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Sida Decentralised Evaluation

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Review of the Sida-funded Project “Advisory Support to the Ministry of Finance of Ukraine”

Final Report

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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

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Abbreviations and Acronyms

BAM	Budget and Aid Management Project
DAC	OECD's Development Assistance Committee
DCWG	Donor Coordination Working Group
DM	Donor Matrix
DOMIS	Donor Matrix Management Information System
DMF	Department for Macroeconomic Forecasting
EC	European Commission
EU	European Union
EUD	European Union Delegation
EQ	Evaluation Question
GIZ	German International Cooperation Agency
IFID	Department for Debt Policy and International Financial Policy
IMF	International Monetary Fund
IR	Inception Report
KSU	Key Spending Units
LFA	Logical Framework Approach
MoE	Ministry of Economic Development and Trade
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
OVI	Objectively Verifiable Indicators
PFM	Public Finance Management
PFB	Performance-Based Budgeting
REMS	Report and Events Monitoring System
SC	Steering Committee
Sida	Swedish International Development Cooperation Agency
SEK	Swedish Krona
TA	Technical Assistance
ToR	Terms of Reference
TWG	Technical Working Group
USAID	United States Agency for International Development
WB	World Bank

Preface

This Review was commissioned in 2012 by the Embassy of Sweden in Kyiv through Sida's framework agreement for reviews and evaluations. Indevelop undertook this evaluation between August-December 2012 and provided management and quality assurance of the process and deliverables. Anna Liljelund Hedqvist was Project Manager at Indevelop with overall responsibility for managing the implementation of the Review, and quality assurance of the reports was done by Niels Dabelstein. The independent review team included the following members:

Ms. Vera Devine, Team Leader, member of Indevelop's Core Team of evaluators
Dr Ann Bartholomew, Technical Expert
Yuriy Dzhygyr, Evaluator

Executive Summary

This report presents the findings of an independent review, commissioned by the Swedish International Development Cooperation Agency (Sida) of the project “Advisory Support to the Ministry of Finance of Ukraine”, which is scheduled to finish in December 2012. The project has been funded with SEK (Swedish Krona) 25 million, for a period of three years. The project is implemented by SIPU International, and there is a local project management team based in the Ministry of Finance of Ukraine.

The purpose of the review is to assess the achievements of the project and to inform the Sida decision-making process on a possible continuation of support to Ukraine in the area of public financial management, its scope and format.

The project, whose main partner institution on the Ukrainian side is the Ministry of Finance, has two components: the Budget Reform Component is working primarily with the State Budget Department to advance PFM (Public Finance Management) reforms in Ukraine by introducing a medium-term perspective and a more performance-oriented budget process; the Aid Management Component was designed to strengthen the Department for Debt Policy and International Financial Policy’s (IFID) role and capacity in attracting, coordinating, and managing PFM-related assistance to the MoF, as well as in developing its capacity to manage budget support.

Progress on both components has been slower than planned, for reasons that were outside of the control of the project: during the implementation period, in particular the Ministry of Finance was subject to wide-ranging staff cuts and restructuring, which stalled project activities for a great part of 2010. As part of the restructuring, the role of IFID (the main counterpart for the Aid Management Component) was effectively downgraded, making necessary a process of reorientation of the project to determine what was achievable under these new conditions.

For the **Aid Management Component**, the project’s major achievement has been the delivery of an integrated package of tools that can facilitate IFID’s task of coordinating and managing technical assistance (TA). This package includes IT system support to collect and consolidate relevant data, as well as a new approach to the annual programming cycle of technical assistance for IFID. The Aid Management Component has established close and good working relations with IFID, and has built the department’s capacity through day-to-day contacts and advice. For these outputs to become operational, orders from the senior management of the Ministry of Finance are needed; the lack of written authorisation to use the products raises questions as to the sustainability of these outputs. It also raises concerns as to the priority and importance the senior leadership of the MoF attaches to aid management and coordination, a situation that is further exacerbated by the lack of a comprehensive, central government-level policy and framework for aid coordination.

Other outputs have been produced based on the assumption of closer integration with the European Union (EU), which would entail an increased responsibility for the MoF on administering EU funds. Against the background of deteriorating relations between the EU and Ukraine over the past couple of years, as well as the decision to withhold a second tranche of budget support to Ukraine because of concerns over corruption in the procurement process, the likelihood of a dramatic, short-term improvement in Ukraine's EU perspective appears modest. Moreover, the overall critical assessment of the electoral process by the OSCE observers during the October 2012 Parliamentary elections, which are shared by the EU, is likely to further complicate the current status of the EU-Ukraine dialogue. These outputs, therefore, cannot be considered of immediate value, which does not rule out their usefulness in the future.

The **Budget Component** has achieved the most progress in developing an integrated strategic and operational planning model, linked to the medium-term budget framework. Key to this has been the development of new budget request and budget programme passport forms that encompass principles of medium-term planning, as well as indicators to allow a system of performance-based budgeting to be introduced. Technical assistance to the Ministry of Finance to develop a revenue forecasting model has been very valuable. Working with institutions other than the Ministry of Finance to influence the budget reform agenda has also been very useful: the team has established good working relationships with the Budget Committee of the Ukrainian Parliament; the Ministry of Economic Development and Trade, and the Presidential Centre for Economic Reform; all of which are important institutions to influence the reform process.

Overall, the budget team has laid the groundwork for the project to potentially move towards achieving its objectives, through developing a good relationship with the main actors and laying the groundwork for reforms by producing a budget reform methodology and making key stakeholders aware of reforms that need to be undertaken. The main problem going forward is that further decisions regarding the direction of reforms are needed. However, it is not possible to predict if or when these decisions will occur, as it requires a more reformist perspective from the higher levels of the Ukrainian government. The outcome of the October 2012 parliamentary elections did not signal a new political momentum that would bring about significant reforms in this area.

Recommendations

1. The Budget Reform Component should be given a year's extension until December 2013, to give an opportunity for the implementation of proposed reforms to occur, and to complete the project's outputs. This needs to be reviewed in the latter half of 2013, through a light-touch review to make a judgement as to whether reforms have moved forward sufficiently, and if there is adequate political will to underpin them. If this has not occurred, then the budget reform component should finish at the end of 2013. If there sufficient political momentum has been achieved, then a tender process should be

undertaken for a new project to support further budget reforms beginning in 2014.

2. For the year's extension, the focus should be on the implementation of budget reforms. The scope of the project should remain the same with an emphasis on completing and implementing the outstanding sub-components of the budget leg.
3. A tighter monitoring framework should be developed to track progress towards the implementation of budget reform. Indicators should be developed that better reflect actual progress on budget reform in order to monitor if the project's outcomes, purpose and goals are likely to be achieved.
4. The Aid Management Component of the project should close in accordance with the project's schedule in December 2012, and products should be handed over to the MoF. Should Sida agree to a one year extension of the Budget Reform Component, the project team could monitor the use and impact of the outputs provided under the Aid Management Component. This would be a useful source of information for Sida on the sustainability of its interventions once the project closes.

1 Background and Context

1.1 OBJECTIVES OF THE PROJECT

The project “Advisory Support to the Ministry of Finance of Ukraine” (hereafter: BAM) fits into one of the two priority areas set out in the current (2009 to 2013) Swedish Cooperation Strategy for Ukraine, the area of Democratic Governance and Human Rights.¹ The Cooperation Strategy also frames its objectives against the background of assisting Ukraine in moving closer to the European Union, and its standards and values.

The overall objective of the project is ‘modernisation of the budget process (including Medium-Term Expenditure Framework and Performance Based Budgeting); and the management of donor aid received by MoF’.

The project comprises two components, with the following objectives:

The main goal of the **Budget Reform Component** is to assist the Ministry of Finance of Ukraine in the reform of the budget process, by introducing a Medium-Term Expenditure Framework (MTEF) and Performance-Based Budgeting. The Budget Reform Component’s overall objective is:

‘Improved public financial management for efficient delivery of public services and sustainable economic growth.’

The main goal of the **Aid Management Component** is the establishment of an “[e]fficient and targeted mechanism [...] for managing external resources for reform initiatives related to Public Finance Management in the Ministry of Finance of Ukraine, in accordance with the functional framework as described in the terms of reference of the ‘Technical Donor Coordination Working Group’” and the establishment of an “[e]fficient policy for foreign aid management [...] for decisions on handling of external financing in analysis of fiscal policy and budget policy.”

¹ See Swedish Cooperation Strategy for Ukraine January 2009 to December 2013, at <http://www.regeringen.se/content/1/c6/06/37/28/70134712.pdf>.

1.2 EXECUTING MODALITIES OF THE PROJECT

Sida sees public financial management (PFM) as an area of reform which is, according to the Terms of Reference for the assignment, “essential to achieve efficiency and openness towards Ukrainian citizens in the use of public funds and to prevent corruption.”

The project emerged from a request, made in 2009 by the MoF of Ukraine to Sida for support to a) the modernisation of the budget process (including the Medium-Term Expenditure Framework/MTEF and Performance-Based Budgeting), and b) the management of donor aid received by the MoF. Sida announced, also in 2009, a tender wherein the bid of a consortium of companies led by SIPU International was selected to implement the project. Implementation started in March 2010, and is formally to end on 31 December 2012. The overall financial envelope of the project is SEK 25 million.

BAM has offices in the Ministry of Finance and is the only project of its kind with a permanent presence *inside* the MoF. This has significantly facilitated the establishment of good day-to-day contacts between the BAM team and the stakeholders in the MoF (and beyond), an aspect that the project has made considerable investments in.

A team of two international staff is based permanently in Kyiv, supported by project management at SIPU International HQs in Sweden; this backstopping primarily concerns budget management and other issues not relating to the immediate substance of the project.

The Budget Reform Component of the project is overseen by the team leader who also guides the work of the other international expert, and two part-time local experts. Technical resources for the Budget Reform Component are also provided through a Memorandum of Understanding between the Swedish Ministry of Foreign Affairs/Sida on the one hand, and the Ministry of Finance of Sweden on the other hand, which allows the project to draw specific short-term expertise for project purposes. The budget component has also worked with the German International Cooperation Agency (GIZ) to provide technical assistance to the Ministry of Finance on budget classification.

A part-time Ukrainian Deputy Team Leader is in charge of the Aid Management Component; he oversees a team of part-time experts, including one international, as well as being in charge of coordinating the input of several international short-term experts, and a local IT-consultant.

The budget of the project contains a flexible sum that is to be shared between the two components of the project, mainly for short-term expertise. While specifics of the expenditure have not been explored in the framework of the review, an approximate breakdown of costs suggests that 1/3 of this flexible part has been used by the Budget Reform Component of the project, while 2/3 have gone to the Aid Management

Component; in terms of the fixed part of the budget, the breakdown is roughly equal between the two components.

