

Strategy for development cooperation with

Ukraine

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REGERINGSKANSLIET

Government Offices
of Sweden

STRATEGY FOR SWEDISH DEVELOPMENT COOPERATION WITH UKRAINE, 2009-2013

SUMMARY

The overarching goal of Swedish development cooperation with Ukraine 2009-2013 is deeper EU integration within democratic governance and human rights, and within natural resources and environment. Despite domestic political instability, Ukraine maintains a firm political course towards Europe. High but uneven economic growth has reduced poverty, but although many people's lives have improved, United Nations statistics show that in many respects the living standard is lower than before independence. During 2008, the international financial crisis hit Ukraine very hard, and economic recovery will prove a challenge in coming years. The capacity of the administration to manage the economic situation and implement a number of important reforms will be decisive for the country's chances of living up to the expectations of its citizens and of meeting the requirements from EU integration. As EU adaptation is seen as the best guarantee of a stable democracy and greater welfare in Ukraine, Swedish support has a strong focus on reforms that promote European integration and democratic governance in the country.

The EU-Ukraine Action Plan for the European Neighbourhood Policy from 2005 and the future instruments expected to replace it are central guiding documents for Ukraine's development and reform policies and the basis of Swedish development cooperation. Swedish support shall be concentrated to two sectors: democratic governance and human rights, and natural resources and environment. The goal for the democratic governance sector is more efficient and transparent public administration aligned with European standards and norms. The goals for the environment sector are improved capacity of Ukrainian authorities to formulate and implement EU harmonised legislation and regulatory frameworks in the field of environment and climate change, reduced pollution in the air, ground and water, and increased energy efficiency. Cooperation will mainly be implemented as support to reforms in the Ukrainian administration and as investment support in the area of environment. Cooperation shall include support to civil society. The Swedish contributions shall be formulated in close cooperation with the European Commission. The link to EU harmonisation and EC assistance enhances the chances for Swedish development cooperation to achieve sustainable results in an unstable political situation.

The strategic dialogue shall focus on following up on results in relation to Ukraine's commitments towards the EU and its obligations as to international conventions within the respective cooperation sector. The dialogue should increase the general understanding of what EU harmonisation means within the sectors. Gender equality and HIV/AIDS shall form a part of the dialogue. The overall process goal for the development cooperation during the strategy period is stronger Ukrainian ownership and improved aid efficiency. Sweden

shall strive towards this within chosen sectors by means of, inter alia, applying a sector-based approach and contributing to a functioning coordination.

The annual volume shall be approximately 180 million SEK in 2009, approximately 200 million SEK in 2010 and approximately 220 million SEK in 2011-2013.

Part 1. Objectives and direction of cooperation

1. Objectives and priorities

The goal of Swedish development cooperation within the policy area of Reform Cooperation with Eastern Europe is strengthened democracy, equitable and sustainable development, and harmonisation with the European Union and its core values. The development cooperation contributes to the goal of the Swedish policy for global development: equitable and sustainable development based on a rights perspective and poor people's perspective on development.

Without a national development strategy, the EU-Ukraine Action Plan for the European Neighbourhood Policy (ENP) from 2005 constitutes a central guiding document for Ukraine's development and reform policy and a basis for Swedish development cooperation. A new guiding instrument to replace the action plan is expected in March 2009. At sector level, the new instrument needs to be accompanied by new strategies to support EU harmonisation. Negotiations are currently under way for an association agreement between the EU and Ukraine to replace the Partnership and Cooperation Agreement, which could add greater weight to the reform agenda. The creation of the Eastern Partnership is a further expression of the EU's willingness to strengthen relations with its Eastern neighbours, including Ukraine.

