistance to Ukraine is difficult to gauge, as there is no single publicly accessible source of data for this. In addition, some EU information is not publicly available (for data from the OECD, see Annex 2). However, an analysis of available sources suggests that grants have increased by only €60 million under the 2014–20 EU Multiannual Financial Framework, up

[18] EU institutions make up the biggest donor when loans are included. EU member states provide extensive assistance on a bilateral basis, but the exact amounts are difficult to gauge due to its diffuse nature. See Annex 2.
[19] European Commission (2016), 'Support Group of Ukraine. Activity Report. The First 18 Months', https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/pdf/key-documents/ukraine/20161028-report-sgua.pdf (accessed 12 Jun. 2018).
[20] European Neighbourhood Policy Instrument (ENPI) National Programme, ENPI Cross-border co-operation programme, ENPI Regional East programme, Neighbourhood Investment Facility, Neighbourhood Civil Society Facility, Instrument for Nuclear Safety Cooperation, Human rights (EIDHR) programme, Migration programme, Environment programme, Investing in people programme, Anti-landmines programme, Contribution to Science and Technology Centre in Ukraine, (financing of) Fuel Gap, ECHO (humanitarian assistance), and Instrument contributing to stability and peace.

from €1.5 billion for the 2007–13 framework.[21] Loans, however, have increased significantly since 2014. They stood at €7.1 billion in 2014–16, up from €2.9 billion in 2007–13 and €858 million in 1991–2006.[22] More is promised by 2020.

How does Ukraine compare with Central and Eastern European states?

Comparisons are frequently made between the EU's financial support to Ukraine and that provided to Central and Eastern European states before they joined the EU. Usually these comparisons emphasize how meagre the assistance to Ukraine is, especially given its needs and obligations under the AA-DCFTA.[23] However, a more correct comparison is with the pre-accession assistance in the form of grant allocations that the Central and Eastern European states received. Such a comparison provides a more nuanced picture (see Table 1 and a more detailed breakdown in Annex 1).

Table 1: EU pre-accession assistance to Central and Eastern Europe, 1990–2006,* grant allocations (commitments)

Country	Total, € million	Per capita €
Bulgaria	2,943	360
Czech Republic	1,220	119
Estonia	511	357
Hungary	1,987	195
Latvia	712	291
Lithuania	1,126	321
Poland	6,122	159
Romania	5,264	233
Slovakia	913	170
Slovenia	443	221
Total Central and Eastern Europe	**21,239**	**203**
Ukraine (1991–2006)	1,751	35
Ukraine (1991–2016)	3,824	79
Ukraine total (1991–2020)**	**4,830**	**100**

* Including Transitional Facility, which was implemented in 2004–06. ** For 2017–20, only the European Neighbourhood Instrument bilateral programmes are included, i.e. not all grants, so the overall total and per capita allocation are likely to be bigger.

[21] This is based on: European Commission (2016), 'Support Group of Ukraine Activity Report. The First 18 Months'; Delegation of the European Union to Ukraine (2017), 'Ukraine and the EU', https://eeas.europa.eu/delegations/ukraine/1937/ukraine-and-eu_en (accessed 12 Jun. 2018); European Court of Auditors (2016), 'Special Report on EU Assistance to Ukraine', Luxembourg: European Court of Auditors, http://www.eca.europa.eu/Lists/ECADocuments/SR16_32/SR_UKRAINE_EN.pdf (accessed 12 Jun. 2018). Assuming that the cut-off year separating the two financial perspectives in the 2016 SGUA report is 2013, the total amount of grants committed to Ukraine in 2007–13 was €1.5 billion. The data from the European Court of Auditors suggest that the overall EU grant commitment for Ukraine for 2014–20 is €1.56 billion. Of this amount, according to the EU delegation website, €1.1 billion has been committed to specific programmes and projects (and this increases to €1.34 billion if humanitarian assistance and peacebuilding operations are included).

[22] European Commission (2016), 'Support Group of Ukraine. Activity Report. The First 18 Months'; Delegation of the European Union to Ukraine (2017), 'Ukraine and the EU'.

[23] See, for example, Adarov and Havlik (2016), 'Benefits and Costs of DCFTA'.

Sources: European Commission, Phare Programme Annual Reports 1996, 1997, 1998, 1999; European Commission, General Reports on Pre-accession Assistance (Phare-ISPA-SAPARD) 2000, 2001, 2002, 2003; Business and Strategies Europe (2015), 'Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia', https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/phare/evaluation/2015/20150806-phare-ex-post-evaluation-final-report.pdf (accessed 12 Jun. 2018); European Commission (2016), 'Support Group of Ukraine. Activity Report. The First 18 Months'; US Census Bureau, International Database, https://www.census.gov/data-tools/demo/idb/informationGateway.php, (accessed 18 Apr. 2018).

Note: Data from 2000 onward exclude allocations received through horizontal, regional and part of the nuclear safety programmes. Amount of assistance per capita data are based on average of national populations in 1990, 1995, 2000 and 2005 (and 2010 and 2015 for Ukraine).

In this comparison, what Ukraine has received is hardly meagre. Moreover, by 2020 EU grants to Ukraine will have reached about €4.8 billion. In absolute monetary terms this will comfortably exceed, or in a couple of cases approach, the levels of assistance provided earlier to the countries of Central and Eastern Europe prior to their accession (although on a per capita basis the assistance to Ukraine is much lower than that provided to the accession countries).[24] Yet despite the comparatively generous financing, it is unlikely that by 2020 Ukraine will have achieved even half of the reforms implemented by these countries.

There is no simple answer as to why this is the case. Clearly, domestic factors – including Soviet legacies, institutional erosion in the 1990s and a chronic lack of political will among the elites – have been pivotal. But until 2013, international assistance in general, and EU assistance in particular, was insufficiently geared towards addressing the fundamental problems facing Ukrainian state institutions.

Nor is this pervasive institutional weakness a recent discovery. Already by the late 1990s all major donors to Ukraine had begun to appreciate that institutional reform was far more complex than originally thought. Hence institutional development became the new priority from the late 1990s and early 2000s.[25] But it is evident that 20 years of assistance to Ukraine achieved only a negligible impact on the functioning of state institutions.

The blame for such problems is usually placed on the 'beneficiary' country. Yet among countries receiving international assistance, a lack of political will for reform and weak institutions are hardly a phenomenon unique to Ukraine. Indeed, such shortcomings provide the very rationale for assistance in the first place. To be effective, assistance has to factor in domestic barriers to reforms and address the underlying weaknesses of institutions. If domestic elites do not reform on their own initiative, international donors can incentivize them and/or promote reformist actors who will, and develop suitable types of interventions to maximize the chances of success.

To its credit, since 2014 the EU has recognized these challenges and reformed many aspects of its assistance accordingly. It has focused strategically on the reform-oriented dimension of its policies. Yet some aspects of its old approach persist.

[24] It would be higher if bilateral assistance by the EU member states, the US, Canada and Japan were taken into account. Bilateral assistance was not as much for the Central and Eastern European states. For example, the US alone committed $3.6 billion to Ukraine in 2001–16, see USAID (nd), 'U.S. Foreign Aid by Country', https://explorer.usaid.gov/cd/UKR?measure=Obligations&fiscal_year=2016 (accessed 12 Jun. 2018). Germany's developmental assistance to Ukraine in 2017 was €377 million; the UK annually spends about £30 million. Jarábik, B., Sasse, G., Shapovalova, N., and De Waal, T. (2018), *The EU and Ukraine: Taking a Breath*, Carnegie Endowment for International Peace, http://carnegieendowment.org/2018/02/27/eu-and-ukraine-taking-breath-pub-75648 (accessed 20 Mar. 2018).
[25] Leitch, D. (2016), *Assisting Reform in Post-Communist Ukraine, 2000–2012: The Illusions of Donors and the Disillusion of Beneficiaries*, Stuttgart: ibidem Press.

Innovations

Prior to the AA-DCFTA, the main forms of EU assistance to Ukraine consisted of budgetary support and technical assistance (including 'twinning'),[26] administered by the EU delegation in Kyiv and the European Commission in Brussels.[27] Since 2014, however, the EU's assistance has changed significantly.[28] This section looks at the main innovations and changes. A further, important part of the assistance to Ukraine is the advisory mission by EU member states addressing civilian security issues (see Box 1) – however, that is not the main focus of this paper.

The Support Group for Ukraine

One significant innovation occurred with the establishment by the president of the European Commission of the Support Group for Ukraine (SGUA) in April 2014. This group consists of about 35 officials from the Commission and member states, and is headed by Peter Wagner, a Commission director. The SGUA aims to act as a 'catalyst, facilitator and supporter of reforms'.[29] Among EU institutions, it is the main coordinating body for assistance to Ukraine across various directorates-general in the European Commission and European External Action Service. At the same time, SGUA experts have gained detailed knowledge of specific sectors in Ukraine. Some of the officials are based in the country as part of the operational section of the EU delegation.

The SGUA has also coordinated the efforts of other European and international donors. As a result, the SGUA is able to liaise with various parts of the Commission (such as the directorates-general for trade and energy) to identify the country's needs and tailor assistance accordingly. Unlike some other donors, the EU in general (and the SGUA in particular) has promoted a sector-focused approach in Ukraine since 2014. It also matters that SGUA members bring specific sectoral experience from their work in their own countries (EU member states).

The sector-focused approach allows for a comprehensive strategy – from capacity-building to policy implementation – that is more effective than isolated and sporadic interventions aimed at single state institutions or policy measures. Thus, it marks an important shift from the pre-2014 period. For example, in 2002–09 EU assistance was delivered through a large number (692) of small projects, while a sectoral approach was applied only in one policy area, the rural sector. The SGUA focuses on state-building issues (e.g. justice and anti-corruption), as well as on the strategic coordination and programming of assistance. These are precisely the areas that had been underdeveloped until 2014. The Commission and the SGUA have also taken on a broader mandate with regard to fundamental reforms, such as public administration.

The shift to a sectoral approach is pivotal, as one expert with direct experience of working on EU projects explains:

[26] Twinning provides assistance to institutions in recipient countries from their sister institutions (i.e. functional equivalents) in EU member states in various areas, such as customs and anti-monopoly authorities.
[27] For an overview of the various projects and diversity of instruments, programmes and initiatives in Ukraine, see the European Commission (2017), 'Overview of EU Assistance to Ukraine'.
[28] Humanitarian aid to internally displaced citizens from occupied territories in eastern Ukraine is another innovation but not directly relevant to the implementation of AA-DCFTA. The European Union has spent €399 million in humanitarian aid since 2014. Mission of Ukraine to the European Union (2017), 'EU's assistance to Ukraine', http://ukraine-eu.mfa.gov.ua/en/ukraine-eu/eu-policy/assistance (accessed 12 Jun. 2018).
[29] European Commission (2016), 'Support Group of Ukraine. Activity Report. The First 18 Months'.