The project is working in accordance with an overall Logical Framework Analysis (LFA), which was developed during the Inception Phase of the project in 2010. It defines the project in terms of objectives, purposes, outputs, and activities, not, however, in terms of outcomes to be achieved. In accordance with Sida policies, the LFA is a somewhat flexible tool that can be adjusted during a project's lifetime, as long as alterations do not contradict the initial objectives and directions of work of the project in question.

BAM is governed by a Steering Committee (SC), in which the Ministry of Finance and the Ministry of Economic Development and Trade are members, and Sida and the World Bank (WB) are observers; the SC is open to other institutions.

There are also two Technical Working Groups (TWGs), one for each of the components. The TWGs meet on a quarterly basis, and have, during the lifetime of the project, become the key forum for decision-making on the directions and activities of the project. The TWGs underpin everything that is done by BAM, they also provide feedback on the usefulness of BAM outputs. As will be discussed later, one of the key characteristics (and strengths) of the project is its flexibility to take-up stakeholder requests and demands. The framework of the TWGs is useful to ensure that these requests can be met by the project, while still falling into the general objectives stipulated by BAM at the onset.

While the Ministry of Finance, and specifically its State Budget Department (for the Budget Reform Component) and the Department for Debt Policy and International Financial Policy/IFID (for the Aid Management Component) have been the key counterparts, the project has sought to extend its reach beyond this, and has involved the Ministry of Economic Development and Trade, as well as the Coordination Centre for Implementation of Economic Reform, an influential body established by the President of Ukraine to coordinate the implementation of the reform programme designed by the Committee of Economic Reform (an advisory body of for the President of Ukraine).

The project also contained a gender-mainstreaming aspect: Indevlop, through a framework contract with Sida Ukraine, was asked to provide advice to the project on how to mainstream gender into the outputs of the project, and how to better integrate gender equality in the systems and processes, while reforming the PFM system in Ukraine.

2 Review Purpose and Methodology

2.1 PURPOSE AND OBJECTIVES OF THE REVIEW

The review of the project “Advisory Support to the Ministry of Finance of Ukraine” (the project is referred to among stakeholders as the “Budget and Aid Management Project”, or BAM; this abbreviation will be used throughout the report) was commissioned by the Swedish International Development Cooperation Agency (Sida) in summer 2012.

The current contract of BAM finishes at the end of December 2012, and the key objective of the review is to provide Sida with an assessment that would inform their decision-making on a possible extension of the project, and the potential for continued Swedish support in the area of Public Finance Management (PFM).

The Terms of Reference (ToR) for the review (see Annex I) specified nine evaluation questions to be answered by the review:

- 1: Review the project’s overall impact against its goal and objectives
- 2: Capture the outcomes and outputs of the project in terms of knowledge, capacity, networking, and policy influence
- 3: Critically assess the value and effectiveness of these outcomes and outputs against the intended outcomes/outputs of the project
- 4: Identify and assess the value and effectiveness of the project responses to emerging issues and opportunities
- 5: Identify the challenges the project faced and that could have affected its overall performance and efficiency
- 6: Advise Sida on a possible continuation of support to Ukraine in the area of public financial management, its scope and format
- 7: To assess the formal, actual and potential position of both project partners within the Ministry of Finance (MoF) – the State Budget Department and the Department for Debt Policy and International Financial Policy
- 8: To compare the BAM project to other (recent) projects in the area, especially when it comes to the factual results in comparison to expected objectives
- 9: How has/will the BAM project contributed to tackling corruption in Ukraine?

The review also discusses the DAC (OECD’s Development Assistance Committee) criteria for evaluating development assistance, i.e. relevance, effectiveness, efficiency, impact, and sustainability.

2.2 HOW THE REVIEW WAS CONDUCTED

The review was carried out by a team of three experts (two international, one national expert), the profile of which had been specified in the ToR for the assignment. During the Inception Phase (27 August 2012 to 7 September 2012), the team conducted a desk review of documents that were provided by the BAM Project Team through Sida Ukraine. The Inception Phase was also used by the team to share preliminary findings, and to draft the Inception Report (IR). The Inception Report was submitted to Sida Ukraine on 7 September 2012, and formed the basis for discussions during the briefing at the onset of the in-country mission (10 to 20 September 2012); it was formally approved on 21 September 2012.

The in-country mission followed a schedule proposed by Sida (Annex II), but which accommodated requests/preferences for stakeholder meetings made by the team. Additional meetings were held with the BAM Project Team, including some individual team members, specifically to clarify a range of questions that occurred after stakeholder meetings. Although the team had divided the thematic areas to be covered by each team member in advance, the consecutive nature of the meetings (budget reform-related meetings during week 1, aid management-related meetings mainly during week 2) allowed for all team members to be present at almost all meetings. This provided a useful opportunity for the team to cross-check information, and to arrive at consensus on the findings. Sida was debriefed about the preliminary findings and recommendations at the end of the in-country phase on 20 September 2012.

During the in-country phase, the team also conducted a comparative analysis of documents issued by the project and by international organisations (in particular, the International Monetary Fund/IMF) to assess the quality of the advice, as well as the extent to which BAM outputs reinforce the opinions given by other international players in Ukraine.

A number of stakeholders have been interviewed via skype during (GIZ) and after the in-country visit (Indevelop; short-term experts involved in the aid management part of BAM; and project management at SIPU International HQs in Stockholm). One meeting (with the European Union Delegation) was held during the finalisation stages of the report in early December 2012.

This final report incorporates comments made by the BAM project team on 12 October 2012 insofar as the review team feels the comments were justified.

2.3 LIMITATIONS OF THE REVIEW

A few limitations affected the review. As highlighted in the inception report, stakeholders from the MoF were mainly rather conservative in their feedback, which might not least be a reflection of the fact that there is likely to be limited familiarity with the format of reviews and their purpose of being mutual learning exercises. In particular the MoF has seen drastic cuts in staff in the past couple of years, which provides a

further possible (and understandable) explanation for stakeholders being cautious about their statements during the interviews.

This is not to imply that feedback received was not genuine. Rather, it means that it yielded limited insight, including at a comparative level (specifically to gain information in support of answering the question, in the Terms of Reference on BAM vs other projects' achievements, as well as on the forward-looking aspects of a potential future project or intervention).

The review was not able to address question 8 of the ToR (i.e. “[t]o compare the BAM project to other (recent) projects in the area, especially when it comes to the factual results in comparison to expected objectives”) in any methodologically sound way. This concern had been flagged in the IR, as well as during the de-briefing with Sida on 21 September 2012.

In terms of the DAC criterion of efficiency (i.e. an assessment of the relation between the input of resources and the outputs), the review has not yielded anything beyond very general insights into the broad division of financial resources between the two project components.

3 Observations and Analysis

3.1 RELEVANCE OF THE PROJECT

The **Budget Reform Component** of the project is clearly relevant, as there is a need to support public financial management (PFM) reform in Ukraine. The project's objectives are also appropriate, as they address key areas of weakness in the PFM system, which stem from a focus on the annual budget rather than a medium-term perspective, and a bottom-up budgeting approach, as opposed to best international practice that suggests budgeting should be top-down.

An additional constraint that the project has sought to address is the split between the Ministry of Finance (MoF) and the Ministry of Economic Development and Trade (MoE) in budget preparation with different responsibilities assigned to each Ministry.

The project is relevant as it is supporting the budget reform process that has been mandated by the government and is attempting to influence further reforms that are needed. The revision of the Budget Code in 2010 supported a medium-term budgeting approach, while the Presidential Reform Programme for 2010 - 2014 outlines measures to improve medium-term budget forecasting and planning. BAM is working with the main stakeholders who influence the budget reform process, namely the Budget Committee of the Verkhovna Rada (the Parliament of Ukraine) and the Presidential Economic Reform Centre, indicating that the project's choice of partners is also appropriate.

The design and approach of the project has been both relevant and effective. The use of an international consultant in the core team who has experience of budget reform in the former Soviet Union and who speaks Russian has been particularly useful, as has using a local consultant who is an ex-member of staff of the Ministry of Finance who has successfully acted as a liaison between the government and the project. This has ensured full understanding by all partners as to the direction of reforms and activities that need to be undertaken.

The approach taken has been demand-driven and opportunistic. The project has played a valuable role in listening to the challenges and constraints faced by the MoF and MoE, and in trying to address these, through proposing new approaches tailored to the Ukrainian context.

Although the project has a range of reforms and activities that it has wanted to introduce, it has put most efforts into areas such as strategic planning and revenue forecasting where it has judged there is most political will for change and therefore, the greatest likelihood of success. Given that the political environment in Ukraine is un-

certain and it is not clear where the appetite for reform lies, this is the most effective approach for the project to have undertaken.

The project's activities and focus are, in most cases, complementary to other donors, and the budget component has worked with other donor projects in these areas and has reinforced messages from other institutions, such as the World Bank and the IMF. The particular value in BAM has been that although other projects and institutions have been pushing for similar reforms, BAM is the only project working at ground level with the government. This was perceived to be particularly valuable by beneficiaries, as this hands-on approach resulted in a high level of support. Although staff in the MoF and MoE knew the problems they faced with the budget process, often, they did not know how to resolve these problems. Exposure to international best practice was in this case extremely useful.

In some aspects, the project is not as relevant as it could be: the focus of the project has been mainly on developing models and methodologies, rather than implementation. This is a result of the design of the project monitoring framework and the outputs and activities, as even if the project outputs are achieved, it will not necessarily lead to achievement of the project objective and goal. This is due to the focus of the outputs, which are to present models and to develop methodology, with no outcomes specified in the LFA.

One of the biggest constraints that the public financial management system faces in Ukraine is corruption. This was not one of BAMs specific objectives, but is one of Sida's key objectives in Ukraine. Although the project has the *potential* to make a contribution to strengthening budget systems and making them more transparent, it is not likely to have a direct impact on corruption. Corruption mostly occurs through abuses of the procurement system—a change in the procurement legislation led to the EC freezing direct budget support to Ukraine—and the need for out-of-pocket payments for services.

The **Aid Management Component** of the BAM, too, has been relevant, as aid coordination in general has long been a problematic issue in Ukraine; with regard to PFM, the coordination function had been for many years with the World Bank (WB) instead of the Ministry of Finance as the main institution for benefitting from technical assistance in the PFM area. This role has now been assumed by the aid management function of IFID, which is the main counterpart in the MoF for this component of BAM.

However (and clearly outside of the control of BAM), circumstances have significantly changed since the start of the project, which had an impact on the relevance of the objectives to be pursued through this component, as well as the outputs devised for achieving these objectives.