The overarching goal of Sweden's development cooperation with Ukraine 2009-2013 shall be deepened EU integration within the areas of democratic governance and human rights and within natural resources and environment. Swedish development cooperation with Ukraine shall be focused and aim to promote democratic governance and human rights, and a sustainable use of natural resources and environment. The cooperation sectors have been chosen based on the reform requirements Ukraine has identified in relation to the EU integration, Sweden's comparative advantages and the activities of other donors. The choice also reflects an aim to prevent corruption by stressing democratic governance and public financial control. The support is being drawn up in close cooperation with the European Commission and the strategy is formulated so that Swedish contributions complement and reinforce the European Neighbourhood Policy Instrument (ENPI). To facilitate cooperation, the strategy period is harmonised with the financial perspective of the EU. The link to harmonisation with the EU and the EC support, which is strategically important and relatively substantial to Ukraine, enhances the chances of achieving sustainable results with Swedish aid in an unstable political situation.

The strategic dialogue shall focus on following up on results in relation to Ukraine's commitments towards the EU or its obligations as to international conventions within the respective cooperation sector. The dialogue shall improve the general understanding by decision-makers and civil society of what EU harmonisation within the sectors can mean in tangible terms. Gender equality and HIV/AIDS shall be part of the dialogue.

The overall process goal during the strategy period is stronger Ukrainian ownership and greater aid efficiency. This shall be achieved by using a sector-based approach and by promoting functioning coordination in selected areas of cooperation. Close cooperation with the European Commission will improve conditions for greater harmonisation and opportunities to use Ukraine's own systems for planning, implementation and follow-up. This is in line with Sweden's work to influence European Community aid.

Swedish thematic priorities of democracy and human rights, environment and climate change as well as gender equality and the role of women in development are reflected in the choice of sectors and in the strategic dialogue issues and shall also be actively integrated into the contributions.

2. Direction and scope

2.1 Sectors

Swedish aid shall focus on two sectors: democratic governance and human rights, and natural resources and environment. Civil society shall primarily be supported within the chosen cooperation sectors, and be a resource for reform work. Development cooperation shall support the implementation of Ukraine's commitments to the EU as well as to the Council of Europe or in international conventions and processes relevant to the sectors.

Democratic governance and human rights

The Swedish goal for the sector shall be

- More efficient and transparent public administration that is aligned with European standards and norms.

Swedish support within the sector shall focus on public financial management. Supporting reforms in the area is essential to prevent corruption and achieve efficiency and openness towards the Ukrainian citizens in the use of public funds. Current shortcomings in public financial management are therefore regularly observed within the frame of the EU's dialogue with Ukraine. The Ukrainian Government has shown a clear willingness to reform and intends to widen the reform and approach European standards by developing a multi-annual planning and budgeting system that covers the line ministries and the regional level, thereby creating conditions to achieve good results within the field. The work shall be carried out in cooperation with the European Commission. The support shall complement the Commission's sector budget

support and build capacity, preferably at both central and local level, to support responsible management of the resources.

Support can continue to competent Ukrainian agencies to manage information and other adaptation requirements that membership of the World Trade Organisation and the future deep and comprehensive free-trade agreement with the EU demand.

During the strategy period, support may be considered to further areas within democratic governance if deemed crucial to Ukraine's harmonisation with the EU and if there is commitment from Ukraine's side to reform. The judicial sector and law enforcement are areas where there have been reform preparations but where political unanimity has not yet been reached. Reform in these areas is essential from the perspective of EU integration, making support urgent. If a sector approach is possible, with the European Commission and the Council of Europe in leading roles, Sweden can complement with support to necessary institutional development and capacity building. There are Swedish actors with preparedness and capacity to help Ukraine meet its undertakings and to harmonise with the EU's regulatory framework, such as the Swedish Police. Should the political situation allow even broader cooperation, Swedish support could be part of an overall security sector reform.

Other urgent reforms, for which the opportunities for further work depend on clear political will from the Ukrainian leadership, are decentralisation and local self-government. When implementing the strategy, there should be preparedness to consider support to these areas in the event of sector reform.

The aim to mainstream gender equality into the contributions shall be an integral part of the support, though targeted contributions may also be relevant, for example, continued contributions targeting men. Sida's work in this area shall build on Sweden's trustworthiness and be coordinated with other donors.