> Appropriate use of sectoral reform strategies means that tasks are prioritised and done in the right order to enable individual reforms to build on each other in a systemic way. The lack of sectoral strategies leads to chaotic interventions with inappropriate sequencing, little linkage and therefore little real impact. Premature interventions mean resources could have been used for higher priorities and late interventions mean time pressure and delay in dependent interventions or project outputs. Lack of coordination of strategies leads to duplications, gaps and political and technical tensions and inefficiencies.[30]

The sectoral approach also requires strong coordination with other international donors that seek to support the same sectors. In Ukraine, such coordination is a major undertaking. As of mid-2017, there were about 260 projects ongoing in the country that were funded by the EU and its member states. The clustering of assistance around specific sectors complicates coordination further. Some sectors are inundated with international support, which can lead to overlap and duplication of efforts, whereas others, such as healthcare, receive relatively little assistance. One example of successful donor coordination can be seen in the reforms to decentralize government since 2014.

Without proper coordination, it can be difficult for the EU to promote coherent sector-wide reforms when other donors favour a different reform strategy. The presence of other donors may also make it more difficult for the EU to adopt a more assertive position *vis-à-vis* the beneficiary institutions, as there is an element of competition. This can lead to inefficiency, duplication or rivalry in providing assistance, which the beneficiary can exploit. The SGUA and EU delegation are able to coordinate assistance in areas such as public administration reform (PAR) with other donors, including EU member states, which provide considerable assistance to Ukraine (see Annex 2). This also allows different assistance instruments to be mixed and blended, often in coordination with financial institutions such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank.

At the same time, the EU can only provide support once the legal and political frameworks for the reforms of public institutions are decided by the Ukrainian government.[31] This is not a simple task. It requires pressuring the Ukrainian government to prepare sectoral strategies, which then can be supported by the EU and other international donors.

Overall, the SGUA, alongside a large EU delegation in Kyiv, has proven its worth. It has benefited from broad support within the European External Action Service; and high-level backing from Johannes Hahn, the commissioner for European neighbourhood policy and enlargement negotiations, and Katarína Mathernová, the deputy director-general of the Directorate-General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR), both of whom adapted their institutions' assistance to Ukraine in response to challenges on the ground.

At the macro level, the SGUA has been able to tailor its supply of assistance and expertise to Ukrainian needs. As a result, assistance has become more systemic, focusing on strengthening state

[30] Moody, R. (2011), 'Is EU Law an Appropriate Model for National Legislative and Judicial Reform in the Context of European Integration?', Master of Laws (LLM) Dissertation, Huddersfield, UK: The University of Huddersfield.
[31] The EU explicitly recognizes in its key strategic framework for Ukraine, 'the need to programme assistance within the framework of national sector strategies, supported by costed Action Plans and evidence of ownership by the Government'. European Commission (2017), 'Summary of the Single Strategic Framework for Ukraine, 2018–20', https://www.gtai.de/GTAI/Content/DE/Trade/Fachdaten/PRO/2017/11/Anlagen/PRO201711205003.pdf?v=1 (accessed 12 Jun. 2018).

capacity rather than merely facilitating legal approximation. The EU has been able to deploy a mix of instruments in a comprehensive way, with clear conditions and accompanying policy dialogue, as well as coordinating strategically with member states and other donors. This hybrid approach is not in itself a particular innovation – it has been done elsewhere by the EU – but its application to the challenges of reform in Ukraine represents an important innovation. With the SGUA and its considerable staff capacity, together with the European delegation, the EU is able to assist with implementation of reform much more robustly than before.

The SGUA has mediated between Kyiv and Brussels by helping the Ukrainian authorities to access the relevant directorates of the European Commission. However, the Commission's staff can only devote limited attention to Ukraine, given their wide responsibilities. This has hampered the process. While the EU has concluded ambitious and complex agreements with the countries of the EaP, including Ukraine, capacity within individual directorates has not increased accordingly. Moreover, such agreements have added to the already heavy workload of staff. DG NEAR and the directorates dealing with trade, health and food safety have chiefly been able to focus on Ukraine to complement the work of other EU bodies. This reflects the rather diffuse 'ownership' of the AA implementation process across EU institutions.

Local knowledge

In the complex institutional context of the EU, the SGUA plays a central role in building 'local knowledge' – that is, a deep understanding of how Ukraine works in terms of its institutional framework, sector-wide problems, key stakeholders and assistance provided by other donors. This is indispensable for designing and delivering effective assistance.

Studies of the factors determining success and failure in international development all point to the primacy of 'domestic politics'.[32] From the late 1990s, amid growing disenchantment with 'technically sound but ultimately unsuccessful interventions', several donors, including the US Agency for International Development, the World Bank and the UK Department for International Development, moved to incorporate better understanding of beneficiary countries' local political contexts into their assistance planning.[33] As a result, the World Bank has pioneered a political economy analysis,[34] while various international agencies also conduct their own political analysis as a pre-condition for intervention. The EU also experimented with political economy analysis, but discontinued the initiative as the analyses often became too theoretical. Ultimately, though, what matters is not the particular mode of delivery of such expertise (e.g. written analysis) but that it is continuously updated and appropriately applied, so as to inform assistance and support reform measures.

Local knowledge is important both at the macro and micro levels – not only for the design of sectoral support but also for the implementation of assistance through individual projects. Success

[32] Teskey, G. (2017), 'Thinking and Working Politically: are we seeing the emergence of a second orthodoxy?', Abt Associates, p. 3, http://www.abtassociates.com/White-Papers/2017/Paper-Thinking-and-Working-Politically-–-Are-We-Se.aspx (accessed 12 Jun. 2018).
[33] Fisher, J. and Marquette, H. (2016), '"Empowered patient" or "doctor knows best"? Political economy analysis and ownership', Development in Practice, 26(1), https://doi.org/10.1080/09614524.2016.1119249 (accessed 12 Jun. 2018).
[34] Fritz, V., Kaiser, K. and Levy, B. (2009), *Problem-Driven Governance and Political Economy Analysis: Good Practice Framework*, World Bank, https://www.openknowledge.worldbank.org/handle/10986/16777.

hinges on effective cooperation with beneficiary institutions, which in turn necessitates a solid grasp of the domestic context on the part of the assisting institutions. In other words, effective assistance is not so much about exporting ‘best practice’ as about devising sound and feasible solutions that are appropriate to the problems faced by specific institutions in the beneficiary country.

This type of knowledge is particularly useful in the case of countries such as Ukraine, where informal practices – pervasive even in formal institutions – often result in extensive rent extraction. Every sector has its vested interests and reform blockers, which so-called ‘reform coalitions’ need to overcome.[35] Fortunately for donors, Ukraine is also rather transparent when it comes to information on informal networks, rent-seekers, oligarchs and so forth, particularly as civil society knows ‘who is who’.

However, it is not always evident that the EU and other donors take advantage of this unusual availability of information when designing and implementing assistance projects at the micro level. Within the EU, knowledge of local context is more difficult to achieve because managers overseeing assistance projects are required to focus on implementation, despite not always having relevant sector and country experience. As a result, project officers and experts are not geared towards developing and harnessing this deep knowledge when implementing technical assistance and twinning projects.

The EU delegation and the SGUA, in principle, are well positioned to be depositories of such deep knowledge. Indeed, there is formidable expertise within both. It is certainly useful that some SGUA staff are based in Kyiv and can work closely with the EU delegation staff. However, the high turnover of SGUA staff – many of whom are seconded by member states – replicates a problem found elsewhere in EU institutions. Local knowledge is required to inform the active oversight of individual technical assistance projects, both by SGUA staff and operational staff from the EU delegation. Presently many of these projects are overseen only by the EU delegation, without sufficient attention from the SGUA.[36]

Ukraine lacks a functioning and effective mechanism for coordinating European integration, making the need for understanding the local context especially important. It started to create such a mechanism in the late 2000s, but many leading civil servants (especially those who negotiated the AA-DCFTA) left their positions during the Yanukovych presidency. In 2014, the Governmental Office for European and Euro-Atlantic Integration (GOEEI) was established in the Secretariat of the Cabinet of Ministers in a coordination role. However, building such an institution takes time, as does developing sufficient political and administrative capacity for it to coordinate AA-DCFTA implementation effectively.

By now, the GOEEI could have developed into a powerful policymaking hub capable of leading – rather than merely managing – European integration. However, as often happens in Ukraine, the coordination mechanism was reset following the change of government in 2016. A post of deputy prime minister for European and Euro-Atlantic integration was created, but its formation coincided

[35] Ash et al. (2017), *The Struggle for Ukraine*.
[36] Few staff members of the SGUA are already based in the EU delegation in Kyiv.

with a loss of staff in the GOEEI. This disruptive reset took place at the very time when the AA came into force. It took 18 months for the reformed office to regain full control of the integration process.[37] No doubt, it will take several more years before the office is in a position to lead implementation of the AA-DCFTA and associated reform process effectively – and even this is contingent on its work not being disrupted yet again by political developments. The EU has been unable to put pressure on the Ukrainian government to ensure the continuity and stability of the integration coordination mechanism. In recognition of this weakness, the EU ambassador to Ukraine, Hugues Mingarelli, has been highly active in engaging the Ukrainian government to galvanize it into action and help clear various political blockages.

On the Ukrainian side, coordination and planning remain weak points for implementation of the AA-DCFTA, particularly where sectoral reforms are concerned. There are numerous action plans, strategies, 'road maps' and 'score cards' in various policy fields. However, these deal with the total scope of reform, focusing on integration-oriented rather than targeted, resource-based implementation plans. As a result, Ukraine has many plans, which for the most part are very general and lack focus. For example, there is the EU–Ukraine Association Agenda (endorsed by the EU–Ukraine Association Council in 2015), the Medium-Term Plan of Priority Actions for the Government until 2020 (adopted by the cabinet in 2016), and the Action Plan for Implementation of the Association Agreement (adopted by the cabinet in 2017). However, as a rule, these do not deal with sectoral priorities for implementing the AA-DCFTA and/or address them in insufficient detail. Crucially, they lack any indication of budgetary implications.

This lack of policymaking capacity makes it essential for EU assistance to compensate for these deficiencies.