In 2011, IFID's numbers were drastically reduced during cuts that affected ca. 35% of the staff of the MoF – more than any other line ministry. Furthermore, IFID was merged from being a separate department (Department of Cooperation with Interna-

tional Financial Organisations) into being a division inside the Department for Debt Policy and International Financial Policy. *De facto*, this means that the aid management and coordination function inside the MoF have been de-prioritised, and this has limited what could be achieved under BAM on the aid management part. For many of the outputs produced under the project to be used across the MoF, policy decisions/signed orders are necessary from the top level of the MoF. At the time of the review, relevant orders were reported to be with the MoF's Legal Department for review.

The objectives for the Aid Management Component had also been formulated with the prospect of closer association between the EU and Ukraine, and with the perspective of increased budget support, and an assumed key role for the Ministry of Finance to be played in administering this. Direct budget support to Ukraine has been plagued by difficulties (see above), and overall relations between the EU and Ukraine have substantially worsened since the project started in 2010, and it is at this stage unclear in what direction it will develop in the short- and medium-term. The relevance of this project purpose therefore has, too, changed during the life-time of the project.

Aid coordination inside the MoF as well as across line ministries remains a problematic area, with the key players still the Ministry of Economic Development and Trade, and the Civil Service Agency of Ukraine. The improvement of intra- and inter-ministerial coordination has been well identified in the project purposes. In the continued absence of a consolidated aid management and coordination policy at central level, as well as at the level of the Ministry of Finance it is, however, difficult to see how IFID can make much progress on its own. Measured against the objectively verifiable indicators (OVI) the project set itself during the Inception Phase² of the project, these have been achieved only to a very limited extent.

As in the Budget Reform Component, OVIs have been designed at the activity, output, and objectives level of the project; however, no outcome indicators have been designed in the LFA.

² These OVIs are: levels of PFM assistance attracted; improved results in OECD, WB, and EC reviews and interviews with aid bodies; regular AM policy meetings and undertaken updates; policies on foreign aid management and approved budget support; IFID meets its government performance targets; percentage of aid attraction and absorption; increased satisfaction by donors.

3.2 PROJECT OBJECTIVES AND EXPECTED OUTPUTS

a) Budget Reform Component

The main goal of the **Budget Reform Component** is to assist the Ministry of Finance of Ukraine in the reform of the budget process, by introducing a Medium-Term Expenditure Framework (MTEF) and Performance-Based Budgeting. The Budget Reform Component's overall objective is:

'Improved public financial management for efficient delivery of public services and sustainable economic growth.'

The project purpose, according to the LFA, is:

'To assist the Ministry of Finance in Ukraine in developing a budget management system based on reasonable economic assumptions and ensuring efficiency, effectiveness and realisation of political decisions in the management of public finances, including foreign aid, in a medium term perspective.'

In the original project LFA, there was a list of outputs for this component of the project, which was later organised into six sub-programmes for the three-year workplan.

The components/outputs as outlined in the LFA are as follows:

- New macroeconomic models introduced;
- Medium-term budgetary forecasting introduced;
- MTEF methodology for state and local budgets developed and established;
- Annual budget cycle revised to include the MTEF;
- Annual budget documents revised to become uniform, transparent and relevant;
- Integrated Strategic and Operational Planning Methodology within the medium-term budget framework elaborated and presented;
- Performance orientation of the budget process enhanced;
- Budget process reform fully understood by management of the MoF and strong institutional arrangements to support budget process reform established.

These six sub-programmes and their corresponding activities and objectives as outlined in the original project documents are outlined in Box 1. For the first three sub-programmes, the focus of activities changed slightly during the project, but this is discussed in more detail in the section below.

Box 1: Budget Component sub-programmes*A.1 Macroeconomic Forecasting*

This sub-programme aims to support the MoF in improving medium-term budgetary forecasting to enable them to produce reliable macroeconomic projections to support the budget process.

A.2 Strategic Planning

An integrated strategic planning and budget model is to be developed by the project to support performance-based budgeting by improving the performance of line ministries and spending units.

A.3. Medium-Term Expenditure Framework (MTEF)

Assistance to the MoF to establish a sustainable MTEF that includes the performance of line ministries and key spending units.

A.4. Performance- based budgeting

To improve budget transparency and to enhance the performance-orientation of the budget process by introducing programme monitoring and evaluation, and a system of budget programme mid-term planning, based on programme evaluation.

A.5 Annual Budget Cycle

The aim of this sub-programme is to ensure the adoption of an annual budget cycle, budget structure and budget regulations to include the MTEF and, at the same time, to make the budget uniform, transparent and relevant and, in addition, applicable for a performance-based budget process.

A. 6. Budget Process Reform (BPR) Capacity Building

The aim is the implementation of the concept of ownership of the BPR to ensure that MoF takes leadership in the reform process. This consists of support to MoF staff to fully understand and implement all parts of the programme through lectures, on-the-job training, and study tours.

Project Progress in achieving its objectives

The Budget Reform Component's objective and purpose have not yet been achieved, and they are not likely to be met by the planned completion of the project at the end of 2012. The objective of an improved public financial management system has not yet been achieved, as so far, the team has developed models and methodologies for budget reform, but these have not yet been implemented. There has been some progress towards achieving the project purpose of assisting the MoF to develop an efficient and effective budget management system, although this falls short of what is needed for a thorough budget reform process.

In terms of achieving the outputs outlined above, progress is judged by the review team to be as follows:

A1 Macroeconomic Forecasting (partially achieved)

This output relates to the introduction of macroeconomic forecasting models to forecast resources available for the budget over the medium-term. This has been one of the more successful of the project components, although it has only been partly achieved, as the focus of support has been on developing a revenue-forecasting model for the MoF. The MoE forecasts the macroeconomic indicators and although the BAM team has worked with the MoE on forecasting, due to the mandate that splits forecasting responsibilities between these two ministries, it has not been possible to develop an integrated macro-forecasting model.

A macroeconomic model for revenue forecasting has been developed for the Revenue Forecasting Division of the Department for Tax and Customs Policies of the MoF. This was in collaboration with two consultants from the Swedish Ministry of Finance. The model was tailored to the Ukrainian environment, and there was significant consultation with the Revenue Forecasting Division to ensure it met their needs.

The new model uses a more sophisticated method of forecasting revenues, and although it has not been completely taken up by the department yet, there is no reason why they should not adopt the model once they become more confident in its forecasts.

In addition, as part of this work there has been a concerted effort by the project to bring together the MoF and MoE to collaborate on macroeconomic forecasting issues, as traditionally, these ministries have worked in silos with little contact between them. A key step towards this was a project workshop to discuss macroeconomic and revenue forecasting attended by both ministries. This led to a greater understanding of how each ministry's forecasts fit into the overall framework for macroeconomic forecasting. There is also now greater communication and transparency, as the MoE has been exposed to the new revenue model, which it can take account of in its own work to understand how used variables and forecasts relate to the forecasts of the macroeconomic indicators they are undertaking.

A2 Strategic Planning (achieved)

This sub-component has been the most successful for the budget component, with significant resources being devoted to this area. Activities have focused on developing proposals that have been presented to the MoF, MoE and key spending units (KSU) to enhance operational planning procedures, and to implement strategic planning. This has resulted in an integrated strategic planning, a budget model being elaborated and presented, and a methodology for operational planning, linking it to the medium-term budget framework.

The team has developed new budget request forms and budget programme passport forms. These forms encompass principles of medium-term planning, as well as indicators to allow a system of performance-based budgeting to be introduced. A workshop was held in May 2012 to introduce the MoF, MoE and KSUs to the new forms, and to give instructions for completion.

These forms have not yet been used for budget preparation, but the MoE intends to use them for the 2014 budget. There has not as yet been a decision by the MoF to use them, as the ministry's IT system needs to be amended in order to be able to use the forms. However, as the MoF requested these changes, it is expected that both ministries will use the new forms for the 2014 budget.

The team has also developed guidance on medium-term budgeting and strategic planning to serve as the main guidelines for the KSU, which will be presented to the KSU at the end of 2012.

Despite the budget reform team being successful in achieving this output, it should be noted that considerable work still remains to be done to implement the methodology proposed by the team, both at the central level and that of KSUs, and only when this occurs will the team's efforts have been completely effective.

A3 Medium Term Expenditure Framework (MTEF) (partially achieved)

Work by the budget component on the MTEF has been delayed, due to circumstances outside of BAM's control, as the EC Twinning Project was assigned the mandate by the MoF for the introduction of an MTEF, despite this being in BAM's original work plans. This meant that the project did not specifically work on an MTEF methodology as originally planned, although activities in other sub-programmes (Strategic Planning, Performance-Based Budgeting and revising the Annual Budget Cycle) were all contributing to its development.

The project was not able to successfully collaborate with the EC Twinning project, despite efforts made by the team to establish a working relationship and greater collaboration. Since the Twinning has now finished, BAM has been able to build on the groundwork laid by the project, in sensitising the MoF to MTEF concepts. The budget reform component has produced a report assessing existing multi-annual budget procedures, proposals for the introduction of medium-term budgeting in Ukraine, and a report outlining proposals to improve the budget process through the use of policy areas and to introduce an MTEF budget resource envelope.

The project does not intend to develop a methodology for local budgets, as a USAID (United States Agency for International Development) project is working on local budgeting, and this appears to be a sensible decision to avoid the duplication of activities.

A4 Performance based budgeting (partially achieved)

There has been very little progress on this output, as the focus has been on developing methodology that has not yet been implemented in practice. The budget reform team has written a report on the "Integration of Monitoring and Evaluation in the Ukrainian State Budget: Proposal for a Common Framework". This report identified weaknesses in the Ukrainian system of monitoring and evaluation, and has developed a road map for decision-making procedures within the MoF on budget programme monitoring

and evaluation. As noted above, there were indicators introduced to the budget request and passport forms that will allow performance-based budget allocations once a system for monitoring and evaluation is established.

A5 Annual Budget Cycle Revised (not achieved)

Progress has been relatively slow on this output. The budget reform team has undertaken an assessment of the budget calendar and has made proposals for changes in the budget cycle to bring it into line with international best practice. This has not resulted in significant changes to the annual budget cycle, as the main constraint is that the Government of Ukraine needs to make a decision to implement these changes and to then change the legislative framework accordingly.

There have, as part of this component, been some technical changes that the team has successfully implemented, and that are worth highlighting. These are:

- Reform of budget expenditure classification which brings Ukraine's system in line with international standards and makes the budget more transparent.
- Providing advice on reducing the number of budget programmes: this was adopted and the number of programmes has been reduced in 2012 to 540 from between 900-1000.

A6 Annual Budget Documents Revised to Become Uniform, Transparent and Relevant (partially achieved)

The budget reform team has undertaken significant work related to the strategic planning sub-component that has supported the strengthening of annual budget documents. The development of a new budget request form and budget passport forms that are now being used by the MoE (see point A2) are the main achievements. There have also been various reports produced by the team, which have analysed the Ukrainian context and have made recommendations on how to bring budget documents up to international standards. The major constraint to achieving this output is now the need for the Government of Ukraine to make a decision on the revisions proposed, so that budget documents can be revised.