Support to human rights, e.g. LGBT issues, may be considered in special cases. With regard to combating HIV/AIDS, however, radical improvements in the local preconditions for a coordinated response would be required to motivate a resumption of support. If Sida deems, within the frame of the strategy, that the conditions are such that Swedish contributions in the cultural field can be implemented in cooperation with the Swedish National Arts Council, such assistance may be provided, taking into consideration the current activities of the Swedish Institute.

Natural resources and environment

Swedish goals for the sector shall be

- Improved capacity for Ukrainian authorities to formulate and implement EU harmonised legislation and regulatory frameworks in the field of environment and climate change,

- Reduced pollution to the air, ground and water, as well as increased energy efficiency.

Sweden shall support contributions to develop institutions and build capacity at national, regional and local level for harmonisation of legislation with the EU's regulatory framework (and directives) as well as Ukraine's undertakings according to international conventions. Significant and long-term support is needed for competent institutions to manage the EU adaptation. Swedish support shall improve the ability of competent authorities to produce results-oriented sector reform programmes, based on national and international commitments made in the field of environment. The contributions complement the European Commission's sector budget support. Sector integration is important and means that cooperation with the Ministry of the Environment and the environmental agencies will be supplemented with support to environmental work by other ministries and agencies within their respective sectors. This applies in particular to the agencies responsible for improving energy efficiency, industry, housing and municipal services, radiation protection and chemical issues. In addition, current cooperation within integrated permitting and water management will continue, taking into account the effect on the sea.

Implementation of measures to meet the environmental requirements of the EU directives requires big investments, especially with regard to sewage treatment, waste management and reduced emissions to the air. Cooperation between Sida and international financial institutions was well developed in the former Soviet Union in the municipal service sectors of water and sewage as well as waste and district heating, but has so far been limited in Ukraine. Cooperation is expected to increase. Swedish support is expected to cover institutional development as well as technical assistance and investment in cost-effective and energy-saving technology within the frame of joint projects. Swedish support through the European Bank for Reconstruction and Development to improve energy efficiency in medium-sized industries has had good results, and there should be preparedness to support further initiatives.

The preconditions for supporting a demonstration facility to promote modern environmental technologies should be investigated. Such support could become a good complement to larger investment efforts implemented in cooperation with international financial institutions and give small and medium-sized Swedish companies specializing in energy and environmental technology greater opportunities to take an active part in development cooperation. Provided that the Swedish Government decides to introduce a new credit and guarantee system that includes a facility for environment, it should be possible to use this also in Ukraine. During implementation of the strategy, a possible agreement on Joint Implementation according to the Kyoto Agreement and the implementation of related projects should be considered. Swedish support shall be well coordinated with the European Commission's sector support to environment as well as its support for increased energy efficiency and the programmes to facilitate environmental

investment, set up in cooperation with international financial institutions. A new Ukrainian strategy in the field of environment up to 2020 is being prepared, and the support from the European Commission and Sweden will be used to assist with this work.

In all the parts of the proposed environmental cooperation there are leading Swedish actors in international demand. Ukrainian municipalities have expressed an interest in a Swedish concept for sustainable urban development. Many Swedish companies, agencies and organisations have experience of cooperation in countries of the former Soviet Union, skills that strengthen Swedish support within the environmental sector in Ukraine.

Civil society organisations shall be supported to build capacity for advocacy and monitoring of environmental work. This should be done through contributions in dialogue with the government and relevant agencies, and through the civil society organisation's role of mediator of information to the general public on the state of the environment and what a sustainable use of natural resources means.

2.2 Forms of cooperation

Swedish contributions shall continue to be made through support aimed at improving the Ukrainian administration at central, regional and local level. Civil society shall also be supported in order to improve conditions for democratic, equitable and sustainable development.

To achieve good results and enhanced ownership, cooperation will be concentrated to two sectors and a sector-based approach will be used. The ambition to support sector programmes to a greater extent is made more difficult by the needs for retaining a high degree of flexibility in planning, due to the political instability in Ukraine. Project support will therefore continue to be an important aid modality, but the contributions will be better focused, fewer and placed within a sector frame through strategies and action plans produced for EU adaptation. These plans will then form the basis for the European Commission's sector budget support. Concentration in the environment field will be achieved by providing support along two main lines. One is institutional development and capacity building through a limited number of government agencies. The other is support to investment-oriented projects in various parts of Ukraine in cooperation with international financial institutions. These will implement the Swedish contribution and support will be focused on a limited number of large projects.

