



Common Maritime Agenda for the Black Sea

*Black Sea Assistance Mechanism*



# MANAGING EU FUNDS IN UKRAINE: an NGO's reflection

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# **UKRAINE'S NON- GOVERNMENTAL SECTOR :** **A MAJOR PLAYER IN PROJECT IDEAS' GENERATION AND FUNDRAISING**

**In Ukraine, NGOs often bring together professional research and project management teams because the non-governmental sector...**

- ❖ much less bureaucratic and more flexible and cost effective than Ukraine's government research institutes,**
- ❖ sometimes suggests more opportunities for self-fulfilment,**
- ❖ able to involve a wider range of efficient project management tools and techniques (flexible working, low-tax, less legal limits on the management of funds etc.).**

**NGOs, especially with a long history, often function as in fact professional research and project management organisations sometimes dealing with large-scale projects, incl. EU-funded ones.**

# **MANAGING EU FUNDS IN UKRAINE: STRUCTURAL PROBLEMS INSIDE THE COUNTRY**

**The European Court of Auditors in its report (2016) has pointed out that EU assistance to Ukraine is seriously affected, among other issues, by**

- ❖ political, economic and administrative instability,**
- ❖ the Ukrainian government's weakness in donor coordination,**
- ❖ the poor quality, from donor and business community's point of view, of the Tax Code and the Budget Code.**

# MANAGING EU FUNDS IN UKRAINE: STRUCTURAL PROBLEMS INSIDE THE COUNTRY

We, as an NGO directly involved in the management and implementation of EU-funded projects over 20 years, have been facing a number of unchanging issues rooted in obsolete laws some of those were adopted even before Ukraine's independence.

*Example: travel costs and per diem allowance cannot be reimbursed to a person if she/he is not an employee (external experts and people involved on the basis of service contracts) of an organisation (no matter public or non-governmental).*

*NGOs are a little bit flexible with this, but, anyway, must pay income tax when reimbursing such costs under a service contact with an outside expert / project management staff member. Sometimes, donors consider this an accounting mistake and may claim the amount back.*

# MANAGING EU FUNDS IN UKRAINE: STRUCTURAL PROBLEMS INSIDE THE COUNTRY

## THE UKRAINIAN GOVERNMENT'S WEAKNESS IN DONOR COORDINATION:

- ❖ the lack of understanding of issues affecting project management efficiency (like the a.m. example),
- ❖ the lack of coordination between various government bodies whose regulations influence EU funding absorption in Ukraine (Directorate, National Bank, Ministry of Finance, incl. national tax authority, Accounting Chamber),
- ❖ the lack of communication and dialogue with EU grant recipients even those who conduct large-scale projects (this includes the lack of public consultations when discussing and approving thematic priorities of CBC programmes).

# MANAGING EU FUNDS IN UKRAINE: EXTERNAL CHALLENGES

Normally, we do not have problems when implementing projects under direct grant contracts with the European Commission / EU Delegation to Ukraine.

Special focus:

- ❖ *Black Sea Basin Programme.*
- ❖ *Romania-Ukraine CBC Programme.*

Why?

- ❖ Relevant geographical coverage.
- ❖ Very special experience.

# MANAGING EU FUNDS IN UKRAINE: EXTERNAL CHALLENGES

*JOP Romania-Ukraine-Moldova 2007-2013, 1<sup>st</sup> call of proposals:*

Total amount – 30 million Euros.

22 applications submitted under the priorities 1 *“Towards a more competitive border economy”* & 2 *“Environmental challenges and emergency preparedness”*.

Only 3 applications of UA applicants with the total amount of about 800,000 Euros were selected for funding.

11 projects involving UA partners with the total amount of 480,464 Euros allocated for them.

Thus, the total amount available for UA participants – 1,277,553 Euros or 4.3% of the total budget of the 1<sup>st</sup> call of proposals.

Ukrainian applicants submitted 21 appeals against the non-transparent and prejudiced evaluation procedure.

# MANAGING EU FUNDS IN UKRAINE: EXTERNAL CHALLENGES

***JOP Romania-Ukraine-Moldova 2007-2013, 1<sup>st</sup> call of proposals:***

***Priority 3 “People-to-people”***

**62 applications submitted.**

**Only 5 applications submitted by UA applicants selected for funding with the total amount of 632,235 Euros.**

**The total amount allocated for the priority 3 “People-to-people” – 5 million Euros.**

**Joint Managing Authority of the JOP RO-UA-MD 2007-2013 –  
Romanian Ministry of Development, Public Works and Housing.**

***SOURCES:***

***Letter of Ukraine’s Ministry of Economic Development & Trade of 21 April 2011  
№ 4006-30/99.***

***Mantsurov, I. Some Aspect of EU-Ukraine Relations // New Europe, April 24-30,  
2011. № 932, p. 14.***



# MANAGING EU FUNDS IN UKRAINE: EXTERNAL CHALLENGES

## *Black Sea Basin Joint Operational Programme 2007-2013*

**Joint Managing Authority – Romanian Ministry of Regional Development and Public Administration**

*Issue: Salaries paid by over 60 Ukraine's participants of the programme were recognised as ineligible.*

### **Problems faced:**

- ❖ **JMA failed to disburse funding according to the timetable set out in the project contracts,**
- ❖ **JMA appointed auditors (without informing UA National Authority) that had little international expertise and was not certified to operate in Ukraine,**
- ❖ **The principle of joint management was disregarded (UA National Authority was not informed by the JMA about the issue and invited to clarify and resolve it).**

# MANAGING EU FUNDS IN UKRAINE: EXTERNAL CHALLENGES

## *Black Sea Basin Joint Operational Programme 2007-2013*

### CRS particular case:

- ❑ The amount claimed back by the JMA (26,238.44 Euros) exceeded the amount received by us (22,280.33 Euros).
- ❑ According to a JMA notification, we the total amount received by us 46,669.13 Euros, i.e. twice higher than we had actually received.
- ❑ Although the programme is closed, we have not yet been informed by the JMA about their final conclusions after the European Commission's DG NEAR engagement in the dispute.

**Remark:** When negotiating the programme's funding agreement, UA National Authority failed to reflect specifics of Ukraine's legislation, in particular, relating to the forms of remuneration in Ukraine.

# MANAGING EU FUNDS IN UKRAINE: EXTERNAL CHALLENGES

## *JOP Romania-Ukraine-Republic of Moldova 2007-2013*

**Managing Authority – Romanian Ministry of Public Works,  
Development and Administration**

**CRS particular case:**

- The amount claimed back by the JMA is 61,761.65 Euros.**
- The amount of about 20,000 Euros is not explained.**
- The most of the debt is the amount of staff salaries for a certain period of the project has been recognised as ineligible although the salaries paid do not exceed the budget headings and incurred during the implementation of the Action.**

**The MA is unwilling to engage itself in resolving the situation.**

# CONCLUSIONS AND RECOMMENDATIONS

**Ukraine's National Authority (currently, the Directorate) has to**

- ✓ improve its communication and consultations with actors well-experienced in EU funds' management, whose knowledge and understanding of various issues are based on their practical experience,**
- ✓ be more active party of managing bodies of EU-funded programmes involving Ukraine,**
- ✓ improve communication with government bodies whose regulations influence EU funding absorption (National Bank, Ministry of Finance, incl. national tax authority, Accounting Chamber).**

**From the European Commission, we expect that EU-funded programmes managed by national authorities are kept under more careful observation.**



**Thank you for your attention!**

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