A7 Budget process reform (partially achieved).

A series of capacity-building initiatives have been undertaken by the budget team, aimed at raising awareness of the need for budget reform and exposing partners to best international practice. This has not only been for the MoF and MoE, but also for KSU's and the Budget Committee of the Parliament. As part of this process, the budget component has run workshops on medium-term forecasting and medium-term budgeting, and has taken partners on study tours to Sweden and Lithuania. This has raised awareness of international best practice on the formulation and implementation of budget reforms.

An important aspect of this work has been working with institutions other than the MoF to influence the budget reform agenda. The team has worked with the Budget Committee of the Verkhovna Rada, presenting proposals on the budget formulation process, as well as commenting on ongoing legislation. The Draft Law for Strategic Planning, which is currently going through Parliament, is an example of legislation

that the budget team commented on; and the Budget Committee took their views into account when preparing comments on the draft law.

The budget team also works with the Presidential Centre for Reform that was established to support the President's Programme of Economic Reform. The centre develops an annual action plan and indicators that institutions involved in the reform process must work towards achieving. BAM has provided advice on activities that should be included in the annual action plans and has commented on drafts.

This represents an unintended aspect of BAMs work, which is to be very effective in working, in a hands-on way, with these institutions. This enables the project to act as a 'resource' that other institutions can draw on for advice and support, and in turn gives BAM some influence over budget reform issues.

Where the project has been less successful is in engaging senior management in the MoF and MoE who are the major decision-makers. This is difficult to do in the Ukrainian context, so the project has mainly focused on working at a technical level. This means that unless senior management is fully aware and supportive of the need for budget reform, it is unlikely that wide-ranging reforms will occur.

In terms of the gender mainstreaming component of the project, discussions between BAM and Indevelop were held at the onset of the project. However, they did not result in any specific activities being taken forward. Resistance to the topic by the senior-level management of the MoF was cited as one of the reasons for gender not being taken up. During the review in-country mission, the MoF did, however, request specific technical assistance on gender-based budgeting.

b) Aid Management Component

The main goal of the **Aid Management Component** is the establishment of an *“[e]fficient and targeted mechanism [...] for managing external resources for reform initiatives related to Public Finance Management in the Ministry of Finance of Ukraine, in accordance with the functional framework as described in the terms of reference of the ‘Technical Donor Coordination Working Group’”* and the establishment of an *“[e]fficient policy for foreign aid management [...] for decisions on handling of external financing in analysis of fiscal policy and budget policy.”*

The overall purpose of the Aid Management Component is for IFID and MoF Departments to:

“have effective policy formulation and operational organisation and competent staff in place to coordinate and manage aid and budget support received by the MoF and the PFM sector” and that the MoF has improved intra- and inter-ministry coordination and communication for aid management, including trained personnel and a mechanism to attract external funding and to work with donors in the PFM sector.”

In the original project LFA, as with the Budget Component, there was a list of outputs for this component of the project, which was later organised into five sub-components. The components/outputs as outlined in the LFA are as follows:

- Established and fully operational and coordinated foreign aid management at the MoF to coordinate and manage aid, attract external funding, and work with donors in [the] PFM sector.
- Applied foreign aid management in fiscal and budget policy.
- Report and recommendations on functional analysis presented and a number of administration processes and procedures developed to coordinate and manage aid received by the MoF and the PFM sector.
- Revised process for formulation of MoF policy for aid management developed and operational, including for analysis and managing budget support.
- Established relevant internal reporting and work routines with other departments of the MoF: IFID and MoF departments have improved coordination in aid management operation and administration processes.
- IFID, MoF and stakeholders in PFM sector trained to a satisfactory level of competence.
- The MoF is capable to manage a sustainable system for the efficient and targeted use of external resources for reform initiatives in the sector for Public Finance Management, in line with the functional framework of the Technical Donor Coordination Working Group (DCWG).

These five sub-programmes and their corresponding activities and objectives are outlined in Box 2.

Box 2: Aid Management sub-programme

B.1. Improvement of IFID daily management

This sub-programme aims to improve the daily management of the aid received in the MoF and PFM sector and to strengthen the organisation, legal framework, operational and relevant administrative processes of IFID.

B.2. AM policy development

The aim of this sub-programme is to upgrade the capability of the IFID in the formulation of MoF policy for aid management, including budget support.

B.3. Institutional arrangements for AM

This sub-programme, aimed at improving cooperation and communication between IFID and other MoF departments, intends to enhance the effectiveness of policy development, and the effectiveness of programme cycle management. Further, the sub-programme aims to strengthen inter-ministerial communication and collaboration of the MoF with other state institutions related to AM, especially the MoE.

B.4. Donor coordination framework

The rationale of the sub-programme is to ensure that the Ministry of Finance of Ukraine is capable of managing, within the policy framework, a sustainable system for the efficient and targeted use of external resources for reform initiatives in the sector for Public Finance Management, in conjunction with the stakeholders and in

line with the functional framework of the Technical Donor Coordination Working Group (DCWG), which will be managed by the IFID.

B.5. Aid Management capacity building

The aim is to improve the capacity of the personnel in IFID, MoF and possibly other organisations in the PFM sector, to ensure that they have the knowledge and skills to use the revised systems and procedures, and to manage the aid management process.

Project Progress in achieving its objectives

The goals and objectives of the **Aid Management Component** have been partly achieved. An assessment of these achievements needs to take place against a background where the role and position of the main counterpart structure within the MoF has dramatically changed since the project started in March 2010 (the department's number of staff was drastically culled while retaining a substantial portfolio of tasks, and it was somewhat counter-intuitively merged with the department for debt policy); to a great extent, IFID's role has been downgraded and with it, the potential for the department to be at the core of, and driving, policy formulation would seem to have diminished too. With this in mind, the review team assesses that the project has achieved what was achievable under the circumstances.

Overall, the project has provided the IFID with a comprehensive and structured approach to aid management, with numerous operationally-oriented tools – something that had not been in place in any form at the onset of the project. The sustainability of the outputs depends, to a great extent, on whether or not aid management becomes a genuine policy priority. For many of the outputs produced under the project to be used across the MoF, policy decisions/signed orders are necessary from the top level of the MoF. At the time of the review, relevant orders were reported to be with the MoF's Legal Department for review, effectively halting the implementation of some of the outputs inside the MoF.

In terms of achieving the sub-programmes outlined in the box, progress is judged by the review team to be as follows:

B1 Improvement of IFID Daily Management (partially achieved)

The project conducted a *Functional Review*/analysis of IFID, with a set of recommendations, as well as a *Needs Assessment for Training* for IFID. The review was much appreciated by IFID stakeholders, specifically for its thoroughness and level of detail. The review came at a time of a certain demoralisation among IFID staff, and also appears to have been appreciated because it acknowledged the potential importance of the work IFID is doing. A Plan of Implementation of the recommendations from the functional review was produced, though interviewed stakeholders did not have any specific recollections of the recommendations, or how they had been taken forward. The Functional Analysis and the recommendations could become useful in the future should circumstances become more favourable for aid management.

One of the most tangible and visible outputs under this sub-programme (and the Aid Management Component overall) has been the development of a Donor Matrix Management Information System (DM – DOMIS) for Managing Technical Assistance Projects in the MoF, which has been accompanied by a manual and instructions for use inside the MoF. The system represents an integrated tool for the IFID/the MoF to collect and organise information related to ongoing and possibly, past, technical assistance provided by the donor community. Prior to the setting-up of what is, in the main, a database of relevant projects/interventions, IFID underwent a process of trying to structure and organise information demands they had with regard to TA, an exercise that can, in itself, be considered a capacity-building exercise for IFID. The DM (Donor Matrix) then provided IFID with a tool to systematically collect and make this information visible. The DM has been presented to the donors during the Donor Coordination Working Group (DCWG) meetings; feedback from representatives of the international community suggests that the value of the DM is mainly for the MoF itself to appreciate. If used properly, it can contribute to a mapping of gaps in the provision to the MoF of TA in the area of PFM; moreover, it could become a useful tool to create an institutional memory inside the MoF of past projects and outputs, such as technical papers, reports, and other pieces of advice on specific subject areas. Currently, the DM is, according to several stakeholders interviewed in the framework of this exercise, not well known among the various departments of the MoF. This is partly due to the fact that for the DM to become institutionalised, an instruction/order needs to make the use of the system official in the MoF; once this happens, the DM could fulfil its potential. It needs to be pointed out that further technical improvements, or improvements in the way the information is presented in the DM, can always be made. The review team is, however, of the opinion that such improvements can, if found necessary, be made by the MoF itself and would not need additional input from an assistance project beyond December 2012.

A number of outputs under this sub-programme have been produced that might become relevant should Ukraine move closer to the EU, and be required, *inter alia*, to administer EU-funds through domestic institutions. A June 2012 paper on the European Integration Unit inside the IFID discussed the current capacity and future demands on such a unit should the EU-Ukraine Association Agreement be signed. Relations between the EU and Ukraine have steadily worsened over the past couple of years, and there is, at this stage, no certainty at all about the possible course of these relations; in fact, developments following the recent parliamentary elections rather point to these continuing to be tense. The same concerns the perspective for a future Central Finance and Contracting Unit (CFCU), which would be the institution in charge of administering EU funds.

B2 Aid Management Policy Development (not achieved)

Under this sub-programme, a regulation on the Management of Technical Assistance in the MoF has been drafted that takes into account the possibility, in the future, of IFID being a central structure in the coordination of EU-integration funds. This regulation might be useful should developments move towards improved EU-Ukraine relations. There is no immediate use of the draft, however.

One of the outputs of the sub-programme is the development, with IFID, of a technical assistance programming cycle. A training event, conducted in May 2012 and appreciated by participants, has, *inter alia*, taught MoF staff how to work according to this cycle, and how to use the appropriate forms for the application for donor funds. The review team understands that so far, only two departments inside the MoF have been using the forms, although the general usefulness of the exercise of filling in an application has been confirmed by more than one stakeholder. In this context, there are two observations. In the one case where the training, and the application form, were used to file a project application, the stakeholder had no clear understanding on what the next steps in the process were. There was also a concern raised about the turnover of staff inside the MoF and the loss of institutional memory and skills related to project cycle management and resulting from this, the need for repeat trainings. As in other areas, for the processes and specific operational outputs to be utilised across the MoF, an order (also drafted in the framework of this sub-programme) would need to be signed by the senior management of the MoF. It is clear that without a decision by the management, the utilisation of the outputs will in the best case be optional, and in the worst case, MoF departments will not feel authorised to use them.