In view of the unstable political situation in Ukraine, it is particularly important for aid to be flexible and support reform efforts at different levels within public administration through channels suitable for the purpose, such as multilateral organisations, Swedish agencies and private sector, civil society and non-governmental organisations. It is also important to choose reforms and sectors with broad political support.

Providing general and sector budget support from the Swedish side is not deemed appropriate during the strategy period. Ukraine is primarily requesting cooperation with Swedish institutions, organisations and companies. Swedish contributions can enhance an efficient use of the European Commission's relatively substantial sector budget support to Ukraine.

2.3 Dialogue issues

The strategic dialogue issues shall focus on following up results in relation to Ukraine's undertakings towards the EU and its obligations as to international conventions within the respective sector. The dialogue should improve the general understanding by decision-makers and civil society of what EU harmonisation within the sectors can mean in practical terms. The bilateral dialogue is linked to the broader political dialogue conducted within the framework of the European Neighbourhood Policy.

The dialogue parties are agencies at central, regional and local level as well as representatives of civil society. Dialogue is conducted first and foremost in connection with contributions funded by Sweden in the chosen sectors and in cooperation with the European Commission, which has the main responsibility for carrying out the overall dialogue on European integration with Ukraine.

Frequent elections in recent years have made continuity in the dialogue with the government and the state agencies more difficult. A regular dialogue is also ongoing with other donors and implementers of Swedish contributions. Within the framework of EU cooperation, there is collaboration and an exchange of views with the delegation office in Kiev and the European Commission's competent Directorate-General in Brussels.

Integration of gender equality into the dialogue at different levels requires special efforts in the two sectors. HIV/AIDS is another area that should receive attention in the dialogue. The aim should be to increase awareness of the epidemic as a human rights issue and a potential threat to economic development in Ukraine.

2.4 Scope (volume)

The annual volume shall be approximately 180 million SEK in 2009, approximately 200 million SEK in 2010 and approximately 220 million SEK in 2011-2013.

3. Implementation

Ukraine's course towards European integration is deemed as stable during the strategy period. Political instability, weak political culture, lack of sustainability in reform processes, staff changes in public institutions and

widespread corruption are the biggest risks to a successful implementation of the strategy. To reduce the risks and avoid delays, the goals of the contributions should be linked to formal undertakings, especially to the EU. Sida should be well informed about the cooperation environment and partners, work closely and in a well-coordinated way with other donors and be able to reallocate within the cooperation portfolio. Cooperation partners and aid modalities shall be carefully selected to promote transparency, and counter the risks of corruption. The emphasis in the strategy on international financial institutions, Swedish agencies, private sector and civil society as implementers is relevant in this context, as is the choice to exclude budget support during the strategy period. A long-term perspective and predictability are important for a close cooperation with the country and other donors.

Should political conditions change radically or the economic downturn have unexpected, drastic consequences, the cooperation strategy may need to be reviewed.

3.1 Cooperation with other donors including multilateral actors

Swedish development cooperation shall be carried out in close cooperation with other donors, especially the European Commission. As the total foreign assistance to Ukraine constitutes a relatively small share of GDP, approximately one per cent, it is particularly important to work closely with other donors in order to secure sustainable results. Partnerships with the new EU member states shall be prioritised as their experiences of democratic transition and EU adaptation are of great value to Ukraine.

Important strategic partners with whom cooperation can be further developed are the Council of Europe and international financial institutions, such as the European Bank for Reconstruction and Development, the World Bank, Nordic Investment Bank and Nordic Environment Finance Corporation (NEFCO).

3.2 Alignment, harmonisation and coordination

The Paris Declaration on aid efficiency and the EU Code of Conduct on Complementarity and Division of Labour shall guide Sweden's development cooperation in Ukraine and its actions in the donor circle.