Hiring staff to reform institutions

Given the weakness of the state, another important innovation has been supporting the creation of 'reform posts' in the government. This is an initiative aimed at civil servants. It is entirely separate from decisions on the structure of the government, such as political appointments of deputy ministers in charge of European integration in individual ministries. The EU's support for a PAR strategy creates 'fiscal space' for the Ukrainian government to make strategic appointments of civil servants capable of reforming institutions. The EU does not usually support staffing costs for public administration institutions in third countries, but the PAR initiative stemmed from a realization that reformers within Ukraine's state institutions were too few. With some exceptions at ministerial level, the reform process in 2014–17 was largely driven by ad hoc teams of 'quiet' reformers, mainly located in middle-level positions within the government. By late 2017, however, a large number of these informal teams had collapsed, as many reform-minded officials simply could not survive on state salaries or were pushed out by those opposed to reform.[38]

[37] The Cabinet adopted a fully revised and consolidated Action Plan for implementing the AA-DCFTA until 2020 and approved the new IT monitoring tool (PULS) in autumn 2017. In March 2018, the Action Plan was made publicly available at: https://www.kmu.gov.ua/storage/app/media/uploaded-files/zakhodiv-z-implementatsii-ugodi-mizh-ukrainoyu-ta-es-vid-25-zhovtnya-2017-roku.pdf.

[38] Interview with Olena Tregub, former official from the Ministry of Economic Development and Trade, February 2018.

An early initiative included the establishment of reform support teams (RSTs) – largely financed through donors (mainly the EU), and administered by the EBRD. In addition, the EU supports the Strategic Advisory Group for Support of Ukrainian Reforms, which is made up of high-level international advisers to the government.

After the government approved the PAR strategy in 2016, and after extensive deliberation, the European Commission announced a €90 million programme to assist its implementation, with the first €10 million disbursed soon after.[39] This type of budget support for PAR allowed the government to pay higher salaries for up to 2,000 'reform posts', the intention being to continue supporting these positions until such a time as the anticipated savings from reforms themselves enabled salaries to be fully financed from the domestic budget.[40]

The scheme was piloted in the autumn of 2017. It involved the Secretariat of the Cabinet, 10 line ministries and two state agencies.[41] Following a highly competitive selection procedure, with input from EU experts, more than 100 civil servants were recruited into reform posts by early 2018. The officials are mostly employed in the newly created Strategic Planning and Policy Coordination Departments[42] and Policy Directorates in the line ministries. According to participants on both sides of the selection process, the quality of the intake so far has been relatively high, with new recruits as well as already employed civil servants moving to higher-paid posts with wider responsibilities.[43] There are justifiable concerns that the scheme could in effect result in a 'two-tier' civil service – in which pay differences undermine morale – but no better idea has yet emerged for bringing dedicated reformers into the government.

Offering proper remuneration to civil servants who are committed to, and capable of, reforming state institutions is crucial. Political buy-in at the top level is needed, but even with the most committed politicians (who are in short supply in Ukraine), the quality of reforms will ultimately depend on the capacity of the civil service. Given its potential long-term impact, this innovation should be seen as one of the most important to have been implemented in Ukraine.

Scaling down budgetary support

Devising effective modes of assistance has been a major challenge for donors around the world. The EU's experience in Ukraine is not unique in that regard. In the 1990s and 2000s, the dominant form of assistance was technical. By the late 2000s, the limited effectiveness of this approach was recognized. Partly as a consequence, in 2008 budgetary support was introduced that aimed to finance 'policies and not projects'. Ukraine received €344 million across six areas (energy strategy, energy efficiency, trade, the environment, transport and border protection) between 2008 and 2014. Budget support was nominally tied to progress in reforms, but this conditionality was not

[39] Secretariat of the Cabinet of Ministers of Ukraine (2017), Україна отримала 10 млн євро на підтримку реформи держуправління [Ukraine received €10 million to support public administration reforms], press release, 13 May 2017, https://www.kmu.gov.ua/ua/news/249974002.
[40] Directors of departments may expect monthly remuneration to be in the region of €2,000, while experts can earn about €1,000 and heads of groups of experts earn somewhere in between.
[41] European Commission and High Representative of the European Union for Foreign Affairs and Security Policy (2017), 'Association Implementation Report on Ukraine', Brussels: European External Action Service, https://eeas.europa.eu/headquarters/headquarters-homepage/35604/association-implementation-report-ukraine-joint-staff-working-document_en (accessed 12 Jun. 2018).
[42] Coordination of European integration activities falls within their remit, among other functions.
[43] Interviews with officials in the Ministries of Justice and Finance, and the Secretariat of the Cabinet of Ministers, November 2017.

successful.[44] Indeed, the EU was soon criticized for its lax approach. In the words of two Ukrainian analysts in 2010, 'the EU continues to ignore the unreformed state of Ukraine's government institutions, giving them hard cash for the budget despite the fact that Ukraine does not meet EU criteria for allocating this kind of assistance'.[45] Indeed, it could be argued that budget support was introduced too early – before state institutions were sufficiently reformed to manage the financial inflows effectively.

With its limited effectiveness recognized, budget support was scaled down by 2014. What remained was used only for removing technical barriers to trade between Ukraine and the EU, and for supporting transport, environmental and border-management policies. By 2017, these programmes had expired. EU budgetary support continues only for the Energy Strategy of Ukraine (an energy efficiency project), and is scheduled to run until May 2020. Most importantly, since 2014 budget support has been accompanied by stricter and more detailed conditionality. However, such support still can and should be used strategically. The PAR strategy is an example of the appropriate multifaceted mix of assistance for reforms and policy implementation in Ukraine.

Delegated agreements

Since 2014, the EU has introduced a new form of assistance in several sectors in Ukraine: so-called 'delegated agreements'. These are resource programmes implemented by development agencies of EU member states.[46] What makes these agreements innovative is the more proactive way in which they enable the identification and deployment of member states' relevant expertise, and how they support more flexible, needs-based implementation. The agreements demonstrate how the EU and its member states' assistance portfolio can be adapted to new methods of implementation.

The first €90 million package was provided at the end of 2015, targeting administrative decentralization (the reforms also included the improvement of local administrative services). The programme was principally implemented by the development agencies of Germany and Sweden, with Poland's development agency playing a minor role. In 2017, a €16 million anti-corruption programme started, implemented by Denmark's development agency.[47] Several other programmes have been launched, including Support Rule of Law Reforms in Ukraine (PRAVO) for judiciary and law enforcement.

These delegated agreements speed up award allocation procedures, allow for longer term projects, introduce needs-driven flexibility in implementation, and combine support instruments (for example, investment, technical assistance and twinning). Moreover, they benefit from the experience of member states with a record of addressing policy and reform issues.

The broader sectoral experience of staff from developmental agencies of EU member states and the flexibility of the delegated agreements are improving the effectiveness of assistance to Ukraine.

[44] See Open Society Foundation (2014), 'Report on Budget Support Provided to Moldova, Georgia and Ukraine', http://archive.eap-csf.eu/assets/files/WG1_EU%20Budget%20support_last_en.pdf (accessed 12 Jun. 2018).
[45] Granovsky, V. and Nanivska, V. (2010), 'Eurointegration: Rest', *Inside Ukraine*, 11, Kyiv: International Centre for Policy Studies, p. 15.
[46] This approach has previously been used for the EU's assistance to other regions of the world, notably Africa.
[47] €15 million from the EU funds and €1.34 million from Denmark. See European Commission (2017), 'EU and Denmark launch Euro 16 million EU Anti-Corruption Initiative in Ukraine', press release, 1 February 2017, https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/eu-and-denmark-launch-euro-16-million-eu-anti-corruption-initiative-ukraine_en (accessed 12 Jun. 2018).

However, managing such large programmes is challenging. The complexity of the different programmes creates risks of duplication or fragmentation unless there is tight central control and oversight.[48] Ongoing fine-tuning of these programmes is required in order for them to succeed.

Box 1: The European Union Advisory Mission Ukraine

The European Union Advisory Mission (EUAM) Ukraine is a unique part of the EU's assistance to Ukraine. The EUAM offers support on civilian security issues, which is provided by the EU member states party to the Common Security and Defence Policy, while other EU assistance is channelled through or implemented by the European Commission. The EUAM began operations from its headquarters in Kyiv in December 2014 and is now also present in Lviv, Kharkiv and Odessa. It aims to create a civilian security sector that is efficient, accountable and trusted by the public.[49] At the time of writing, the EUAM employs 256 advisory staff from 20 EU member states (as well as from Norway, Canada and Switzerland) and 15 local administrative support staff.[50]

The EUAM represents a compromise solution between the Ukrainian request for the EU to provide an armed police mission in the conflict zone in the east of the country and the EU's initial soft-power (advisory) response. Although EU support for security sector reform in third countries is well established, including through advisory missions,[51] Ukraine is unique in that the mission has been deployed during the war with Russia rather than as a post-conflict instrument.

The presence of the EUAM demonstrates the EU's strategic interest in countering Russia's aggression and its influence in Ukraine's civilian security sector. However, the EUAM is primarily designed as a 'normative' project to empower local actors in an effort to free the civilian security sector of corruption and Soviet-era practices. It relies on relatively weak tools (advice and, more recently, training), which cannot be effective without a locally shared vision of what the Ukrainian security sector should be like.[52]

The deployment of such a mission without a proper analysis of the situation in Ukraine led to a chaotic start, which frustrated Ukraine and EU member states. However, the EUAM quickly found its feet by initially implementing smaller projects. As a result, it is now being treated as a credible partner by Ukrainian institutions. It has also managed to resolve rivalries[53] with the EU delegation, the SGUA and other technical assistance and twinning projects.

The EUAM is a demanding mission to maintain, due to the breadth of its activities. It occasionally requires approval for its plans from the Political and Security Committee of the Council of the EU; but the mission acts independently as a successful strategic player by choosing the reforms it supports.[54] An expanded regional presence and a shift from bureaucratic advice to fieldwork, including hands-on training, modest

[48] Interviews with DG NEAR and European External Action Service (EEAS) officials in Kyiv.
[49] EUAM Ukraine (2018), 'Our Mission', http://www.euam-ukraine.eu/ (accessed 12 Jun. 2018).
[50] Interview with Kęstutis Lančinskas, head of EUAM, 19 February 2018, Kyiv. In November 2017, the Council of the EU prolonged the mandate of EUAM until May 2019, with an overall cost of €32 million. It is understood that this amount also includes an investment component of several million euros. Council of the European Union (2017), 'EUAM Ukraine: Mission Extended, Budget Approved', press release, 20 November 2017, http://www.consilium.europa.eu/en/press/press-releases/2017/11/20/euam-ukraine-mission-extended-budget-approved/ (accessed 12 Jun. 2018).
[51] See the *Evaluation and Fitness Check Roadmap for Evaluation of EU support for Security Sector Reform in Enlargement and Neighbourhood Countries (2010-2016)*, to be completed in the first quarter of 2018, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/evaluation_roadmap_ssr_07112016_final.pdf (accessed 12 Jun. 2018).
[52] Rieppola, M. (2017), 'The EU Advisory Mission Ukraine: Normative or Strategic Objectives?', EU Diplomacy Paper, Bruges: College of Europe, https://www.coleurope.eu/research-paper/eu-advisory-mission-ukraine-normative-or-strategic-objectives (accessed 12 Jun. 2018).
[53] Ibid. Rieppola argues that rivalry with the EU delegation was initially far more damaging to the EUAM's credibility than its ill-prepared mission to assist the Ukrainian institutions.
[54] Ibid.

investment in infrastructure and improved working conditions of local counterparts have also helped establish the mission.