Currently, the Aid Management team is, together with IFID, finalising a Manual to guide the management of technical assistance inside IFID and the entire MoF. The Manual exists in an advanced draft, but its potential use cannot be assessed in the framework of this review.

B3 Institutional Arrangements for Aid Management (not achieved)

Under this sub-programme, the project team reports three outputs: a Concept for the Capacity Development in the Ministry of Finance of Ukraine for Effective Management of International Technical Assistance, a Concept for the Ministry of Finance on Improving International Technical Assistance Management in the Ministry of Finance and in Ukraine, and a Note on the EU Funds Instrument and Implementation in the Period 2014 to 2020. These three outputs seem to be in the main background notes for IFID, and their potential use depends on overall future developments in EU-Ukraine relations.

B4 Donor Coordination Framework (partially achieved)

Under this sub-programme, a number of outputs were produced via the MoF/IFID – donor interface.

The project developed REMS, a Report and Events Monitoring System, which provides a useful tool to collect, consolidate, structure, and disseminate to stakeholders information on ongoing projects, outputs, and events/meetings. Donor representatives interviewed for this exercise have offered a range of perspectives on the usefulness of REMS, but the value of an integrated database to share information has been highlighted repeatedly. As with the Donor Matrix above, with REMS, BAM has provided a model of such a database to the MoF. While this model can still be adjusted to im-

prove its potential use for the MoF, the review team considers that this is a task that can be taken forward by the MoF itself in the future, if need be. Currently, REMS is being used by IFID, and there is good take-up by donors to fill in the information forms on a regular basis. Officially, an Order would need to be signed by the top level of the Ministry of Finance to sanction the use of REMS in the MoF; the project has drafted such an order, but it has not yet been signed.

Second, the project has produced a number of outputs to strengthen IFID's role in organising (the aid management section of IFID serves as the secretariat) and for the MoF to co-chair the Donor Coordination Working Group (DCWG) meetings. These meetings had initially been chaired by the World Bank, but at the beginning of the project, meetings had not been held for an extended period of time. BAM drafted the Terms of Reference based on which meetings were to be conducted; the DCWG convenes on a regular basis. Templates were produced to help the organisation and preparation of the DCWG meetings. Feedback from stakeholders suggests that there is still some way to go for the DCWG meetings to become more strategic, and an efficient and effective tool for donor coordination on PFM. The DCWG has great potential, but in order to become a genuine donor coordination mechanism, a PFM Strategy and Action Plan would need to be in place, and DCWG's role would potentially be to coordinate donors' input into those areas of the Strategy and Action Plan that would need outside/donor support.

A major piece of work produced under this sub-programme was the DCWG Functional Review, which also contains recommendations. It describes the role of the DCWG in the overall current aid coordination structure in Ukraine. The report was sent out to donors, but no specific feedback has been received from them, making it difficult to judge what overall use has been made of it.

B5 Capacity Building (partially achieved)

Under this sub-programme, a number of activities have taken place, including seminars and workshops, as well as a Study Visit to Poland. These activities link back to, and support, outputs under other sub-programmes. The team has consistently used feedback/evaluation forms for the organised events; these show a high level of satisfaction of participants throughout. The AM project team has worked, on a daily basis, with IFID, with which it has managed to establish close and good working relations. IFID has drawn on the project team's advice on a day-to-day basis, which has, in addition to the specifically-defined outputs (i.e. training, seminars, and study tours) contributed to the building of capacities in the department. To what extent this capacity is going to be called to use will depend on how the senior level at the Ministry of Finance decides to take forward/embed the tools and methodologies developed in the project.

3.3 INSTITUTIONAL AND MANAGEMENT ARRANGEMENTS AND CONSTRAINTS

The main counterpart for the BAM project is the MoF. The Budget Reform team works primarily with the State Budget Department, which is responsible for annual state budget preparation, planning and execution.

The budget reform team has expanded the institutions that it works with to include more institutions than was originally envisaged. Key counterparts now include the MoE, particularly the Macroeconomic Forecasting Division of the Macroeconomic Policy, Strategic Planning and Forecasting Department and the Department of Reforming of Public Administration. As noted previously, the budget team has developed successful relations with the Centre of Economic Reforms Implementation under the President of Ukraine and the Budget Committee of the Verkhovna Rada.

Originally, it was envisaged that a Steering Committee would be established for the project and Technical Working Groups for each component of the project. This took time to achieve and eventually, in 2011, a Steering Committee was established, as well as a TWG for each of the BAM's components. The TWGs meet at least once every quarter and include representatives from the MoF and BAM. The objective of the TWGs is the following:

- Preparing the agenda and proposals brought forward to the Steering Committee meetings;
- Follow up and execution of all TWG-related decisions;
- Discussion of proposals on the three year plan of the BAM project and new annual plans, as well as annual reports;
- Reviewing and approval of quarterly plans for the next period;
- Reviewing and approval of quarterly reports;
- Monitoring of the implementation of the objectives and activities of the quarterly project plans;
- Ensuring coordination within MoF for the project implementation;
- Discussing and deciding on individual project issues.

The project faced a number of constraints that impacted the overall performance and efficiency of the programme. The main constraint faced by the **Budget Component** has been as a result of the President's Administrative Reforms. This led to the number of staff in the State Budget Department being reduced from 73 to 59 and to some of the divisions being merged. This meant that some of the key staff members that the project worked with either left or were moved to new positions that disrupted the project's work. At the same time, there were changes in the top-management of the MoF that resulted in three Ministers of Finance in 2012, none of which were perceived as reformers. This contributed to the lack of political will at the top-management level to move budget reforms forward.

IFID, the main counterpart structure in the MoF on the **Aid Management Component**, faced similar problems. With the effective downgrading from what had originally been a separate department to becoming a (much-reduced in numbers) division

inside the Department for Debt Policy and International Financial Policy, the project's relevance was significantly affected.

3.4 OUTCOMES, IMPACT, AND SUSTAINABILITY

Project **outcomes** have been limited in both components of the BAM.

For the **Budget Reform Component**, the focus has been on outputs aimed at introducing new budget methodologies and models, which the MoF now needs to implement in order for the reform process to move forward. This lack of specific outcomes was encouraged by the design of the project as discussed in 3.1 above, as the project focused on outputs with no outcomes specified.

In order for substantive outcomes to be achieved, there needs to be implementation of the team's proposed budget changes and in most cases, there need to be changes to the legal framework. These changes range from new laws that need to be passed, such as the Law on Strategic Budgeting which is currently going through Parliament, changes to the 2010 Budget Code or orders from the Ministry of Finance, which need to be issued and then implemented.

For some areas of the budget reform team's work, there is already a legislative framework in place, implying that this work is likely to move forward and have a chance of being sustainable. Medium-term budget forecasting was approved by the new Budget Code in 2010, which allows for revenue forecasting over a 3-year period. The draft law on Strategic Planning, which is now going through Parliament, passed on its first reading, but will have a second reading next year; and assuming it does not get derailed in the newly elected Parliament (for the reasons outlined below), this will provide the basis for further work on strategic and operational planning.

Despite this, it is still not clear if there is sufficient political will to move forward with wide reaching changes to budget processes.³ Those that have been authorised

³ The new Parliament elected on 28 October 2012 plans to convene on 17 December 2012. Establishing key institutions within the new Parliament (speaker, political factions, and the parliamentary majority) is expected to be a complex and protracted process given that Ukraine's electoral system was changed back to approached used in 2002 where half of the seats are elected by party-list proportional representation and the other half – by single seat constituencies. On top of the need to start applying respectively amended Parliamentary rules, negotiations to establish the voting majority might take time. The ruling Party of Regions (PR), which received 30% of votes by party-lists, is estimated to also dominate in the single-seat constituencies, but is likely to still lack some seats to form a majority even if it joins

thus far have tended to focus on technical changes relating to issues such as budget classification and revenue forecasting, rather than reforms that may impact the interests of other government institutions.

With regards to the **Aid Management Component**, for outcomes to be achieved, a high-level policy and legal framework for aid coordination would be required, also signalling the political will to reform and improve aid coordination in Ukraine. Aid management and coordination do not, at this point in time, seem to be a high priority in Ukraine. Much depends on the future of Ukraine's relations with the EU and the wider international community, which is also going to have an impact on assistance/aid flows and modalities, and consequently, the need to coordinate these.⁴ The

forces with the Communist Party (which would bring another 13.18% (32 MPs) by party lists, but not a single MP from constituencies. On the other hand, the capacity for productive cooperation between the three other elected parties remains to be incipient and fragile. If and when the parliamentary majority is finally being established, therefore, it is likely to represent a comparatively precarious entity. While it might not represent an obstacle for renewing legislative work in the foreseeable future, it is hard to expect that the new Parliament would gain a significant political momentum for concerted reform action. An additional risk to the fast renewal of legislative work by the Parliament is some remaining probability that the three newly-elected opposition parties would unite to demand re-elections by vacating their seats and thereby putting the new Parliament into utter stalemate until the conflict is resolved. This strategy was repeatedly discussed during the post-election protests following a series of fraud allegations from domestic and international stakeholders. At the moment of this report, the ultimate plans for tackling this issue by the opposition parties were not disclosed. It is also unclear what impact the elections will have on the composition and political potential of the Government. According to the Constitution, Parliamentary elections do not automatically lead to a change in Government (unlike Presidential elections), although the President may still make such a decision. At least some changes are imminent, given that some of the Ministers were elected as new MPs: which is not the case with the MoF, but does concern the Ministry of Economy and Foreign Trade, whose Minister Petro Poroshenko was elected into the Parliament by a single-seat constituency (although he had earlier claimed to stay on the post and refuse the MP mandate if his programmes of reforms would be supported).

⁴ The European Union gave a critical assessment of the electoral process in Ukraine in 2012, expressing concerns over its weak transparency and irregularities, while the US Secretary of State joined the opinion of the OSCE monitors that the elections "constituted a step backward for Ukrainian democracy". Democratic elections in 2012 were repeatedly named as a prerequisite for further steps in strengthening the EU-Ukraine dialogue, including the signing of the free trade agreement. Based on the concerns over issues in the electoral process, the EU leaders noted that in the current situation, the association agreement could not be signed. The EU-Ukraine Cooperation Committee, which met in Brussels on 15 November 2012, further postponed the decision to establish the date for the annual EU-Ukraine summit, which was on hold in anticipation of the election results. However, in spite of the negative assessment

project has provided help and products that can be useful for the MoF, as well as for other line ministries, should the policy framework change.

In terms of **impact**, it is clear that at the highest levels of the Ministry of Finance, the political will for budget reform does not exist. In 2012, prior to the elections there were three different Ministers of Finance, none of which was a reformer that showed interest in the reform of the budget process; this situation does not seem to have changed since the elections.