The overall process goal during the strategy period is stronger Ukrainian ownership and improved aid efficiency. This shall be promoted by applying a sector-based approach and contributing to a functioning coordination within the chosen sectors.

Close cooperation with the European Commission will improve the conditions for Swedish assistance to align with Ukraine's reform strategies and, when possible, use the country's own systems for planning, implementation and follow-up. The EU-Ukraine Action Plan under the ENP is an important starting point for Sweden's development cooperation with Ukraine. The choice of the two sectors of democratic governance and human

rights, and natural resources and environment, was made in accordance with the priorities in the Action Plan and in dialogue with the Department for Coordination of Development Cooperation at the Ministry of Economy.

Ukraine's current aid coordination structure is generally inadequate. The Ukrainian Government's decision to establish a Coordination Bureau for EU and Euro-Atlantic integration creates improved conditions for inter-ministerial coordination, also aid coordination. Sweden will actively support this work.

4. Follow-up

Results are followed up based on Ukraine's undertakings to the EU and in international conventions. Ukraine's own monitoring systems need to be developed further but should be used, as far as possible, in parallel with the current Swedish internal control mechanisms. The European Commission's progress reports follow up on the implementation of the ENP Action Plan and serve as an important reference for Swedish aid. Sweden aims at strengthening the follow-up of results in the progress reports. The Council of Europe regularly reviews the core areas of democracy. Correspondingly, the environment field is the subject of a number of reports, such as the OECD's Environment Performance Review. Cooperation results are also regularly monitored together with Ukrainian agencies and the European Commission within the framework of ongoing cooperation, and together with other donors at sector level. Swedish monitoring should become more systematic and conclusions for further work be clearly communicated with concerned Ukrainian and international parties. Links to the country's own systems should be strengthened.

Part 2. Background

1. Summary country analysis

Despite domestic political instability, Ukraine is maintaining a stable course towards European integration, politically and economically. Membership of the World Trade Organisation in 2008 means that Ukraine will open its markets. It is also a sign that the country is willing to accept the rules of the market economy. In terms of security policy, the country is not united; views are particularly divided on deeper Euro-Atlantic cooperation. Relations with Russia are strategically important and complex with dependence on Russian energy and trade and the recurrent element of Russia's presence in the Crimea. The geographic proximity of the conflict between Russia and Georgia further adds to the complexity.

Negotiations are under way for a new agreement with the EU on enhanced cooperation. Unlike the current Partnership and Cooperation Agreement, the new agreement is expected to be legally binding and include a deep and comprehensive free trade agreement. The incentives to implement reforms to

meet the undertakings in the future agreement could be strengthened. For Ukraine, however, it continues to be a challenge to mobilise support for EU adaptation, which involves far-reaching reforms and costly investments, without a membership perspective. The EU integration challenges facing Ukraine include consolidating democracy, implementing extensive institutional, economic and political reforms and making development environmentally and climatically sustainable.

The significant weakening of the Ukrainian economy following independence in 1991 was replaced by uneven economic growth, which averaged in excess of seven per cent from 2000 until the international financial crisis in 2008. Rising real wages and social benefits have improved living conditions, and between 2001 and 2005 poverty fell. According to UNDP statistics, however, the living conditions in Ukraine are worse in many ways than before independence. One example of this is average life expectancy, which has fallen, particularly for men. There is now a difference in life expectancy of 12 years between men and women. Health risks include environmental pollution in the air and water, traffic accidents, lifestyle-related illnesses, an uncontrolled HIV epidemic and widespread tuberculosis. Lack of political agreement and inefficient use of resources are as much of a problem as lack of economic resources in dealing with these issues. HIV/AIDS is one example of the inability to unite on a solution to turn development around despite a serious situation and available resources.

The international financial crisis in 2008 hit Ukraine hard and will have serious economic consequences for the country. Ukraine is one of the worst affected countries in the region: the bank sector is under much pressure as is the country's important steel industry, and growth is expected to fall significantly. The IMF has decided on a loan programme of 16.4 billion USD to stabilise the financial and economic situation.

