

United Nations Development Programme
Country: Ukraine

Project Document

Project Title: Strengthening SME Business Membership Organizations

UNDAF Outcome(s): PF Area 1 "Sustainable Economic growth and poverty reduction" – Outcome 1: New economic opportunities created particularly in the small and medium business sector as a result of enabling improvements in the business and investment environment, improved skills and better utilization of Ukraine's scientific and innovation potential

Expected CP Outcome(s): Reduction of poverty in rural areas through socio-economic development activities (Outcome 2)

Expected Output(s): Strengthened capacities of BMOs to represent interests of the private sector and contribute to the policy development leading to SMEs sector growth

Implementing Partner: Ministry of Economic Development and Trade of Ukraine

Responsible Parties: UNDP

Brief Description

The Project aims to accelerate the development of the SMEs sector in Ukraine by strengthening the capacities of the Business Membership Organizations (BMOs) that will contribute to the reinforcement of a much needed dialogue between the private and public sectors. The Project is to design and deliver a tailored capacity development programme to selected BMOs throughout Ukraine to help improve their institutional/organizational/financial capacities to represent interests of the private sector and facilitate a more active, responsive, professional and policy-oriented dialogue between public and private sectors. The project is expected to positively impact on the ability of BMOs to attract members, promote constructive cooperation with governmental structures and to contribute to policy development leading to SMEs sector growth. Increased membership of BMOs coupled with higher institutional effectiveness, resulting from the support received from the Project will contribute to the financial sustainability of BMOs and spur mobilization of the entrepreneurs, therefore strengthening the 'collective voice' of business.

Programme Period: 36 months

Key Result Area (Strategic plan): Poverty eradication and achievement of internationally agreed development goals, including the MDGs

Atlas Award ID: 00084268

Start Date: 1 April 2015

End Date: 30 September 2018

PAC Meeting Date: 24 April 2015

Management Arrangements: DIM

Total resources required: USD 1,053,723.00

Total allocated resources: USD 1,053,723.00

Donor :

Government of Switzerland: USD 980,223.00

UNDP (TRAC): USD 73,500.00

Agreed by UNDP:

Mr. Janthomas Hiemstra,
UNDP Country Director

Agreed by the Ministry of Economic
Development and Trade of Ukraine:

Ms. Yulia Klymenko,
Deputy Minister – Chief of Staff

Date: 27 August 2015

LIST OF ACRONYMS

BAS	Business Advisory Services
BMO	Business Membership Organization
CIPE	Centre for International Private Enterprise
CIS	Commonwealth of Independent States
CO	UNDP Country Office
CP	Country Programme
DIM	Direct Implementation Modality
EBRD	European Bank for Reconstruction and Development
EGP	Enterprise Growth Programme
EU	European Union
GIZ	German Agency for International Cooperation
ILO	International Labour Organization
LDA	Local Development Agency
MEDT	Ministry of Economic Development and Trade of Ukraine
NGO	Non-Governmental Organization
QPR	Quarterly Progress Report
PAC	Project Appraisal Committee
POPPs	Programme and Operations Policies and Procedures
SBAA	Standard Basic Assistance Agreement
SCO	Swiss Cooperation Office
SMEs	Small and Medium-sized Enterprises
SRS	State Regulatory Service of Ukraine
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
IDPs	Internally Displaced Persons
MDGs	Millennium Development Goals
CPAP	Country Program Action Plan

I. SITUATION ANALYSIS

1.1. National context

Since the beginning of 2014 the Ukrainian economy has shown deepening recession evidenced by deterioration of key macroeconomic indicators, limited foreign exchange reserves, slumping hryvnia exchange rate, growing inflation and drop of real incomes of households.

The GDP in January-May 2015 has contracted by 17.2% year on year basis, mostly driven by industrial slump (-21.2%) due to conflict in Donbas region and situation in Crimea, reduction of foreign trade (over – 30% in exports and imports), and retail sales (-24.7%). Consequently, the unemployment rate in Ukraine has reached 9.6% (ILO methodology) which is the historic maximum.

Shrinking labour market opportunities caused by overall economic downturn, and influx of over 1.3 million of Internally Displaced Persons (IDPs) from Donbas and Crimea, who have lost their jobs, had to abandon their assets and therefore have faced severe reduction of incomes, are among the most acute impacts of the crisis for Ukrainian citizens. In addition to the problems of IDP employment, local companies in Donbas have difficulties with doing business. This is primarily connected with the loss of markets, disruption of business ties, complication of the access to funding, and the absence of specific regulations governing the economic activity in the area of the conflict.

Yet, the economic challenges of Ukraine do not solely emanate from the recent conflict. Ukraine has been an economy with old-fashioned traditional industries, monopolies and a country with a very challenging business environment, especially for Small and Medium Enterprises (SMEs). Only around 10% of GDP is produced by SMEs, whereas in developed market economies this figure exceeds 50%. In combination with extremely unfavourable macroeconomic environment, scarce financial resources, excessive regulations and inconsistencies in the norms and requirements governing the SMEs put an increasingly high pressure on SME sector. Ukraine has also a negative track record in permits giving and licensing processes which are overall non transparent and prone to corruption practices.