At this technical level, there is a demand for changes in budget processes as evidenced by the enthusiasm of the State Budget Department to work with the budget reform team to implement a budget of international standard. Similarly, the MoE has shown a willingness to work with BAM on a technical level to improve forecasting and strategic planning. The budget component has also developed a good relationship with its partners, but as they are the only donor project working on the ground within the MoF, once the project ceases there will be no one to continue this role.

In terms of impact of the outputs under the Aid Management Component, this, too, is affected by the apparent lack of interest in the issue at the senior level of the MoF. The project has developed a package of operational-level tools, many of which are on hold as the accompanying orders from the senior management of the MoF have not been signed. It is therefore difficult to judge what potential impact this package might have inside the MoF.

In the light of this, the **sustainability** of the outputs already achieved by the budget reform component cannot be taken for granted after the project ends. Even where there has been progress made, such as in revenue forecasting, it is not yet clear if there is ownership, as the model is not being fully used or adapted to the context, and it is likely that the project will be most successful in technical areas that do not threaten key players' interests. This implies that operational and strategic planning sub-components have the potential to move fastest if the project is extended. The MTEF process is likely to be more difficult to implement for practical and political reasons, the main difficulty being that an MTEF also needs public administration reform to occur, as sectors need to be able to develop strategies and articulate priorities. Currently, sector demarcations are not clear, which makes the whole process problematic.

of the elections, their ultimate impact on the EU-Ukraine relations is still uncertain. Some EU leaders (e.g. President of Poland) noted that the results of the elections "showed the success of pro-European spirit in the country" that they would like to support.

On the Aid Management Component, the project has provided tools and products that the MoF can take forward in the future. Much depends on top-level orders to be signed, which is a precondition for the use of the products across the MoF. For the moment, as there is no authorisation mandating, for example, the use of REMS, it is not guaranteed that it will be used beyond the project duration.

With regards to the written analyses and reports produced under the Aid Management Component, many of those have been written exploring the potential and demands on aid management mechanisms should closer EU integration become a serious option. In this respect, the papers have probably been useful to frame issues for the future, but it is unlikely that these will be of immediate use after the project terminates.

Nevertheless, there are some elements of the project that may be sustainable. The budget reform team has brought about closer collaboration between the MoF and MoE, where these ministries have not traditionally collaborated. This is despite them both being involved in macroeconomic forecasting. This collaboration is likely to continue on an informal basis after the end of the project.

The papers and methodologies produced by the component are of good quality in terms of the analysis and recommendations they contain and are in line with international best practice. They also complement advice to Ukraine from organisations such as the IMF and the World Bank. These reports and models will continue to be useful to the MoF and MoE as resources, even after the project has been completed. If there is a decision to move forward with some of the reforms proposed by the team, then the information on how to implement the reforms will be available to them. Nevertheless, one of the strengths of the project has been the hands-on support at the technical level to provide advice on how to undertake reforms. This very valuable element of the support will be lost when the project closes.

4 Conclusions

The **Budget Reform Component** has progressed slower than originally anticipated and by the end of the project, the majority of outputs will remain only partially completed. This is mainly due to factors outside of the project's control that were primarily a result of a lack of political will at higher levels of government to implement a wide-ranging budget reform process. Nevertheless, the difficulties faced by the project have been similar to those experienced by other projects, and it can be argued that in an environment such as Ukraine, the project would not be expected to have progressed much further than it has.

The project itself is well-designed and appropriate to the Ukrainian context. The flexibility that the budget reform component exhibited, combined with a demand-driven and opportunistic approach, was highly relevant. This enabled the team to support budget reforms where opportunities presented themselves and to focus on areas where there was a greater likelihood of success. The only major flaw has been the lack of progress on implementation, with the project concentrating on the achievement of outputs and activities, which is likely to have a negative impact on sustainability after the project's completion.

Some budget component consultants have developed a good relationship with key partners in the budget process and the use of consultants with experience of budget reform process in the ex-USSR and the Ukrainian MoF has been particularly useful, as has the budget reforms team's approach of using different institutions, such as the Budget Committee of the Verkhovna Rada and the Presidential Centre for Reform to influence the budget reform process.

Due to this, the budget team has laid groundwork for the project to potentially move towards achieving its objectives through developing a good relationship with the main actors, laying the groundwork for reforms by producing budget reform methodology and making key stakeholders aware of reforms that need to be undertaken. The main problem going forward is that further decisions on the direction of reforms are needed, but it is not possible to predict if or when these changes will occur, as it requires a more reformist perspective from the higher levels of the Ukrainian government.

In addition, it is unlikely that BAM will be successful in initiating budget reform on its own, given the resources of the programme and the fact that it needs to have the institutional clout to push for reforms at the political level. There is a need for institutions such as the IMF or the EC (with the incentive of the provision of budget support) to be pushing for these changes as well. Thus far, it has not been possible for the project to engage at a high political level on these issues. BAM has, and will, continue to work at the middle management level, which limits its effectiveness.

Overall, the budget team has invested considerable time and energy in ensuring that the MoF and MoE have reached a point where they can begin implementing key budget reforms as and when they are needed.

The momentum generated by the project and progress so far indicates that it is worth extending the project further, to give an opportunity to consolidate achievements so far and to support the implementation of reforms where the opportunity arises. However, given the uncertainty of the reform process, this extension should be for a limited period, as it should become clear mid-way into 2013 whether there is likely to be an extensive budget reform process that BAM can support.

In order to monitor progress for the additional year's extension, a series of indicators should be agreed upon that reflect the progress made by the project in key areas of reform and the political will to implement BAM's proposed reforms. This will allow a clear judgement to be made on whether Sida should continue to support PFM reforms in the Ukraine after the BAM programme finishes.

The **Aid Management Component** of the project has operated against a difficult background of very low initial capacity; staff cuts and restructuring in the Ministry of Finance during the lifetime of the project, which particularly affected the project's main counterpart institution, the IFID. The restructuring was also a signal of the priority that the MoF leadership attaches to aid management issues in general.

The project has achieved what it could under the circumstances. The assistance provided to the MoF is, in fact, a package that potentially serves various stages of the aid management and coordination process, including the development of a consolidated donor-assistance matrix, as well as a database (REMS) that allows information exchange among donors and relevant stakeholders about ongoing technical assistance projects. Procedures and operational-level tools have been drafted for IFID to better fulfil its role as the secretariat for the Donor Coordination Working Group. IFID has been provided with tools to more efficiently and effectively organise and manage the technical assistance cycle inside the MoF. The project has also drafted the necessary orders for the senior-level management of the MoF to firmly establish these functions inside the Ministry.

The project has provided a structured approach to aid management and coordination, but in the absence of the political will to establish a coherent policy on the issue, the continued support through a project does not seem justified. In addition, if there is political will inside the Ministry of Finance to make active use of the products that the BAM has developed, there is reason to assume that the MoF can do this without the outside support of a project. In fact, taking some of the projects to a logical conclusion can only be done within the MoF (this concerns, in particular, the IT support systems).

Recommendations

1. The Budget Reform Component should be given a year's extension until December 2013 to give an opportunity for the implementation of proposed reforms to occur and to complete the project outputs. This needs to be reviewed in the latter half of 2013 through a light-touch review to make a judgement as to whether the reforms have sufficiently moved forward and if there is sufficient political will that underpins them. If this has not occurred, then the budget reform component should finish at the end of 2013. If there has been sufficient political momentum achieved, then a tender process should be undertaken for a new project to support further budget reforms beginning in 2014.
2. For the year's extension, the focus should be on the implementation of budget reforms. The scope of the project should remain the same with an emphasis on completing and implementing the outstanding sub-components of the budget component.
3. A tighter monitoring framework should be developed to track progress towards the implementation of budget reform. Indicators where applicable should be developed that better reflect actual progress on budget reform in order to monitor if the project's, purpose and goals are likely to be achieved.

The Aid Management Component of the project should close in accordance with the project's schedule, and products should be handed over to the MoF. Should Sida agree to an extension, by one year, of the Budget Reform Component, the project team could monitor the use and impact of the outputs provided under the Aid Management Component. This would be a useful source of information for Sida on the sustainability of its interventions once the project closes.

Annex 1 – Terms of Reference

TERMS OF REFERENCE FOR A REVIEW OF A PROJECT “ADVISORY SUPPORT TO THE MINIS- TRY OF FINANCE OF UKRAINE”

*(Referred to by the stakeholders as
'Budget and Aid Management' project, BAM)*

Background

From 2008, the Swedish bilateral cooperation with Ukraine has moved from general Development Cooperation to a new policy area called Reform Cooperation in Central and Eastern Europe. The assistance continues to be funded as Official Development Aid but its goal, which is also the overall goal for Sweden's cooperation with Ukraine, is defined as 'strengthened democracy, equitable and sustainable development and closer ties with the European Union and its basic values'.

One of the sectors defined for cooperation within the Swedish Cooperation Strategy for Ukraine is democratic governance and human rights and, within this, Swedish support shall focus on public financial management. Supporting reforms in the area is essential to achieve efficiency and openness towards Ukrainian citizens in the use of public funds and to prevent corruption. Current shortcomings in public financial management are regularly observed within the frame of the EU's dialogue with Ukraine. The Ukrainian Government has shown willingness to reform and intends to broaden the reform and adopt the EU approach and international standards by developing a multi-annual planning and budgeting system that covers both line ministries and the regions. (Strategy for Development Cooperation with Ukraine, January 2009 – December 2013).

In 2009 Sida received a request from the Ministry of Finance (MoF) of Ukraine for technical assistance from the Government of Sweden for the following areas: modernisation of the budget process (including Medium Term Expenditure Framework and Performance Based Budgeting); and management of donor aid received by MoF. As this request fell well into the priority area of the Cooperation Strategy, Sida procured (following the LOU procedure) a consortium, led by SIPU International, and including also SAAC and CPM, to implement the project.

The project started in March 2010 and comes to an end in December 2012. The overall budget available for the project constitutes MSEK 25.

The Terms of Reference, developed jointly with the Ministry of Finance included two tasks:

Task 1: Assistance to the budget process reform.

The following key objectives were identified:

- To assist with the institutional improvement of the various Departments of the MoF involved, including the State Budget Department.
- To assist MoF staff in the development and implementation (including coordination) of budget process reform activities in the following areas: macro-fiscal and budget forecasting, budget preparation and budget execution, budget reporting and follow-up of budget execution
- To assist the MoF in coordination and monitoring of activities directly linked to different stages of the budget process.

Task 2: Aid effectiveness

The following key objectives were identified:

- To assist the MoF of Ukraine in establishing efficient and targeted use of external resources for reform initiatives related to Public Financial Management, in accordance with the functional framework as described in the terms of reference of the “Technical Donor Coordination Working Group”
- To assist the Department for debt policy and international financial policy⁵ in establishing operational and relevant administration processes and procedures, preparation of concept notes, work plans, institutional arrangements, including procedures to manage aid received by the MoF.
- To assist the Department for debt policy and international financial policy in the formulation of a MoF policy for aid management, including analysis for managing budget support provided.
- Institutional and capacity improvements of the Department for debt policy and international financial policy.