The competitiveness of industry continues to be low by international standards. Administrative obstacles and weak rule of law impede foreign direct investments and mean that the significant informal sector survives. Energy efficiency is very low by European standards, which also undermines the competitiveness of the economy. Emissions are high, and environmental responsibility, which has so far not been prioritised, is undeveloped. This applies, not least, to environmental and chemical issues, which are important in relation to trade.

The citizens' expectations of sweeping changes following the Orange Revolution have not been met despite important advances in political and democratic rights on elections, media, and freedom of association and speech. There are shortcomings in the political culture and the centralised structure of the political parties, which leads to personal rather than ideological power struggles, and ambiguities in the constitution. Even though constitutional reform is needed to clarify the distribution of power between Ukraine's legislative, executive and legal institutions, it has not yet been possible to carry this out due to political factors. This impedes the Administration's ability to push through reforms and combat growing corruption.

Unreformed and inefficient parts of public administration that affect people's everyday lives include health care, environment, local self-government, financial control, education, labour market and the judicial system. Strong central control in the Administration makes reform efforts more difficult in all parts of the Ukrainian public sector. The lack of focus on results and the absence of a multi-annual perspective on the Ukrainian budget process are other problems, which, due to the link to local and regional budgets, also have an effect at local and regional level and on the quality of public services. Centralised control also impedes efforts to adapt the Administration to EU demands, as competent line ministries and agencies have limited opportunity to plan their activities and distribute their resources independently.

The problems in the judicial and law enforcement sector include a police organisation with a military structure and no democratic insight, and a judicial system with a judiciary lacking independence and lengthy legal processes. Those in power have limited knowledge of the value of promoting equality and involving civil society. Gender equality is all too often seen as a cost that the Ukrainian society cannot yet afford, and the role of civil society is seen as a complication. Today, approximately 2-3 million Ukrainians work outside Ukraine and their remittances are used primarily to pay for household consumption, accommodation and children's education.

To sum up, today Ukraine faces important security policy and social challenges. The reforms that EU integration and the economic crisis demand are extensive and require political leadership and considerable support. Participation by civil society in reform processes is a largely unexploited potential that needs to find its forms.

2. Summary results assessment

The previous strategy covers the period 2005-2008. The goal of development cooperation was to contribute to creating conditions for poor people to improve their lives. Swedish support also contributed to the country's EU integration and to deepening relations between Sweden and Ukraine. The support was channelled via some 50 projects in six sectors. Throughout the strategy period, the payments are expected to amount to approximately 360 million SEK: approximately 50 million SEK in 2005, 100 million SEK in 2006 and 2007, and an estimated 110 million SEK in 2008. One third went to promoting democracy and good governance and almost as much to support for economic transformation. The remaining amount was allocated to the environment, the social sector, common security, research and education.

Half of the Swedish support consisted of bilateral capacity building, which used primarily Swedish agencies, industry and civil society as implementers. Approximately one third of the support was channelled via international financial institutions such as the World Bank and the European Bank for Reconstruction and Development. The other channels were international organisation such as the UN, OSCE and IOM.

The main thread of the strategy was to offer Swedish support to the wave of reforms for EU harmonisation that was expected to follow the Orange Revolution. There was a need to raise the living standard and quality of public services, speed up economic transformation towards a market economy, modernise public administration and financial control and increase energy efficiency. Swedish experience in these fields, as well as in gender equality, was in demand.

According to a results analysis of Swedish development cooperation during the period 2005-2007, the support was relevant and complied with the intentions of the strategy (*Ukraine Country Outcome Assessment. Swedish Development Assistance 2005-2007*, Anders Zeijlon, July 2008). In some cases, the results have also had a positive effect at sector level. A probation reform has been initiated, the labour market parties have begun to use new negotiation methods and the Government has improved its internal communication. The results have also had an effect at institutional and individual level. There have been institutional improvements in, for example, gender equality, forestry, human trafficking, innovation courses at university level and management training. Media companies and food-producing cooperatives have received help with restructuring. Almost 15,000 persons have taken part in competence development and more still have been reached indirectly.