The need to achieve broad political buy-in from as many EU member states as possible (through deployment of their experts) and the relatively short rotation periods of experts (one-and-a-half to two years) reduces the scope for developing specific local expertise in the security sector. The EUAM continues to depend on the Political and Security Committee for overall direction and consequently is rather slow operationally. While it has managed to achieve some strategic objectives, with the limited tools at its disposal its objective of empowering local actors still very much depends on the willingness of Ukrainian institutions to cooperate.

Overall, this cooperation is satisfactory but security sector reform is still uncertain. Thus, the EUAM is focusing on engaging with local actors and supporting bottom-up pressure for security sector reform. Its geopolitical significance, however, remains undisputed.

Macro-financial assistance

Another EU innovation has been macroeconomic assistance. Building on two earlier programmes, the EU offered a further €1.8 billion in macro-financial assistance to Ukraine in 2015. This was to ease the country's urgent external financial obligations, alleviate its balance of payments and budgetary needs, and strengthen its foreign exchange reserves. The assistance consisted of three equal tranches of €600 million, subject to Ukraine fulfilling certain conditions. The memorandum of understanding between the EU and Ukraine includes a list of structural reform policy measures that the government committed itself to implementing in order to receive the second and third instalments of assistance. The measures required to qualify for the second tranche include 12 key aspects of reforms ranging from fiscal governance to public administration, while the third tranche is conditional upon deepening the reforms in these areas.[55]

The first tranche was paid in 2015 but the second was delayed because the Ukraine government did not satisfy the agreed implementation conditions. It introduced a wood export ban that breached the memorandum of understanding, which stipulated that Ukraine should refrain from implementing new trade-restricting measures. Nevertheless, the EU agreed to release the second tranche in 2017, as otherwise the funds would have been re-directed to other EU priorities. This sent the wrong signal as it implied that the EU was satisfied with the reform work of Ukraine's leadership. It also negated the EU's efforts to use macro-financial conditionality to exert pressure on the government. The EU, however, refused to disperse the third tranche in November 2017, due to Ukraine's continued breach of several conditions. Soon after, the government requested additional macro-financial assistance, which the EU promised to deliver on the condition that Ukraine's International Monetary Fund (IMF) programme remains on track. If and when a fourth

[55] Memorandum of Understanding between the European Union and Ukraine (2015), 'Macro-Financial Assistance for Ukraine, Loan Facility from the European Union of up to 1.8billion EUR', 22 May 2015, Riga, https://www.eurointegration.com.ua/files/d/4/d42bb98-mfa.pdf (accessed 31 Jul. 2017).

macro-financial assistance programme is approved, it should be accompanied by more strategic and tailored conditionality.

Technical assistance and its limits[56]

DG NEAR and the SGUA have increased the effectiveness of EU funding for Ukraine primarily through identifying needs and offering more targeted assistance for state-building. However, there is still room for further improvements with regard to technical assistance, which remains an important mode of support (see Annex 2).

Technical assistance typically takes the form of relatively short-term (1–3 years), pre-scripted projects, which are carried out by short- and long-term experts. The terms of such projects specify priorities, deliverables, timelines and a line-up of experts in a detailed and prescriptive way. Twinning projects similarly involve EU experts from member states' peer institutions providing advice to beneficiary institutions in Ukraine.

Aid in support of state-building reforms and the implementation of the AA-DCFTA relies heavily on technical cooperation. As of late 2017, the EU was implementing €50 million worth of technical assistance and twinning projects in Ukraine. The number of projects has since increased. By early 2018, 42 twinning projects had been completed in Ukraine, while 12 were under way and 10 were at the preparation stage, on average they are each estimated to be worth around €1 million to €2 million.[57] Given the weakness of state administration, these projects are important as they often offer the only chance to advance legal approximation and capacity-building. Some projects, such as the funding for a business ombudsman, also contribute to the emergence of trust among economic actors, government institutions and the donor community.

However, the majority of these technical assistance projects frequently encounter challenges due to prescriptive, rigid design. Research on international assistance, and in particular one study of technical assistance in Ukraine in the 2000s,[58] shows that donors often fail to appreciate that successful action taken by institutions is usually context-specific. Donors tend to favour exporting 'best practice', and transferring ready-made policies and solutions from other countries or contexts. They rarely seek to devise a solution that is tailored to local circumstances.[59]

EU expert teams often arrive in a beneficiary country with their own ideas and models. They appear to have little understanding or institutional memory of what has gone before there. As a result, 'the short-term nature of technical assistance programmes has limited donor capacity to understand the

[56] We are most grateful to Dr Duncan Leitch for providing essential input to this section based on his extensive experience of working in Ukraine and his publications, including Leitch, D. (2016), *Assisting Reform in Post-Communist Ukraine, 2000–2012: The Illusions of Donors and the Disillusion of Beneficiaries*.
[57] Data from a presentation by the director of the Centre for Adaptation of the Civil Service to the Standards of the European Union, Maryna Kanavets, on 'Implementation of Twinning, TAIEX Instruments and Sigma programme in Ukraine' during an EaP meeting on institution-building in Kyiv, 7–8 December 2017, http://www.center.gov.ua/en/press-center/news/item/2754-annual-regional-conference-on-institution-building -> Presentations -> 4_0_M.KANAVETS _2017_1.pdf (accessed 12 Jun. 2018).
[58] Leitch (2016), *Assisting Reform in Post-Communist Ukraine, 2000–2012*. See also Leitch, D. (2018), 'Leaving like an Englishman: Assisting Institutional Reform in Post-Communist Ukraine', *Development Policy Review*.
[59] Terms of reference for EU projects in Ukraine typically contain objectives such as 'the alignment of Ukrainian asylum and migration management with EU and international standards and best practices'. Delegation of the European Union to Ukraine (2016), 'EU Projects in Ukraine, Overview', Raising Awareness of Migration Management, https://eeas.europa.eu/delegations/ukraine/1938/eu-projects-ukraine_en (accessed 12 Jun. 2018).

institutional context in which their interventions take place and has compromised their ability to promote institutional change'.[60]

Due to a lack of understanding of the local context, international assistance projects in Ukraine have sometimes undermined the flagship initiatives of pro-reform elements in the government.[61] In the words of a former reformer, instead of focusing on the transfer of good international practice, 'a better approach would be problem-led, with foreign experts and their Ukrainian counterparts jointly identifying and working to resolve problems as equal partners rather than as donor and beneficiary'.[62] Above all, deep and long-term engagement in problem solving is needed. This critique applies to Ukraine since the Revolution of Dignity for three reasons.

First, most of the EU's technical assistance focuses on existing state institutions with entrenched practices and often, even the projects aimed at capacity-building, struggle with their limited 'absorption capacity'. Projects are regularly delivered without assessing whether pre-conditions are met. Terms of reference for technical assistance and twinning projects focus on training civil servants and transferring best practice. This means training has been delivered to institutions in which civil servants may not be able to perform their duties effectively in the first place due to structural, systemic problems and not necessarily because of a lack of training alone.

Yet, due to their rigid design and short-term duration, many projects are oblivious to the most pressing issues faced by beneficiary institutions, such as low pay and low motivation to work, high personnel turnover and politicization. Ultimately, to receive EU funding, projects need to prove that they have delivered on the goals outlined at the design stage with concrete and easily verifiable products (so-called deliverables). These often include the number of training sessions held or the drafting of new laws, which is seen as the safest way to justify EU funding. However, this tends to exacerbate a tradition of addressing problems by drafting laws without first considering various policy alternatives.

Second, a persuasive body of evidence shows that 'capacity and technical knowledge alone are insufficient to change deeply entrenched political interests and bureaucratic norms'.[63] This is a crucial 'design' problem, as isolated technical assistance projects cannot address the broader bureaucratic culture. This is why international development experts promote 'flexible, responsive, adaptive programming' rather than prescriptive projects.[64] This argument resonates strongly in Ukraine. Hence the creation of research support teams and reform posts to carry out this type of programming within the broader PAR.

Third, international projects targeted at inadequately paid civil servants actually result in a 'brain drain' from public administration. EU projects often hire civil servants as local experts with significantly higher remuneration than they had in the civil service. It could also be argued that too much simultaneous intensive yet short-term technical assistance has been offered to weak institutions, which has resulted in their limited effectiveness.

[60] Leitch, D. (2016), *Assisting Reform in Post-Communist Ukraine, 2000–2012*, p. 148.
[61] Ibid., p. 152.
[62] Leitch, D. (2018), 'Leaving Like an Englishman: Assisting Institutional Reform in Post-Communist Ukraine'.
[63] Teskey, G. (2017), 'Thinking and working politically'.
[64] Ibid.

Despite innovations at the macro-level, the design of technical assistance projects has continued much as it was in the pre-2014 period. The SGUA has mainly focused on defining general needs and priorities at a sectoral level.

Traditionally, the operations sections within EU delegations launch and monitor projects; while EU delegation project managers, and team leaders and experts in the assistance projects, follow stringent procedures to abide by projects' terms of reference. From the EU perspective, timely and uninterrupted delivery of projects is paramount. However, often this is irrespective of changing circumstances or project efficacy. In theory, design and implementation of projects should be premised on understanding how they relate to the Ukrainian context and how they serve the evolving institutional dynamics. But internal EU procedures discourage creative solutions to problems encountered during the implementation of assistance projects.

Numerous EU projects and programmes in Ukraine, notably those that concern the rule of law and security services, have an element of conditionality. But the conditionality criteria do not generally reflect the main problems that impede the effectiveness of a project, which tend to emerge during the process of implementation. The lack of impact of these projects is not an issue of corruption or deliberate misuse of EU funds. If anything, it could be argued that meticulous and detailed planning and accounting to prevent corruption and misuse of funds is one of the reasons why the projects are rigidly implemented. These inflexible operational procedures represent a major challenge, in that they are so cumbersome and time-consuming that they encourage formulaic compliance by project managers, leaders and experts, and thereby discourage flexibility and adaptation to local contexts. EU regulations, especially for technical assistance projects, hardly allow for responsive disbursement of funds, which is required for projects aimed at institution-building.