As a result of the Inception phase the more detailed work plan was developed and a set-up of the project agreed. The project is being implemented in accordance with the Annual plans approved by the Steering Committee, and operational planning is being done on the quarterly basis, following decisions of the two working technical groups. The Project cooperates, primarily, with the State Budget Department and Department for debt policy and international financial policy at the MoF. At the same time, within the Task 1 of the project – Budget Reform, other institutions are involved, such as the Ministry of economic development and trade (MoE), Budget Committee of the Parliament, and Presidential Reform Centre.

The project started in a politically volatile period in Ukraine. The Inception phase, planned for three months, was delayed and lasted till December 2010, due to the following reasons:

⁵ Former International Financial Institutions Department (IFID).

- ❖ Staff changes in the government (after Presidential elections of February 2010)
- ❖ New Budget Code, adopted in July 2010
- ❖ Numerous changes to the budget for 2010
- ❖ Presidential reform programme, initiated in March 2010

All of these factors resulted in a heavy work load on the State Budget Department, which made it impossible for them to participate in the Inception phase planning. At the same time, the EC twinning started its work at the Macroeconomic Forecasting unit of the Ministry in June 2010. Technical assignments of both the BAM project and the twinning project overlapped considerably when it comes to MTEF component. The Ministry was supposed to decide on the distribution of tasks between two projects. Cooperation with the twinning project proved to be difficult and in real terms impossible.

In reality it took almost one year and a half for the project to firmly establish itself and develop a working scheme with the MoF and other relevant stakeholders.

At the same time, in March 2012, during the annual Steering Committee meeting, MoF requested continuation of the project. The same request the Embassy received from other stakeholders, namely, Ministry of economic development and trade, and the Presidential Reform Centre. Political situation remains volatile in Ukraine, now with Parliamentary elections due in October 2012. It remains to be seen how these circumstances would impact the ambitious plans in the budget reform, developed within the project.

The Embassy commissions this review to have an external informed opinion about the achieved results of the project and how they contribute or might contribute in future to the reform in the budget process in Ukraine. This evaluation will, among other, contribute to Sida's decision regarding possible continuation of the project.

1. The Assignment

Purpose

The review will help Sida assess the achievement of objectives, intended outcomes and impacts. It will also capture the contribution of the project to the MoF policies and MoF capacity building and will identify remaining gaps in policy and action in the project related areas. The review will also offer stakeholders an opportunity to capture the lessons learnt from this project and advise on possible continuation.

Specific objectives of the review:

The specific objectives are to:

- Review the project overall impact against its goal and objectives
- Capture the outcomes and outputs of the project in terms of knowledge, capacity, networking and policy influence
- Critically assess the value and effectiveness of these outcomes and outputs against the intended outcomes/outputs of the project
- Identify and assess the value and effectiveness of the project responses to emerging issues and opportunities (unintended outcomes and outputs);

- Identify the challenges the project faced and that could have affected its overall performance and efficiency;
- Advise Sida on possible continuation of support to Ukraine in the area of public financial management, its scope and format.

Among the beneficiaries of this review is the MoF, other stakeholders, BAM project, and Sida/through the Embassy, for decision making purposes.

The Consultant is expected to evaluate results of the project from the perspective of a new role and position of the MoF in a market economy, calling for its transformation into a policy organisation with power. This and maybe other structural and political macro conditions shall be taken into consideration, along with the pure technical ones, when evaluating the results.

It might be of interest for the review to assess the formal, actual and potential position of both project partners within the MoF – State Budget Department and Department for debt policy and international financial policy.

Aspects of President and Government reform agendas and how these have affected the project activities are important to include.

The review will benefit from the comparison of the BAM project to other (recent) projects in the area, especially when it comes to the factual results in comparison to expected objectives. Aspects of project results could also be viewed from a broader perspective of how projects are viewed and related to overall by the MoF and other stakeholders, including donor organisations.

Other than MoF institutions should be approached and interviewed by the Consultant, namely, the Economic Reform Centre under the President of Ukraine, MoE – Department for macroeconomic policy, strategic planning and forecasting; and Department for cooperation with IFIs and coordination of technical assistance, and the Budget Committee at the Parliament.

Risks mentioned in the ToR are to be looked into. Have they influenced the project implementation? Are they still relevant?

How has/will this project contribute to tackling corruption in Ukraine?

One very important aspect is the potential. What could actually be accomplished in the future, given institutional knowledge on what is needed, inside and outside the MoF, mandate and project knowledge? What is the institutional and political will for the reform work in this area?

The set up and institutional arrangement of the project are also relevant for the evaluation with regards to both results achieved and future plans.

2. Method

The assignment shall be performed through a desk study and field visits to Ukraine.

Project related documentation shall be made available first and foremost by the Embassy, and BAM project, relevant other documentation could be chosen by the Consultant.

To better navigate in a complex political environment in Ukraine, Embassy suggests that Consultant involves local expertise working within the PFM area in Ukraine.

Field visit to Ukraine, Kyiv, will enable the Consultant to have interviews with the stakeholders in Ukraine. When relevant, the assignment shall also involve visits to international organisations/multilateral organisations in Ukraine.

All other aspects relating to the definition and choice of methods for the implementation of the assignment shall be elaborated on in the proposal and be in accordance with common principles e.g. DAC. This shall include a discussion on pros and cons of the chosen method and delimitation thereof.

The consultant shall have the support of a relevant contact person at *BAM project* and at the Embassy (to be further defined during the initial contact, see below).

3. Time Schedule

The work shall begin asap, and no later than 2012-09-01 and the final report shall be submitted to Sida no later than 2013-01-31. An initial draft report shall be submitted to the Embassy by the end of September 2012.

Field visit to Ukraine for the interviews shall be carried out starting September 15th, 2012.

4. Contacts and Reporting

4.1 Contacts

In order to ensure that Consultant has all necessary contacts and information to perform the assignment in the scheduled time:

- As a point of departure for the assignment, the Embassy shall make a contact between the Consultant and BAM project. The Embassy assists also with identifying a suitable local Consultant to contribute to the review, to ensure there is no conflict of interests.
- The Embassy shall assist the Consultant with booking the meetings with the relevant stakeholders (MoF, MoE, Economic Reform Centre, Budget Committee at the Parliament)
- As part of the assignment, the Consultant shall organise a presentation of the final review at a joint seminar with the representatives from the stakeholders and the Embassy.

The Consultant shall make themselves available for discussions of recommendations and conclusions.

For Sida's human resource development purposes, it shall be possible for personnel from the Embassy to participate in the work of the evaluation team, including participating in visits.

4.2 Reporting routines

The final version of the review shall be submitted to the Embassy in electronic form not later than January 31, 2013. An initial/inception draft review shall be submitted to the Embassy no later than September 30, 2012. The aim is to make it possible **for the review to account for the results of the Parliamentary elections in October 2012 and its impact on the possible continuation of the Swedish support in the PFM area in Ukraine.**

The review shall be written in English and not exceed 50 pages, excluding appendices. It shall include a discussion on the chosen method and depart from the following headings:

- Executive summary
- Introduction
- The evaluated intervention
- Findings
- Evaluative conclusions
- Lessons learned
- Recommendations
- Annexes

Budget follow-up shall be presented with every invoice throughout the assignment.

5. Other aspects

A consultant with a framework agreement with Sida for evaluations and reviews (Decision # 2011-000227) will be called-off to perform the assignment. The contract value for the assignment shall not exceed SEK 1.2 million.

5.1. Specification of requirements

1. The framework organisation shall specify the leader of the assignment, if more than one person will be involved
2. The framework organisation shall submit a time schedule for the assignment and describe the method chosen
3. The framework organisation shall specify the total cost of the assignment, in the form of an hourly fee for each category of personnel and any other reimbursable costs. The budget shall include costs for layout, i.e. Sida Graphics Centre's work inputting the report into the Sida review format, getting the ISBN number and publishing on Sida's online database. All types of costs shall be given in SEK, excluding VAT.

5.2. Consultants' qualifications:

- Expertise in evaluation and review of development cooperation interventions, assessment or appraisal, project management, and sustainability evaluations
- Knowledge of the PFM area and reform work in the new economies
- Fluency in oral and written English

Annex 2 – Schedule of Meetings for Evaluators of the Budget Process Reform Component (BAM Project)

10-20 September 2012

Budget component

10 September

Time	Event	Place
15:00-16:45	Introductory meeting with Embassy of Sweden in Ukraine	Embassy of Sweden in Ukraine Ivana Franka Street 34/33, 3rd floor

11 September

Time	Event	Place
09:00-12:00	Introductory meeting with experts of Budget Process Reform Component, BAM Project <i>Topic:</i> Presentation of main subprograms and results achieved	BAM Project office 1, Borysa Grynchenka Str., room 620
Meetings with representatives of the Ministry of Finance of Ukraine		
14:00-16:00	Olena Mykhailenko , Head of Medium-term budget forecasting and development of program budgeting method Section <i>Topic:</i> Medium term budget planning, Annual Budget cycle	Ministry of Finance of Ukraine 11, Mejygirs'ka Str., room 145
16:00-17:00	Meeting with Eugene Gladun Head of macro forecasting Division, Department for tax and customs policies, revenues, payment administration and financial accounting methodology <i>Topic:</i> Budget revenue forecasting model	Ministry of Finance of Ukraine 11, Mejygirs'ka Str., room 145
17:00-18:00	Meeting with Valentyna Doletska , Head of the Section on Budget process regulatory support, Budget process regulatory support Division, SBD <i>Topic:</i> Budget Classification	Ministry of Finance of Ukraine 11, Mejygirs'ka Str., room 145

12 September, Wednesday

Time	Event	Place
Meetings with representatives of the Ministry of Economic Development and Trade of Ukraine (MEDT)		
10:00-11:00	Meeting with Inna Magelat , Deputy of Macroeconomic forecasting Division; Macroeconomic policy, strategic planning and forecasting Department and Valeria Voytenko , Head of the Intersectoral balance Section; Macroeconomic policy, strategic planning and forecasting Department <i>Topic: Macroeconomic forecasting</i>	BAM Project office 1, Borysa Grynchenka Str., room 620
12:00-13:00	Meeting with Sergej Marchenko , Public finance reform Coordinator, Centre of economic reforms implementation under the President of Ukraine <i>Topic: Implementation of the Economic Reform Program, Stabilisation of State Finance</i>	BAM Project office 1, Borysa Grynchenka Str., room 620
13.30 – 15.00	Meeting with the WB, PFM responsible officers, Svitlana Budagovska and Oleksiy Balabushko <i>Topic: Both components could be discussed – budget reform and donor coordination/aid management</i>	World Bank Office in Ukraine 1, Dniprovskiy Uzviz, Tel: +38044 4906671/2/3

