



Press Release
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EU assistance to Ukraine: results so far are “fragile”, say Auditors

EU assistance to Ukraine had limited impact and, despite the impetus for reform since then, the results achieved so far remain fragile, according to a new report from the European Court of Auditors. Over most of the period audited, the unstable political, legislative and administrative context limited the effectiveness of EU assistance, say the auditors.

The auditors assessed whether European Commission and European External Action Service assistance was proving effective in supporting the reforms in Ukraine. They examined the areas of public finance management and the fight against corruption, as well as the gas sector, between 2007 and 2015.

EU-Ukraine cooperation advanced in the wake of the 2014 Maidan events, say the auditors, but the challenges faced by Ukraine still heavily affect the reform process and the risks posed by the former and new oligarchs remain high. The EU responded promptly to the 2014 crisis with a package of €11.2 billion over seven years. But this was an emergency solution. The EU allocated and disbursed large amounts of money rapidly and without first agreeing its strategy.

“EU support for Ukraine remains a work in progress, despite good efforts by the Commission”, said Szabolcs Fazakas, the Member of the European Court of Auditors responsible for the report. “At the time of our audit, there was a strong political commitment to public administration reform. But management changes jeopardised the reforms and low salaries created openings for corruption. Further steps are needed to meet objectives.”

The auditors did find some tangible and sustainable results in public finance reform and an improved anti-corruption framework. However, public finance management occupied only a modest place in EU-Ukraine dialogue for most of the 2007-2013 period. Until 2014, the Ukrainian government’s limited commitment to the reform process was reflected in incomplete and delayed outcomes. The fight against corruption was reinforced by the 2011 Visa Liberalisation Action Plan and further accelerated by improved post-Maidan cooperation. But despite the new impetus for reform since 2014, the results achieved so far remain fragile. The results of anti-corruption measures remain to be seen.

Shortcomings in the setting of conditions for support or the assessment of their fulfilment affected the design of budget support and financial assistance. However, monitoring of the implementation of EU assistance was largely effective, and suspensions of budget support payments advanced public finance management priorities in 2011-2013.

In the gas sector, there has been some success in improving governance and securing EU supplies via Ukraine. But the EU-Ukraine dialogue on gas was affected by Ukraine’s wavering commitment and by diverging views among EU stakeholders.

The purpose of this press release is to convey the main messages of the special report adopted by the European Court of Auditors. The full report is on www.eca.europa.eu

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The design of EU assistance to improve governance and security of supply included conditions that were vague and difficult to assess. Monitoring sometimes lacked high-quality data, and EU-Ukraine joint reporting did not provide a sufficiently detailed explanation of the difficulties experienced. Before 2014, EU assistance had little impact on the functioning of the Ukrainian gas sector and produced mixed results in terms of security of supply. However, one notable later achievement was the adoption in April 2015 of a gas law compliant with the EU's third energy package.

The auditors make a number of recommendations for improving EU assistance to Ukraine. The Commission and the External Action Service should:

- Place greater emphasis on public finance management in the dialogue process with Ukraine;
- Improve the design of conditions for and disbursements of financial assistance;
- Strengthen monitoring of the implementation of assistance;
- Place greater emphasis on the effective implementation and sustainability of reforms;
- Take steps to make EU assistance to Ukraine more effective in the gas sector.

Notes to Editors

Ukraine is one of the European Union's largest and politically most important neighbours. However, institutional and political instability, governance issues, and economic and financial difficulties predominate in the country.

Ukraine has a record of poor economic performance since independence in 1991. Positive economic growth rates in the early 2000s were severely impacted by the 2008 global crisis and have struggled to recover ever since. Ukraine's state finances have deteriorated over the years, mainly due to mismanagement of public funds. In addition, the revenue side of the state budget is negatively affected by a significant shadow economy. Despite reform efforts, Ukraine is still perceived as the most corrupt country in Europe. Vested interests influence public policy-making. Oligarchic clans continue to exert a dominant influence on Ukraine's economy, politics and media.

Since 2004, three major political events have occurred: the Orange Revolution of 2004, the presidential election of 2010 and the Maidan Revolution of 2014. Since the beginning of 2014, Ukraine's territorial integrity has been seriously threatened.

The conflict in eastern Ukraine has greatly exacerbated the economic and financial challenges facing the country.

EU-Ukraine cooperation is part of the European Neighbourhood Policy and its eastern dimension, the Eastern Partnership. From 2007 to 2015, EU financial assistance comprised €1.6 billion in grants, half of this in the form of budget support, and €3.4 billion in macro-financial loans.

Special Report No 32/2016: "EU assistance to Ukraine" is available in 23 EU languages.