Overall, implementing traditional technical assistance in countries with weak institutions increases the risk of projects being rigidly designed and with a poor understanding of the local context. These projects also tend to have a supply-driven approach shaped by short time horizons; suggest solutions based on imported expertise;[65] and operate like a revolving door for experts and beneficiaries all repeating the same process over and over again, with little institutional memory of what has gone before.[66]

No doubt, such an inflexible approach affects many foreign ministries and development agencies in Europe, but the European Commission appears to be particularly risk-averse and procedurally minded. This is a major impediment to the way that EU delegations deliver assistance around the world. The emphasis on procedural expertise rather than country and sectoral expertise often results in disillusionment and frustration among those delegation officials who do make an effort to understand the countries where they work.

[65] Unsworth, S. (2009), 'What's Politics Got To Do With It? Why Donors Find it So Hard to Come to Terms with Politics and Why This Matters', *Journal of International Development*, 21: pp. 883–94; Unsworth, S., et al. (2010), *An Upside Down View of Governance,* Centre for the Future State, Institute of Development Studies, University of Sussex.
[66] For example, in supporting the regional policy reforms in Ukraine, literally dozens of regional and city development strategies were prepared, yet few of them have ever been implemented. Organisation for Economic Co-operation and Development (OECD) (2014), OECD Territorial Reviews: Ukraine 2013, Paris: OECD Publishing, pp.119–20.

Most projects take a long time to develop and are too short in duration. Assistance planning – ranging from identifying needs to launching a project – can take up to 2–3 years, which is too long in the context of rapidly changing policy environments and circumstances. Moreover, the typical duration of such assistance projects (1–3 years) is usually too short to make a sustainable impact. Overall, a useful distinction can be made between technical assistance intended to transfer narrow technical knowledge and skills to a partner that is committed to a defined outcome, and technical assistance designed to achieve deeper institutional change, where the outcomes are longer-term, harder to measure and often politically contested.[67] The EU's support for PAR is a welcome change and likely to encourage more flexible and creative forms of assistance.

Writing about the failure of donor advice to advance institutional reform in developing countries, Matt Andrews argues that too often ill fitting 'best practices' have been mimetically introduced while ignoring the capacity of recipient governments to implement them. The result is a change in the form but not in the functionality of institutions. He argues for a 'problem-driven' approach. This relies less on prescribed and invariably overambitious strategies for addressing institutional weakness and more on a longer-term, step-by-step process of analysing problems with local agents to arrive at locally sustainable solutions. The purpose of external assistance is to guide the process and to build capacity to implement the agreed solutions over a reasonable period of time.[68]

A glimpse at EU technical assistance projects in Ukraine in three areas – civil society development, governance and regional development – demonstrates the prevalence of a short-term approach. Most of the 46 EU projects[69] were for either two years (12) or three years (20), nine lasted for four years and five were for just a year.[70] By contrast, two other major donors providing technical assistance to Ukraine in these areas run much longer projects. USAID lists seven projects in the governance/anti-corruption field, six of which will run for five years. None of USAID's four projects on civil society lasts less than five years, and one is for six years.[71] The Canadian government currently has one major project on regional policy in Ukraine, which is also due to last six years.[72]

Most of the issues raised in this section are only too familiar to EU officials and experts working on development assistance. Since these are generally well-worn criticisms of technical assistance, they tend to be dismissed by donors when confronted with uncomfortable truths.

There are few examples of successful technical assistance projects that have promoted institution-building in Ukraine.[73] This reality necessitates a fundamental change of approach. The EU and the beneficiaries of its assistance need to adopt a culture of continuous improvement. At the moment

[67] Most clearly exemplified in the naming of the UK's Know How Fund, which was established in 1989 and provided assistance to support reforms in the post-communist countries in the 1990s.
[68] Andrews, M. (2013), *The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions,* Cambridge: Cambridge University Press. For a similar argument, see Teskey (2017), 'Thinking and working politically'.
[69] Some projects or components of projects appear more than once on the website lists but here are counted as a single project.
[70] Some caution is required, as one-year projects may be extensions/continuations of existing programmes. See, Delegation of the European Union to Ukraine (2016), 'EU Projects in Ukraine, Overview', https://eeas.europa.eu/delegations/ukraine/1938/eu-projects-ukraine_en
[71] USAID (nd), 'Ukraine: Democracy, Human Rights and Governance', https://www.usaid.gov/ukraine/democracy-human-rights-and-governance (accessed 12 Jun. 2018).
[72] Partnership for Local Economic Development and Democratic Governance (PLEDDG) (nd), PLEDDG website, http://pleddg.org.ua/en/ (accessed 12 Jun. 2018).
[73] This is a long-standing problem. In May 2012, the EU had 49 technical assistance projects. According to a senior EU official speaking 'off the record', only two of them could be regarded as effective.

new projects tend to focus on problems already tackled by previous projects, despite being affected by the same shortcomings (see Box 2).

There are countries that have developed good practice to address these issues including Germany, the Nordic countries, Switzerland, the UK and the US. The assistance programmes and terms of reference of these countries tend to be less prescriptive and put a premium on results rather than merely procedural compliance. This is because they are more flexible and realistic regarding changing circumstances on the ground. However, unlike the EU, these countries do not have the capacity to devise a sector-wide approach on their own. So their individual technical assistance projects may be more effective but they tend to remain isolated interventions.

An overhaul of the EU's technical assistance in general is long overdue. The case of Ukraine is merely indicative of the structural shortcomings in its process-oriented approach, which is devoid of flexibility and sensitivity to the local context. Notwithstanding its innovations, much of the EU's support to Ukraine and other Eastern Partnership countries continues to rely on unreformed technical assistance. This is of limited effectiveness given the fundamental weakness of the beneficiary state and a lack of political will on the part of the country's leadership to promote systemic changes. For too long, unwarranted assumptions have underpinned the EU's assistance, such as the idea that training alone is enough to improve dysfunctional institutions. New institutions and broader capacity need to be created – rather than merely training civil servants – in order for these countries to devise effective public policies and implement the AA.

The administrative culture has to change within the European Commission, the European External Action Service and, by extension, within EU delegations. The culture must evolve to be prepared to acknowledge difficulties and failures and enable underperforming or misconceived projects to be reformed and/or discontinued as part of the learning process.

Sustainability and efficiency of technical assistance projects

For nearly three decades, EU assistance to Ukraine has had limited long-standing impacts once projects have concluded. Therefore in many areas, technical assistance and twinning projects tend to be repeated again and again, focusing on basically the same issues in a given policy area and involving the same experts.

It is clear that little has been learnt from these projects since the early 2000s. This is at least partially because access to the materials and analysis produced by the projects tends to be restricted. This includes essential prerequisites for effectively implementing the AA-DCFTA, such as regulatory impact assessments, which were conducted from the late 2000s onwards and are not publicly available.

The EU delegation has an internal document management system, which relies on project managers to upload project-related documentation. However, this is not done consistently. Nor are these materials routinely reviewed when new projects are planned. The document management system is not a publicly accessible depository.[74] As a result of these various factors, new projects must start from scratch.[75] This affects the efficiency of EU assistance as projects are repeatedly funded to find solutions to problems already addressed in past projects. Sustainability is hampered too, even if indirectly, because a lack of access to previously accumulated knowledge means that officials in the Ukrainian government and EU delegation are forced to address the same (often basic) issues time and again. The case of the numerous Ukrainian-European Policy and Legal Advice Centres is a typical example (see Box 2). Several more policy areas such as public procurement, competition or state aid have received similar technical assistance.

Duplication is common. For example, in late 2014 the EU delegation procured services to examine various models for coordinating European integration in Ukraine even though the relevant expertise already existed. In 2006–08, the UK financed the European Union Coordination project for the benefit of what was the European Integration Coordination Bureau at the Secretariat of the Cabinet. As part of this project, there was a comprehensive analysis of various alternative coordination models and regional practices (from Central and Eastern European countries as well as the Western Balkans). When asked about this in 2015, neither the EU delegation nor the newly established GOEEI seemed aware of its existence.[76]

Box 2: EU assistance materials – a disappearing act?

The problem of limited sustainability and efficiency is illustrated by the impact of the five Ukrainian-European Policy and Legal Advice Centres, which operated between 1999 and 2012, and the Association for Ukraine project, which began in 2016 and is due to end in autumn 2018. The total value of their funding is €30.5 million. In essence, all aimed to enhance the capacity of civil servants working in European integration coordination institutions and line ministries to perform their functions. They covered the same issues, including:

- Policy development and planning related to European integration (overall and sectoral);
- Implementation and monitoring of legal approximation and integration-related institutional development;
- Impact assessment;
- Translation of EU law into Ukrainian; and
- Boosting awareness among the public.

Over the last two decades, the purpose of this technical assistance has not changed (except the changes to the EU *acquis* over this period). Yet few outputs of these projects are available to the European integration management structures in Ukraine.

Many materials produced by the five Ukrainian-European Policy and Legal Advice Centres have disappeared. These include various legal assessments, policy notes, training materials, impact assessment studies and translations. Some would be relevant today, not least to avoid duplication and to provide insights into European integration across various policy sectors.

The Association for Ukraine project – the successor to the centres in all but name – has created a website

[74] Interview with former programme manager at the EU delegation in Kyiv, January 2018.
[75] The focus here is on the unavailability of impact assessment studies that have been conducted already. However, there are also not enough studies of this type. So there is a dual impediment.
[76] Interviews with GOEEI staff, June 2017.

with at least some of the analyses made public. Once again, it is unclear what will happen to the documents once the project ends.

Overall, the Association for Ukraine project was pre-designed to work on a mix of issues, some of which are central and some are peripheral to implementing the AA-DCFTA. One issue that could have been more prominent is the focus on sectoral integration policies based on cost-benefit assessment. Instead the project has been training 150 new European integration specialists, some of whom have been tasked with specific roles in line ministries. Yet, after two years, these roles will end in the autumn of 2018 and cannot be extended as EU rules do not allow extensions for revised projects. As such, in order to continue this work, a new project needs to be designed and launched. By the time the new project is up and running, the work will essentially need to start from scratch and the budding expertise of those involved in the previous project is likely to be lost. Yet again this brings into question the effectiveness and sustainability of this specific series of projects.