In the absence of the expected, coherent sector reforms, support to various projects has dominated and the cooperation portfolio has become fragmented within the sectors, with a large number of big and small contributions and many implementers. The administrative management of the contributions portfolio has therefore become burdensome for Sida. An important lesson is to target support to fewer sectors and a limited number of fields within each sector. Another lesson from the support to forest reform is that despite successes at institutional level, it can prove to be too early for sector reform.

3. Summary analysis of other donors' actions and role in Ukraine, including multilateral actors and the European Commission

European integration dominates the development agenda, and the European Commission is a principal actor, both in terms of political leverage and aid volume. Approximately 494 million euros will be allocated to Ukraine through its ENPI programme during the period 2007-2010. Sweden's position as one of the biggest donors in the EU circle together with the focus on reform cooperation makes it natural for Sweden to seek cooperation with the European Commission.

Of the international financial institutions, the European Bank for Reconstruction and Development and the World Bank are important based on Sweden's priorities for development cooperation with Ukraine. Both have European integration as overall goals of their strategies for Ukraine. Sweden has long experience of working with these institutions, especially in

environment and energy efficiency improvement. The World Bank is a central partner in public financial control and financial analysis.

The role of United Nation's funds and programmes in the work on the Millennium Development Goals and in donor coordination is deemed valuable. Some of their thematic and sectoral priorities are less relevant in view of Sweden's choice of sectors in this strategy.

Membership of the Council of Europe places demands on Ukraine within areas such as democratic governance and human rights, which can be useful in reform cooperation. OSCE and IOM operate in the same areas.

There are also opportunities for synergies with bilateral donors. Of these, the USA is the biggest with an annual budget of more than 40 million USD and focus on anticorruption and the legal system. Other bilateral donors with important programmes and relevant priorities from a sectoral point of view are Germany, Canada, Switzerland and Japan. The expected increase in aid from new EU members together with their experience of EU harmonisation and transition opens up opportunities for important partnerships.

To sum up, the consensus on European integration as the overall goal of Ukraine's development is a good basis for closer and more efficient cooperation between donors.

4. Summary analysis of Sweden's role in Ukraine

4.1 Conclusions of Sweden's and the EU's political decisions and processes of relevance for the cooperation

The relation between the EU and Ukraine is based on a Partnership and Cooperation Agreement from 1998. When the European Neighbourhood Policy was formulated, an action plan was adopted that has guided Ukraine's development and reform policy since 2005. This is expected to be replaced by a new instrument in March 2009. Negotiations are under way for a new association agreement that is expected to be legally binding. The agreement covers policy, economic and sectoral cooperation and includes a deep and comprehensive free trade agreement. Ukraine supports the Swedish-Polish initiative for an Eastern Partnership to strengthen the relation between the EU and its Eastern neighbours. EC support to Ukraine, managed by the European Commission, is provided primarily through the financing instrument ENPI. Sweden's development cooperation with Ukraine constitutes reform support in areas covered by the country's undertakings to the EU.

4.2 Policy coherence for development

Sweden has extensive bilateral cooperation and exchange with Ukraine. There is bilateral institutional cooperation concerning, for example, trade, external audit, non-proliferation, migration and visas, defence, police and cross-border crime. Many of the interfaces may be of mutual benefit within the sectors chosen for development cooperation.

The trade exchange between Sweden and Ukraine has grown considerably. Sweden has worked actively, through the Swedish Trade Council, to increase interest in Ukraine among Swedish companies. The Swedish Trade Council office in Kiev has been upgraded to a Trade Commissioner's office with a special trade commissioner, making it easier for Swedish companies to invest in the country.

A defence attaché has been stationed at the embassy in Kiev since August 2007. The Swedish Armed Forces have a bilateral exchange with Ukraine that covers experience exchange within, inter-alia, defence. The Swedish Armed Forces, together with the Nordic and Baltic countries, are also active in joint support to Ukraine's security and defence sector, primarily to the Ministry of Defence.