13 September, Thursday

Time	Event	Place
10:00-11:00	Meeting with Eugene Olejnikov , Head of macroeconomic policy, strategic planning and forecasting Department <i>Topic: Strategic Planning, Macroeconomic forecasting</i>	BAM Project office 1, Borysa Grynchenka Str., room 620
12:00-13:00	Meeting with Svetlana Feschuk , Deputy Head of Secretariat, Budget Committee of Verkhovna Rada of Ukraine <i>Topic: Budget Legislation</i>	BAM Project office 1, Borysa Grynchenka Str., room 620
15:00-16:00	Meeting with Natalya Dobrohans'ka , Deputy Head of Department of reforming of public administration <i>Topic: Operational Planning</i>	BAM Project office 1, Borysa Grynchenka Str., room 620
16:00-17:30	Closing meeting with experts of Budget Process Reform Component, BAM Project	BAM Project office 1, Borysa Grynchenka Str., room 620

14 September

Time	Event	Place
10.30	<p>Meeting with representatives of the Swedish Ministry of Finance Macroeconomic Department Magnus Allgulin and Sten Hansen</p> <p><i>Topic:</i> Introduction of a comprehensive model for macroeconomic and budgetary forecasting at the Ministries of Economy and Finance</p>	<p>BAM Project office</p> <p>1, Borysa Grynchenka Str., room 620</p>

Aid management component

17 September

Time	Meeting	Place
10:00 – 12:00	<p>Ms. Victoria Kolosova, Deputy Director, Department of Debt and International Financial Policy – Head of Division of Cooperation with International Organizations and Coordination of International Technical Assistance (IFID), MoF</p> <p>Ms. Viktoria Litkovska, Deputy Head, Division of Cooperation with International Organizations and Coordination of International Technical Assistance (IFID), Head of Unit of the WB financing projects.</p> <p>Ms. Elena Shvedenko, Head, Unit of preparation and implementation of technical assistance projects of the Division of Cooperation with International Organizations and Coordination of International Technical Assistance (IFID)</p> <p>Ms. Yuliya Sachkova, Chief financial economist, Unit of preparation and implementation of technical assistance projects of the Division of Cooperation with International Organizations and Coordination of International Technical Assistance (IFID)</p> <p>Mr. Oleksiy Rudenko, Chief specialist, Unit of preparation and implementation of technical assistance projects of the Division of Cooperation with International Organizations and Coordination of International Technical Assistance (IFID)</p> <p><i>Subject:</i> Changes in the IFID and the MoF activities as a result of BAM project implementation</p>	<p>MoF</p> <p>11 Mezhygirska St, of 145</p>

18 September

Time	Meeting	Place
10:30 - 11:00	General meeting: Ms. Yaroslava Orlovska , Chief financial economist, Section for analytic work and risk management, Financial Policy Department, MoF <i>Subject:</i> Participation in the AM trainings and consulting assistance of the BAM experts in preparation of project concept notes and proposals in the framework of the new TA cycle	MoF 11 Mezhygirska St, of 145
11:00 - 12:00	Ms. Olena Gogol' , Chief financial economist of Section for medium-term planning and local budget reforming - Department of Local Budgets and Investments, MoF <i>Subject:</i> Participation in the AM trainings	MoF 11 Mezhygirska St, of 145
14.00 – 15.00	Iryna Ozymok , deputy head of ADETEF (France) in Ukraine, responsible for PFM portfolio.	4 Kostyolna street, office 16. Code 149 Tel: +38097 907 95 75

19 September

Time	Meeting	Place
16.00 – 17.00	Paul Roberti , USAID funded project FINREP	7/9 Yaroslavskyyi lane, 2 floor

20 September

Time	Meeting	Place
10:00 -12:00	Meeting with Embassy of Sweden in Ukraine	Embassy of Sweden in Ukraine

Annex 3 – Documents Consulted

- **Terms of Reference for the project “Advisory Support to the Ministry of Finance of Ukraine on the Budget Reform Process and Aid Management”**; submitted through Sida/Swedish Embassy
- **BAM Inception Report**; no date; submitted through Sida/Swedish Embassy
- **BAM Tender Document**; submitted through Sida/Swedish Embassy
- **Annexes to the Inception Report**; 26 October 2010; submitted through Sida/Swedish Embassy
- **(Narrative) Annual Report for the Project “Advisory Support to the Ministry of Finance of Ukraine on Budget Reform Process and Aid Management March 2010 to February 2011”**; February 2011; submitted through Sida/Swedish Embassy
- **Annual Report Aid Management component March 2010 to February 2011 (grid)**; submitted through Sida/Swedish Embassy
- **Annual Report Budget Reform component March 2010 to February 2011 (grid)**; submitted through Sida/Swedish Embassy
- **(Narrative) Annual Report for the Project “Advisory Support to the Ministry of Finance of Ukraine on Budget Reform Process and Aid Management March 2011 to February 2012”**; February 2012; submitted through Sida/Swedish Embassy
- **BAM Project, Expected Results (grid) March 2012 to December 2012**; Annex to Narrative Annual Report; February 2012; submitted through Sida/Swedish Embassy
- **BAM Annual Workplan, March 2012** (narrative), Annex: Expected Results; submitted through Sida/Swedish Embassy
- **Concept of Capacity Development in the Ministry of Finance of Ukraine for Effective Management of International Technical Assistance (ITA)**, L. Kisterskiy, no date; submitted by BAM project implementation team through Sida/Swedish Embassy
- **Initial Plan for Capacity Building, AM component**, Excel grid, no date; submitted by BAM project implementation team through Sida/Swedish Embassy
- **Child-Focused PFM Monitoring: Observations for January - May 2010** / auth. FISCO id. - 17 June 2010.
- **Child-Focused PFM Monitoring: Observations for January-April 2010** [Report] / auth. FISCO id / UNICEF Ukraine . - 11 May 2010.
- **Child-Focused PFM Monitoring: Observations for January-August 2010** [Report] / auth. FISCO id / UNICEF Ukraine. - 2010.
- **IMF Announces Staff Level Agreement with Ukraine on US\$14.9 Billion Stand-By Arrangement** [Article] / auth. IMF. - 3 July 2010. - Press Release No 10/281. - <http://www.imf.org/external/np/sec/pr/2010/pr10281.htm>.
- **IMF Executive Board Approves US\$15.15 Billion Stand-By Arrangement for Ukraine** [Article] / auth. IMF. - 28 July 2010. - IMF Press Release No. 10/305. - <http://www.imf.org/external/np/sec/pr/2010/pr10305.htm>.

- **Overview of Key Recommendations in Public Financial Management Area by International Donors in Ukraine** [Report] / auth. FISCO id. - 2010. - <http://fisco-id.com/?module=an&action=preview&id=110>.
- **The Bubble of Poor Governance: Coping with social impacts of recession and demographic change in Ukraine** / auth. FISCO id // Background paper for a presentation at the CDLR/LGI international conference “Local Government: Responses to Recession across Europe” Strasbourg, Council of Europe, 11-12 October 2010. - 2010.
- **Ukraine Governance Assessment** [Report] : SIGMA (OECD/EU) Report / auth. SIGMA (OECD/EU). - March 2006.
- **Ukraine Macroeconomic Situation: April 2010** [Report] : SigmaBleyzer publication / auth. Segura E., Pogarska, O.. - April 2010.
- **Ukraine: Selected Issues** [Report] : IMF Country Report / auth. IMF (Prepared by: M. Flanagan, L. Moulin, D. Hofman, D. Zakharova) / IMF. - July 2008. - No. 08/228.
- **Ukraine; Creating Fiscal Space for Growth: a Public Finance Review** [Report] : World Bank Report / auth. World Bank. - September 2006. - No 36671 – UA.
- **World Economic Outlook: Rebalancing Growth** [Report] / auth. IMF. - April 2009.
- Allgulin and Hansen (2012) Medium Term Forecasting and Budget Framework for Ukraine.
- BAM (2011) Analyses and Proposals to the MoF, MoE and KSU on operational Planning Procedures to Implement Strategic Planning
- BAM (2011) Integration of Monitoring and Evaluation in the Ukrainian State Budget Process. Proposal for a Common Framework
- Proposals for the Integration and Optimisation of Long and Medium Term Planning Documents and Procedures to Implement Medium-term Planning
- BAM (2012) Proposals for the Improvement of Existing Budget Processes by Application of Policy Areas for Introduction of MTEF Budget Resource Envelope.
- BAM (2012) Proposals for Improvement of the Budget Cycle, Integrating MTBF with Strategic Planning.
- BAM (2012) Assessment of the Multi-Annual Budget Procedure in Ukraine and Necessary Amendments for the Introduction of Multi-year Budgeting in line with international Best Practice.
- BAM (undated) ,Action plan for reform of the medium term budget process to meet the standard of international best practice.
- BAM (undated)Methodological Recommendations for preparation of key spending units plans of activities .
- BAM (undated) Instruction on preparation of key spending units` budget requests and budget passports.
- BAM Quarterly Workplans
- Government of Ukraine (2012) THE 2012 NATIONAL ACTION PLAN for implementation of the 2012 – 2014 economic reform program.
- IMF (2011) Ukraine: Developing Medium-term Budgeting
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- OECD (2011) Budget Review of Ukraine, 7th CESEE Senior Budget Officials Meeting, Zagreb.

- PEFA (2011) Public Financial Management Performance Report
- Sigma (2012), Public Finance Assessment of Ukraine.
- Spence and Veckys (undated), Economic Classification of General Budget Exenditure in Ukraine: Results Of An Advisory Mission To Support The Ukraine Ministry Of Finance (Mof) in Improving The Budget Classification System
- World Bank (2012), Proposed Restructuring Paper on a Public Financial Modernisation Project, April 24 2012



Review of the Sida-funded Project “Advisory Support to the Ministry of Finance of Ukraine”

This report presents the findings of an independent review that assesses the achievements of the Sida-funded project “Advisory Support to the Ministry of Finance of Ukraine”, and which discusses potential future support by Sweden in the area of public financial management in Ukraine. Despite operating in a challenging environment, the project can report achievements in both project components: The *Budget Component* has achieved progress in developing an integrated strategic and operational planning model, linked to the medium-term budget framework. The *Aid Management Component* delivered an integrated package of tools, including IT support, which can facilitate the Ministry of Finance’s task of coordinating and managing technical assistance. The review recommends an extension, by one year, of the *Budget Component* of the project, which should give an opportunity for implementation of proposed reforms to occur; for the *Aid Management component*, the review finds that the tools produced through the project can be taken forward by the Ministry of Finance without further donor support.

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