Investment plan

Investment in Ukraine remains lacklustre. There have been repeated calls for the EU to address the developmental needs of its partner countries through financial assistance. In parallel to support for institution-building and the transfer of legal norms, the EU must devote a greater share of its financial assistance to developing public infrastructure, such as roads, municipal services and healthcare, in the Eastern Partnership countries that require such investment.[77]

The EU provides some limited support for government-controlled territories in eastern Ukraine, which are on the frontline in the war with Russia. For example, in 2017, Ukraine and the EU signed a €50 million financing agreement to strengthen local governance, economic recovery, community security and social cohesion in the Donetsk and Luhansk regions. In total, EU institutions provided €88 million of humanitarian assistance in early 2018.[78]

However, there is no EU plan to address Ukraine's dilapidated infrastructure, such as its roads, water supplies, waste-processing facilities and sewage system. This demonstrates the main difference in how the EU interacts with associated and accession countries, with the latter receiving massive support for infrastructure projects upon accession to the EU.

In Ukraine, such infrastructure funding is important for two reasons. First, it is needed because implementing the AA-DCFTA entails significant costs – not simply legal approximation but also costly upgrades to state infrastructure. This takes resources away from social and public infrastructure. The Central and Eastern European states only obtained significant EU funds for this form of modernization after they joined (partly through EU structural funds). Yet, in Ukraine, the EU's assistance is focused on capacity-building for public administration and businesses rather

[77] Maniokas, K. and Žeruolis, D. (2014), 'Review of the ENP: towards a more active engagement', an unpublished paper commissioned by the Ministry of Foreign Affairs of Lithuania to contribute to a review of European Neighbourhood Policy in 2015.
[78] The EU member states contributed €172 million bilaterally. For data about bilateral assistance to Ukraine from the EU member states and other important bilateral donors, see Annex 2.

than on improving infrastructure. Without an accompanying investment plan, the AA-DCFTA alone will struggle to modernize Ukraine.

Second, this kind of investment is also needed to generate popular support for EU integration, especially in Ukraine's southeastern regions. For citizens, public services and infrastructure are more important than increased trade flows with the EU. Sectors such as public health, education, social services and infrastructure are of key importance for the public and should therefore receive more attention and assistance from the EU if it aspires to maintain the high levels of pro-European support in the country.[79] If these sectors continue to function poorly, Ukrainian reformers are unlikely to gain credit for their efforts, regardless of how well they implement the AA-DCFTA. For the EU, investing in these sectors is the best chance of enhancing its visibility among the population.

Thus, a group of experts in a study for the European Parliament have called for:

> …the establishment of a trust fund for Ukraine, Georgia and Moldova based on the best practices of multi-donor instruments, while stressing that this trust fund should focus on private and public investments, in particular those in social and economic infrastructure and aimed at boosting investment absorptive capacity.[80]

A proposal for the New European Plan for Ukraine aims to address this gap. It was developed in 2017 by the Lithuanian parliament and subsequently agreed with the government of Ukraine.[81] Inspired by the Marshall Plan for rebuilding Western Europe after the Second World War, it was designed to offer developmental incentives for Ukraine in the absence of the prospect of EU membership. According to different analysts, the country can achieve annual economic growth of 6–8 per cent over a period of five to 10 years if it doubles annual investment to €5 billion.[82]

This idea has gained some traction. In April 2018, the European commissioner for European neighbourhood policy and enlargement negotiations, Johannes Hahn, announced that the EU is developing a new investment programme for Ukraine, called the Reform Contract for Investment. Under such a policy, the European Commission is proposing to allocate €50 million of investment

[79] Jarábik, B., Sasse, G., Shapovalova, N. and De Waal T. (2018), *The EU and Ukraine: Taking a Breath*, Carnegie Endowment for International Peace, 17 February 2018, https://carnegieendowment.org/2018/02/27/eu-and-ukraine-taking-breath-pub-75648 (accessed 12 Jun. 2018)
[80] Groza, J., Jarabik, B., Kobzova, J., Konstantynov, V., Kuiumchian, T., Litra, L., Sharashenidze, T., Webb, I. (2017), *The State of Implementation of the Associations and Free Trade Agreements with Ukraine, Georgia and Moldova with a particular focus on Ukraine and systemic analysis of key sectors,* European Parliament, http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU%282017%29603836 (accessed 12 Jun. 2018). The paper was requested by the European Parliament's Committee on Foreign Affairs. See also European Parliament (2017), 'Eastern Partnership: November 2017 Summit', Resolution of the European Parliament, P8_TA(2017)0440, 15 Nov, http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2017-0440+0+DOC+XML+V0//EN&language=EN (accessed 12 Jun. 2018).
[81] The original concept paper can be accessed on the website of the parliament of Lithuania, http://www.lrs.lt/sip/getFile3?p_fid=3194. Its operationalized version was presented to the EU and international financial institutions and EU member states in Brussels in October 2017, https://www.slideshare.net/RostyslavLUKACH/andrius-kubilius-european-plan-for-ukraine (accessed 10 Dec. 2017).
[82] Åslund, A. (2017), 'Ukraine Needs Investment, Not Just Solidarity: Time For International Donors To Pony Up', Atlantic Council, 1 February 2017, http://www.atlanticcouncil.org/blogs/ukrainealert/ukraine-needs-investment-not-just-solidarity-time-for-international-donors-to-pony-up (accessed 1 Feb. 2017); Haring, M. (2016), 'Natalie Jaresko Says $25 Billion More Needed To Make Ukraine's Reforms Irreversible. Fatigue, Vested Interests, And Populism Threaten Ukraine's "Longest And Most Successful" Reform Process', Atlantic Council, 12 October 2016, http://www.atlanticcouncil.org/blogs/ukrainealert/natalie-jaresko-says-25-billion-more-needed-to-make-ukraine-s-reforms-irreversible (accessed 9 Dec. 2017).

into Ukraine's economy, which could leverage up to €500 million of private investment.[83] This is an important step forward that underpins the concept of the New European Plan for Ukraine. [84]

Crucially, the concept of the New European Plan for Ukraine proposes to address institutional capacity-building in Ukraine in order to design and implement investment in non-corrupt and efficient ways. The EU and international financial institutions have tended to overlook this until now, typically blaming the Ukrainian authorities for their low absorption capacity. That particular problem has been known for a long time and until now has not been explicitly and systematically addressed. For example, in 2017, Ukraine was implementing 33 investment programmes financed through preferential 15- to 25-year maturity loans from international financial institutions, worth €4.8 billion with annual interest rates of 0.5–1 per cent. While investment volumes from these institutions have increased, Ukraine's annual absorption rates declined from 70 per cent in 2014 to 42 per cent in 2016.[85] According to Andrius Kubilius, one of the authors of the original European Plan for Ukraine, by early 2018 only €1.6 billion had been absorbed out of approximately €7 billion of commitments from international financial institutions.[86] Ukraine is finding it increasingly difficult to absorb investments. As the head of the SGUA, Peter Wagner, observes, 'billions of funds for Ukraine are not implemented for bureaucratic reasons'.[87] As such, some in the EU delegation and European Commission were initially sceptical of the New European Plan for Ukraine.

Increasing absorption capacity needs to be an explicit priority for Ukraine, which the EU hopes to tackle under a different initiative, the new External Investment Plan (EIP). The European Commission created the EIP in 2016 for countries in Africa and the EU neighbourhood. The plan uses a new generation of financial instruments, such as guarantees and risk-sharing instruments, as well as the blending of grants and loans for sustainable development projects.

The newly created European Fund for Sustainable Development (EFSD), which is part of the EIP, will help to leverage additional financing for development, notably from the private sector. It is hoped that the EFSD's contribution of €4.1 billion will encourage investors to engage in Africa and the EU neighbourhood, both of which tend to be avoided by risk-averse investors. It is expected that the EIP will generate up to €44 billion of additional investments. These will mainly be targeted at improving economic and social infrastructure and proximity services, as well as supporting small and medium-sized enterprises, microfinance and job creation projects. The EIP will go beyond classical development assistance by supporting sustainable investments in an integrated way. It will blend technical assistance with strategic policy and political dialogue in order to improve the

---

[83] In exchange for this investment the European Commission requires fulfilment of three conditions relating to the energy regulator, business ombudsman institution and current requirement for anti-corruption activists to submit e-declarations, UNIAN (2018), 'EU Working on a New Reform Contract for Investing in Ukraine', 25 April 2018, https://www.kyivpost.com/ukraine-politics/unian-eu-working-new-reform-contract-investing-ukraine.html (accessed 23 Jun. 2018).
[84] Kirkilas, G. and Kubilius, A. (2018), 'Reforms in Exchange for Investments – EU Commission is Starting to Implement Marshall Plan for Ukraine', 5 May 2018, http://euromaidanpress.com/2018/05/05/building-a-contract-for-ukraine-eu-commission-is-starting-to-implement-marshall/ (accessed 23 Jun. 2018).
[85] Samayeva, Y. (2017), 'Vzyat I Nie Sdelat: Pochemu Ukraina Ne Realizuyet Proyekty MFO I Iyi Ne Stydno' [To Take And Not Implement: Why Ukraine Doesn't Realise Projects Of International Financial Organisations And Why Is Not Ashamed', Zerkalo Nedeli, 24 October 2017, https://Zn.Ua/Finances/Vzyat-I-Ne-Sdelat-263555.Html, (accessed 9 Dec. 2017).
[86] Kubilius, A. (2018), 'Sausio 13-osios fronto linija šiandien ginama Ukrainoje' [A front line of 13 January [1990] is being defended today in Ukraine], 17 January 2018, https://www.delfi.lt/news/ringas/politics/andrius-kubilius-sausio-13-osios-fronto-linija-siandien-ginama-ukrainoje.d?id=76915055, (accessed 21 Mar. 2018).
[87] Euromaidan Press (2017), 'Peter Wagner: The Billions of Funds for Ukraine not Implemented for Bureaucratic Reasons', 24 November 2017, http://euromaidanpress.com/2017/11/24/peter-wagner-the-billions-of-founds-for-ukraine-not-implemented-for-bureaucratic-reasons/#arvlbdata (accessed 11 Dec. 2017).

investment climate and business environment.[88] When the EU first requested proposals in late 2017 for two 'investment windows' (i.e. areas for investment)[89] – sustainable energy and connectivity, and micro, small and medium-sized enterprise financing – international financial institutions requested about €1 billion worth of guarantees from EFSD for Eastern Partnership countries.[90]

In sum, the EU's assistance needs to be coupled with investment in Ukraine. This is highly desirable not only to address the developmental needs of Ukraine but also to reduce the gap between Ukraine and candidate states for EU membership, such as Western Balkan states. This is not least because the EU is unable to offer Ukraine full assistance while it is not a member state, even though Ukraine has taken on more extensive commitments than other candidate states.[91] The EU aims to secure a peaceful, stable and prosperous neighbourhood. Investment in Ukraine (or indeed in any other EU neighbourhood country) will help to achieve the EU's objectives even without being offered membership. The EU should target developmental issues in an integrated way and it should help address Ukraine's absorption capacity problems.