In addition to Sida, other state actors involved in development cooperation in Ukraine are the Swedish Institute (SI) and the Swedish Radiation Safety Authority (SSM). SI's task is to strengthen openness and democratic structures, and to promote democratic culture through exchange and cooperation in the areas of culture and society. SSM works primarily within the sector of natural resources and environment, and in particular with radiation protection, reactor safety and non-proliferation.

4.3 Other Swedish relationships

A number of big Swedish companies have been established in Ukraine for a long time, and trade relations have developed positively, though not at a pace that corresponds to the country's potential. Approximately 50 Swedish companies are currently represented in Ukraine. A number of Swedish non-government organisations also operate in the country. Swedish aid involvement in Ukraine benefits Swedish industry through tangible cooperation projects and in-depth networks.

4.4 Sweden's comparative advantages

Sweden's comparative advantage in development cooperation is a high level of trustworthiness and, compared with, for example, the European Commission, flexibility in planning and implementation. Ukrainian actors and cooperation partners see Swedish cooperation for capacity development as relatively free of self-interest. Swedish public administration competence is in demand, as is Swedish engineering competence in the fields of environment and energy. Gender equality is a Swedish profile issue in development cooperation. By working strategically in fewer sectors with a greater aid volume and closer donor cooperation, Sweden's role as an active donor in Ukraine is deemed to be strengthened.

4.5 Conclusions about Sweden's role

Links in different areas between Sweden and Ukraine are growing, and Swedish authorities, industry and civil society are becoming increasingly interested in a positive development in Ukraine. As the EU adaptation is seen as the best guarantee of a stable democracy and a greater welfare in Ukraine, Swedish assistance targets reforms that promote the country's European integration. The role as a big bilateral donor with important trustworthiness and close cooperation with the European Commission increases Sweden's influence and its opportunities to play an active role in promoting coordination and aid efficiency. A well-supported sector-based approach provides the programme with necessary clarity and thereby good conditions for successful implementation.

5. Considerations concerning objectives and the direction of future cooperation

Big, costly challenges face Ukraine in its work towards European integration, especially in the environment field but also in large parts of democratic governance. Without outside support, the pace of reform will be slow. Support is needed to structure, plan and stimulate the implementation of the often long-term reform work.

It is important to Sweden, as a European neighbour, that Ukraine's development is socially and environmentally sustainable and that the democracy and constitutional state/the rule of law are consolidated. Sweden wants to support the reform work for European integration that Ukraine sees as a way of meeting its citizen's expectations for a higher standard of living and fair and open public administration.

The results analysis shows that Sweden has knowledge and competence within institutions, companies and civil society that is relevant to Ukraine's reform agenda. Swedish support, based on this knowledge and targeted at democratic governance and the environment with a limited number of areas within these two sectors, has good potential to be effective. Profile issues that Sweden will integrate into the support are gender equality and the role of civil society in development.

To ensure that Swedish support achieves the goals that have been set in the prevailing climate of political instability, the choice of cooperation sectors should focus on areas where Ukraine has identified needs and clear undertakings towards the EU or internationally. The future association agreement with the EU is expected to contain sectoral undertakings that are central to Ukraine's EU harmonisation. Close cooperation with the European Commission is seen as natural. Joint programming of the support lays the foundation for more efficient use of both Sweden's and the EC's assistance resources. The joint approach also serves to promote harmonisation with other donors.

The multiannual bilateral support to combat human trafficking can now end and be taken further by Ukrainian partners. The investment has built up capacity to prevent and detect human trafficking, treat the victims and help them to start their new lives.

In addition to development cooperation within the areas of democratic governance and environment, the conditions for choosing a third sector have been considered. Continued support to the social sector, or new support to the health and education, would have been possible alternatives, as would HIV/AIDS, another important area in which the situation is very serious. The conclusion, however, is that there is insufficient reform insight into these sectors, no agreement on the problem analysis and the necessary conditions for meaningful new Swedish involvement in these sectors do not exist.



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