Ukrainian officials are keen on the New European Plan for Ukraine.[92] However, it is still unclear how reform-linked conditionality will be applied. The Ukrainian government already realizes that this is a particular weakness that needs to be addressed explicitly and the prospect of investment funds is a motivating factor. It is clear that strict but reasonable and well-informed conditionality and monitoring will be needed.

[88] See European Commission (2016), 'Strengthening European Investments for jobs and growth: Towards a second phase of the European Fund for Strategic Investments and a new European External Investment Plan', 14 September 2016, Communication from the European Commission, http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52016DC0581&from=en (accessed 12 Jun. 2018); Official Journal of the European Union (2017), 'Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund', 27 September 2017, https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017R1601&from=EN (accessed 12 Jun. 2018); European Commission (2017), 'Questions and answers about the European External Investment Plan', 23 November 2017, http://europa.eu/rapid/press-release_MEMO-17-3484_en.htm (accessed 11 Dec. 2017).
[89] The three further windows are digital for development; sustainable agriculture, rural entrepreneurs and agro-business; and sustainable cities. Note that, unlike the EPU, the EIP is designed around functional and not geographical objectives.
[90] European Commission (2018), 'The EU External Investment Plan', presentation delivered at Dragon Capital 14th Annual Investor Conference, Kyiv, 1 March 2018. Under the rules of the EIP, eligible applicants are the International Financial Institutions and not the recipient governments.
[91] Blockmans (2017), *The Obsolescence of the European Neighbourhood Policy*.
[92] Given that Ukraine might need a similar level of commitment and detailed conditions, the experience of the European Commission's management of the three macroeconomic stabilization programmes for Greece, worth €368 billion, offers a warning. Despite progress in reforms, the European Court of Auditors found important weaknesses not only in the programmes' design, but also in the assessment of structural reforms, mostly due to a lack of understanding about the implementing capacity of the government. European Court of Auditors (2017), *Special Report No 17/2017: The Commission's Intervention in the Greek Financial Crisis*, https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=43184 (accessed 12 Jun. 2018).

4. Conclusion

The EU is the biggest donor to Ukraine. Since 2014, EU institutions and member states have stepped up their support. Ukraine's demand for better governance has met with a strategic, tailored and dynamic approach from the EU. Promotion of good governance in Ukraine has become a tool of the EU's 'purposive power'.[93]

As a result, Ukraine stands out among the Eastern Partnership countries in having tailored and flexible support for state-building and for implementing the AA-DCFTA. Since the Revolution of Dignity, the EU has responded to the country's needs in a concerted and innovative way, such as through the SGUA, macro-financial assistance and by providing fiscal space for reform teams of civil servants. These are important adaptations to how the EU usually assists a country.

Assistance is needed because Ukraine continues to face the unprecedented task of having to rebuild the state and economy. This explains why it has high hopes for the EU's transformative power. But assistance to Ukraine requires a multi-layered and dynamic framework. Ukraine has opted for integration with the EU (even without membership) in order to overcome decades of bad governance. The dramatic events of 2014 illustrated the weakness of the state and the economy.

Four years on, it is clear that it will not be quick or easy to fix Ukraine's entrenched dysfunction, an example of which is its weak institutions that are dominated by strong rent-seeking networks. In many respects, 2014–17 can be regarded as a period of learning about the scale and nature of the challenges for Ukrainian reformers and for donors.

The challenges remain formidable. EU grants to Ukraine have almost doubled since the launch of the European Neighbourhood Policy in 2004, with roughly the same level committed during the current Multiannual Financial Framework (2014–20). However, the UK's exit from the EU will leave a gap in EU finances that is likely to impact the eastern neighbourhood. Thus, the overall amount of grant assistance to Ukraine is unlikely to increase after 2020 (and it is important that it is not actually reduced). This calls for more efficient use of existing funds.

By 2020, the EU's total grant assistance to Ukraine since independence will be comparable to the amount each received by Central and Eastern European countries by the time they joined the EU. Ukraine has received this considerable assistance while taking on massive commitments under the AA-DCFTA. Yet it is still much further from matching EU 'standards' than the Central and Eastern European countries were upon joining the EU. As such, there remains a major need to shift to more results-oriented grant allocation and technical assistance.

Recommendations

1. The Support Group for Ukraine has been an important innovation. It brings additional resources and sectoral experience to assistance efforts, and is ready to operate in new ways. Its

[93] Youngs (2017), 'Is 'hybrid geopolitics' the next EU foreign policy doctrine?'.

size, capacity and mandate should be strengthened so that it can work productively with the EU delegation and improve effective implementation of projects and programmes.

2. In conjunction with the efforts of other actors, such as the European Bank for Reconstruction and Development, the EU should continue to support reform posts in the civil service and look to strengthen these endeavours (or, at a minimum, extend their time frame).

3. It is imperative that Ukraine uses reformed ministerial structures to implement changes to public administration, which move towards better policymaking and implementation based on adequate budgetary funding, streamlined functions and adequately paid civil servants.

4. As part of implementing the AA-DCFTA, the European Commission should support a cost-benefit (impact) assessment based on the development of sectoral policies for integrating Ukraine into the EU and for building institutions to implement those policies. The European Commission should tie its assistance to implementation. At present, numerous road maps and scorecards for various sectors are too broad-brush in their scope. Many government plans and strategies do not deal with the sectoral priorities for implementing AA-DCFTA or do not address them in sufficient detail.

5. To be more efficient, the EU's grant assistance, especially for institution-building and sectoral reforms, should meet the following criteria:

   - It should only be given conditionally to carefully screened and designed projects. Reformers with a proven track record (including ex-government officials) must be involved.[94] While it may be necessary for EU experts to initially manage the projects, the goal should be for more Ukrainian experts to contribute and take charge. (This should increase local ownership of products and results, especially if coupled with the online library suggested below.) In this regard, it is worth incorporating the experience and practices of the Business Ombudsman Council of Ukraine.

   - It should be less prescriptive. This means addressing Ukraine's specific problems rather than relying on terms of reference written by experts who are unfamiliar with the country context and who favour 'best practice'. Project design and planning needs to be fully cognizant of local issues being addressed.

   - Transfer of 'best practice' models should be restricted to technical programmes where the beneficiary institutions recognize and favour harmonization with specific EU rules or procedures. This means that narrowly defined, short-term technical assistance is only made available to institutions with sufficient absorption capacity in which there are clearly identifiable reform teams. The phrase 'best practice' should not be included in the terms of reference for projects concerned with institutional development.

[94] See, for example, Abromavičius, A. (2018), 'Ukraine's Six Teams of Reformers to Watch', Atlantic Council, 12 March 2018, http://www.atlanticcouncil.org/blogs/ukrainealert/ukraine-s-six-teams-of-reformers-to-watch (accessed 12 Jun. 2018).

- Institution-building projects need to be less ambitious and granted a longer implementation period. The default period for implementation should be at least five years, in line with examples of other major donors. In addition to providing a more realistic time scale, this should improve continuity between projects tackling similar issues.

- Such projects need to be less extensive and more intensive, with less focus on large numbers of outputs and more on a limited range of desired outcomes.

- Assistance needs to be problem-driven and solution-focused to help solve the most urgent needs of institutions, and not merely focused on training and the transfer of generic good practices.

- Reflective implementation is essential. While initial terms of reference and logical framework approaches are necessary in order to recruit staff and instil discipline for project implementation, they should be kept under continuous review and open to amendment in conjunction with project partners.

- The assistance needs to be longer-term and combined with other forms of support. Most international donors in Ukraine have already moved to longer-term projects. Assistance projects should aim to cover at least one electoral cycle and thereby help to sustain institutions through leadership changes. In this regard, the introduction of the delegated agreements is an interesting innovation.

- It should build on the history of reforms in particular policy areas, and on previous assistance provided by the EU and bilateral donors, rather than replicate them. Technical assistance should not ‘start from scratch’ each time.

- There should be an open, online archive or library that houses documentation related to European integration projects (terms of reference and products, analytical reports, training materials etc.). This would enhance the knowledge of public policies and reform initiatives among donors, civil society and state officials, and help to close the institutional memory gap in Ukraine and in EU institutions. It would also encourage civil society and policy analysts to grasp Ukraine’s integration activities. Above all, it would help the European Commission to provide a better return on European taxpayer money and avoid commissioning unnecessary projects that duplicate past efforts.

- A premium should be placed on local knowledge and the capacity of experts to lead and engineer results, instead of focusing on detailed and prescriptive implementation of terms of reference. The selection of project personnel should prioritize those with ‘deep knowledge’ instead of those who are merely fluent in EU aid rules and procedures.

- Project leaders must be allowed to adapt to changing local needs. Well-informed steering groups with reputable domestic and international stakeholders could be indispensable in this regard.

6. More attention needs to be given to the micro-level context and actions within individual projects to make them results-oriented. This would require an adjustment in the workload of

individual project officers. More broadly, the European Commission and the European External Action Service should be flexible with EU delegations and allow them to pursue results instead of merely focussing on formal disbursement compliance.

7. On the monitoring side, it is time to conduct in-depth sectoral reviews of EU assistance to reforms in Ukraine over the past decade, in order to achieve a deeper understanding of local context and to learn from past successes and shortcomings. The European Court of Auditors can undertake this if it manages to incorporate local knowledge and focus on results. As it is, the court's reports are too general and do not seem to ask essential questions about technical assistance. Demands for such assessments need to come from the EU institutions and member states. This is indispensable for improving the effectiveness and image of the EU in the neighbourhood countries.

8. The implementation of the AA-DCFTA needs to be based on impact assessment studies in order to be realistic and pragmatic. Its technical components should take into account a wider spectrum of interests surrounding reforms during implementation.

9. The European Commission and the EU delegation should be much more protective of investments made via technical assistance and twinning by ensuring that outcomes and skills remain available and are used.

10. The culture of 'never-ending EU financial support' regardless of circumstances and results achieved by individual projects should change. This would provide incentives for better project design and implementation to ensure tangible results.

11. Ukraine would also benefit from other types of EU financial support, such as preferential loans to finance developmental needs, especially in transport and social infrastructure, energy efficiency and the environment (as envisaged in the proposal for the New European Plan for Ukraine and the External Investment Plan). In addition to anchoring Ukraine to the long-term perspective of reforms and European integration, these initiatives should help to address the urgent need to build the country's capacity to implement investment projects.

Annex 1

Table 2: Pre-accession EU assistance to candidate countries from Central and Eastern Europe, 1990–2006, allocations (commitments) € million

Country	Phare* 1990–99	Phare 2000–03	SAPARD** 2000–03	ISPA*** 2000–03	Total EU grant support 2000–03	Transitional facility 2004–06	Total 1990–2006	Per capita, €
Bulgaria	878.2	557.8	218.7	428.4	1,204.9	859.5	**2,942.6**	360
Czech Republic	406	391.3	92.8	293.4	777.5	36.1	**1,219.6**	119
Estonia	186.4	136.2	50.8	119.5	306.5	17.7	**510.6**	357
Hungary	954.6	467.4	159.8	368.9	996.0	35.9	**1,986.6**	195
Latvia	251.6	153.3	92.2	195.3	440.8	19.5	**711.9**	291
Lithuania	340.5	407.9	125	216.9	749.8	35.7	**1,125.5**	321
Poland	2,036.6	1,807.5	708.5	1,454.4	3,970.5	114.9	**6,122.0**	159
Romania	1148	1,099.9	632.1	1,002.4	2,734.4	1,381.5	**5,263.9**	233
Slovakia	315.4	295.4	77.1	195.7	568.2	29.4	**913**	170
Slovenia	193	141.8	26.8	64.2	232.8	17.5	**443.3**	221
Total	**6,709.8**	**5,458.5**	**2,183.8**	**4,339.1**	**11,981.4**	**2,547.7**	**21,238.9**	**203**
Ukraine****	831.1				478.1	442.2	**1,751.4**	35
Ukraine**** (1991–2016)							**3,823.7**	79

*Initially Poland and Hungary Assistance for the Restructuring of the Economy programme (Phare)
** Special Accession Programme for Agricultural and Rural Development (SAPARD)
*** Instrument for Structural Policies for Pre-Accession (ISPA)
**** Grants only

Sources: European Commission, *Phare Programme Annual Reports* 1996, 1997, 1998, 1999; European Commission, *General Reports on Pre-accession Assistance (Phare-ISPA-SAPARD)* 2000, 2001, 2002, 2003; Business and Strategies Europe (2015), 'Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia'; European Commission (2016), 'Support Group of Ukraine. Activity Report. The First 18 Months'; Population data from US Census Bureau International Database.

Notes: Data from 2000 onwards include only allocations received through bilateral programmes and exclude allocations received by individual countries through various other horizontal and regional programmes. Per capita data based on average of national populations in 1990, 1995, 2000 and 2005 (and 2010 and 2015 for Ukraine). There are no publicly available data on actual disbursements (payments) to Ukraine, except for 2002–09. During that period, the EU committed €832.9 million in grants, of which €556.4 million was actually spent (67 per cent).[95] The approximate absorption rate for Phare support to the Central and Eastern European states for the entire period (1990–2003) was 80 per cent (except for Bulgaria and Romania, where the rates were somewhat lower).[96]

[95] Particip GmbH et al. (2010), *European Commission's Cooperation with Ukraine [2002-2009]*. Final Report, Volume I: Main Report, Volume II: Annexes, p. 14, Table 3.
[96] Business and Strategies Europe (2015), 'Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia', Final Evaluation Report, p. 35, Table 2.

Annex 2

Table 3: Official development aid to Ukraine, disbursements in 1991–2016, $ million (2015 constant prices)

Donor	Aid type	Total 1991–2004	Total 2005–16	Total 1991–2016
All donors	All grants	**5,471.26**	**8,312.51**	**13,783.77**
All donors	Technical cooperation	3,240.17	2,780.6	6,020.77
EU member states (OECD-DAC)* and EU institutions	All grants	3,327.59	4,441.13	7,768.72
EU member states (OECD-DAC) and EU institutions	Technical cooperation	1,173.52	1,852.52	3,026.04
EU institutions	All grants	**812.21**	**2,164.59**	**2,976.8**
EU institutions	Technical cooperation	266.07	509.02	775.09
EU member states (non OECD-DAC)	All grants	0.71	23.07	23.78
EU member states (non OECD-DAC)	Technical cooperation	0	5.54	5.54
G7	All grants	5,092.93	3,685.89	8,778.82
G7	Technical cooperation	2,803.95	1,687.11	4,491.06
US	All grants	2,565.56	1,810.62	4,376.18
US	Technical cooperation	1,905.61	414.06	2,319.67
Canada	All grants	286.28	363.6	649.88
Canada	Technical cooperation	76.96	210.05	287.01
Japan	All grants	16.08	72.99	89.07
Japan	Technical cooperation	8.48	31.51	39.99
EU member states and EU institutions	All grants	**3,328.3**	**4,464.2**	**7,792.5**
EU member states and EU institutions	Technical cooperation	1,173.52	1,858.06	3,031.58
EU institutions, share of total, %	All grants	14.8	26.0	21.6
EU institutions, share of total, %	Technical cooperation	8.2	18.3	12.9
EU member states and EU institutions, share of total, %	All grants	60.8	53.7	56.5
EU member states and EU institutions, share of total, %	Technical cooperation	36.2	66.8	50.4
G7 countries, share of total, %	All grants	93.1	44.3	63.7
G7 countries, share of total, %	Technical cooperation	86.5	60.7	74.6
US, share of total, %	All grants	46.9	21.8	31.7
US, share of total, %	Technical cooperation	58.8	14.9	38.5
EU institutions technical cooperation, share of EU institutions total grants, %		**32.8**	**23.5**	**26.0**
EU member states and EU institutions technical cooperation, share of total EU member states and EU institutions total grants, %		**35.3**	**41.6**	**38.9**
All donors technical cooperation, share of all grants, %		**59.2**	**33.5**	**43.7**

Source: Authors' calculations using data from OECD International Development Statistics, http://www.oecd.org/dac/stats/idsonline.htm.
* Member of the OECD Development Assistance Committee (DAC). The non-DAC EU member states are Bulgaria, Croatia, Cyprus, Estonia, Latvia, Lithuania, Malta and Romania.

Unlike in Table 1 and Annex 1, the OECD data here are in US dollars and not in euros, in disbursements and not commitments, in constant value for a given year as opposed to (likely) current value in the SGUA and European Court of Auditors (ECA) reports (the latter two do not specify current or constant prices – in the EU documents, when prices are not specified, the values normally express current prices). However, even if not directly comparable to the data in Table 1 and Annex 1, the data here indicate the scale of the gap between commitments and disbursements. For the EU assistance, the amount of unspent commitments was about €800 million for 1991–2016 (calculated as €3.8 billion of EU commitments to Ukraine during 1991–2016 (see Annex 1) minus €2.97 billion of EU expenditures (ODA disbursements) during the same period). This rough estimate does not take into account fluctuations of the EUR/USD exchange rate and denomination of prices (constant or current).

By volume of grant assistance, EU member states were more significant donors than the EU institutions. The latter provided $2.98 billion while collectively EU member states provided $4.82 billion.

This dataset makes it possible to measure the share of the aid that went to 'technical cooperation', which is essentially 'technical assistance'. Technical cooperation as a share of total grant aid declined from 59 per cent in 1991–2004 to 33 per cent in 2005–16. The EU institutions' assistance also followed this trend (falling from 33 per cent to 24 per cent). However, for the EU member states and institutions, the share of technical cooperation increased from 35.3 per cent to 41.6 per cent, mainly due to increased technical assistance from EU member states. On the other hand, supply of technical assistance stayed the same for all donors and was actually increased by the EU. The relative decrease in the share of technical assistance was caused by a significant increase of the overall grants during 2005–16.

According to the OECD glossary, 'technical co-operation includes both (a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment)'. Assistance of this kind, which is provided specifically to facilitate the implementation of capital expenditure projects, is not identified within bilateral project and programme expenditures, and, as a result, it is not separately identified as technical cooperation in statistics of 'aggregate flows'. This means that the volume of technical assistance is under-reported within the OECD data.

About the Authors

Kataryna Wolczuk is an associate fellow with the Russia and Eurasia Programme at Chatham House, and a professor of East European politics at the Centre for Russian, European and Eurasian Studies (CREES) at the University of Birmingham, UK. She holds an MA in law from the University of Gdansk, Poland, and an MSc and PhD from the University of Birmingham. Her research focuses on East European politics, the EU's relations with the post-Soviet states and Eurasian integration. She co-authored (with Timothy Ash, Janet Gunn, John Lough, Orysia Lutsevych, James Nixey, and James Sherr) *The Struggle for Ukraine* (2017), a Chatham House Report. Her other publications include: *Ukraine between the EU and Russia: the Integration Challenge* (Palgrave Macmillan, 2015); and *The Eurasian Economic Union: Deals, Rules and the Exercise of Power* (Chatham House research paper, 2017, with Rilka Dragneva).

Darius Žeruolis is a freelance analyst on European integration and public policy. He holds MSc and MA degrees in comparative politics and political science from the London School of Economics (UK) and Central European University (Hungary) as well as BA degrees in Sociology from Vilnius University (Lithuania) and Trent University (Canada). During 1998–2007 he worked as director of European integration strategy at the European Committee of the Lithuanian Government (pre-accession) and as deputy government secretary with responsibility for EU affairs (post-accession) in the Office of the Government in Lithuania. During his professional career he has implemented and participated in numerous projects in public administration reform, strategic planning, policy evaluation, policy development and coordination and European integration. He has authored the Lithuania country reports for the Bertelsmann Stiftung Transformation Index since 2010. He is the co-author of two books, *Lithuania's Road to the European Union: Unification of Europe and Lithuania's EU Accession Negotiation* (with Klaudijus Maniokas and Ramūnas Vilpišauskas), published in 2005 by Eugrimas (Vilnius); and *Lithuania's First Decade in the European Union: Transformation or Imitation?*, published by Vilnius University Press in 2015.

Acknowledgments

The authors would like to acknowledge the support this research paper received from the Horizon 2020 research and innovation programme of the EU (project 'The European Union and Eastern Partnership Countries – An Inside-Out Analysis and Strategic Assessment' [EU-STRAT]) under grant agreement number 693382 (www.eu-strat.eu).

Independent thinking since 1920

Chatham House, the Royal Institute of International Affairs, is a world-leading policy institute based in London. Our mission is to help governments and societies build a sustainably secure, prosperous and just world.

Cover image: Ukrainian and EU banners hanging from the Ukrainian Ministry of Foreign Affairs government building in Kiev, Ukraine

Photo credit: Copyright © pvachier/Getty Images

ISBN 978 1 78413 290 3

This publication is printed on recycled paper.

The Royal Institute of International Affairs
Chatham House
10 St James's Square, London SW1Y 4LE
T +44 (0)20 7957 5700 F +44 (0)20 7957 5710
contact@chathamhouse.org www.chathamhouse.org

Charity Registration Number: 208223