According to the World Bank Doing Business Report 2013 (data for 2012) the country scored significantly worse than the rest of the region and was ranked 137 out of 185 countries, as well as highlighted protracted business regulations. While Ukraine has improved its business environment ranking recently through 112th place in 2013 (Doing Business Report for 2014) and to 96th in 2014 (Doing Business report for 2015) mostly due to a progress in the ease of paying taxes and registering property, the regulatory environment is still far from being conducive to the starting and operation of a local firm.

The voice of SMEs asking for a simplification of business regulations and, in general, a better business climate is not heard, partially because of the weak institutional capacity of structures that are called to represent their interests. Administrative set-up and business support structures are weak; specialised services for SME competitiveness, innovation, product development and export promotion are limited; and entrepreneurial culture and legal awareness and relevant knowledge among entrepreneurs are poor. Ukraine is ranked 84 out of 148 in the 2013-2014 Global Competitiveness Report, with pillar 1 “institutions” occupying one of the worst ranks of all 12 pillars assessed.

The development of a competitive, high added value and innovative SMEs sector is crucial for successful economic growth and prosperity of wider strata of the population in Ukraine. SMEs make the economy flexible and strong, and bring it closer to the needs of individual consumers. SMEs play an important social role as they create new jobs and provide a source of income for large groups of the population. This minimizes risks of social conflicts and helps create a middle class that is interested in stability.

The state support to SMEs development is weak. It is provided in accordance with the Law on Development and State Support to Small and Medium Enterprises in Ukraine and the Law on the National Programme for Small Business Development in Ukraine. The 2013 State Budget of Ukraine allocated UAH 2,672,800 for the implementation of the National Programme, while in 2014 and 2015 the National Programme allocations totalled zero (with an exception of the Micro-credits programme for

small business that foresaw allocations of UAH 875,200 in 2014 and only pay back-refunds to the State Budget in 2015).

1.2. Root causes and barriers analysis

Evidence drawn from a variety of surveys conducted by national and international experts suggests that Ukraine's environment for private sector representation and public private partnership is still insufficiently developed to provide the necessary backbone for a genuine SMEs growth.

SME face a different set of opportunities and constraints than large firms do. It is evident that SMEs cannot fulfil their potential role because of the various bottleneck factors, which include lack of resources, economies of scale, demand conditions, market size, as well as availability of technology and suitable institutions.

The most important actors, which can influence the SMEs' environment, are on the one hand government and public institutions, and on the other hand private business with Business Membership Organizations in between.

BMOs have the most important function in the private sector structure of an economy. Firstly, due to their role as intermediaries, they are able to select, aggregate and articulate the problems and wishes of their membership vis-à-vis government. Secondly, they facilitate the (self-) regulation of their members. Thirdly, BMOs can promote SME growth through facilitation or direct provision of selected demand-driven services to entrepreneurs and through advocacy aimed at creating a better business environment.

BMOs are in the position to play the 'dual role' because of certain characteristics: they are intermediary, networking, and can be self-regulatory bodies. This unique combination of strengths makes them an effective tool to increase the growth of firms in Ukraine. Through BMOs SMEs can address these problems related to their size and improve their competitive position.

Overall, the concept and mechanisms of business representation and business development services through BMOs requires further broad based awareness and capacity building efforts at the level of Government, civil society and business.

BMOs in Ukraine face a series of major challenges which hinder therefore the possibility to represent genuinely the interests of their members:

1) *Weak financial sustainability.* Except for the International Chamber of Commerce as well as the Ukrainian Chamber of Commerce, most BMOs have too few members to sustain their operations. In general, most members do not even pay their membership fees. As all BMOs are registered as NGOs and non-profit organisations, they are only allowed to charge cost-recovery fees. Neither cross-subsidization of activities nor the inclusion of in-kind cost for service delivery (such as salaries) is permitted. Since all but the Chamber of Commerce want to avoid any exposure to the tax department, as this would entail numerous additional problems and costs, these organisations should not generate any other income but membership fees, grants, and donations. Businesses are not allowed to tax-deduct membership fees, further reducing the incentive to pay dues.

2) *Very low representation* (number of members). With often just 10 to 20 members, the associations have a club character and do not qualify for donor support. Even the larger associations who represent a few hundred businesses are certainly not representative for the whole sector.

3) *Organizational weakness.* BMOs usually depend on one leader's personality who drives all processes. Being thus run rather like a family business, many might face continuity problems once the leading figure withdraws. In addition, only some manage to develop legislative proposals that are ready for further discussion by the Government. The composition of the different Councils seems to demonstrate that the impact of an association depends not only on the number of members represented but also on the quality of proposals provided. The latter is often weak and leads to a disinterest by Government officials to take them into account. Due to their organisational weaknesses, BMOs tend to concentrate their efforts on advocacy, neglecting mediation and member services.

4) *The Government's low prioritisation of SME*; as well as limited capacity to work with BMOs as one of the most important stakeholders that represent the real voice of SMEs and ability to provide effective support for their development.

1.3. Stakeholder analysis

The key institutions responsible for SME development in Ukraine are the Ministry of Economic Development and Trade (MEDT) and the State Regulatory Service of Ukraine. The National Council for Reforms under the President of Ukraine is another important body in the area of policy development. By bringing together high level policy makers and experts it has become a platform for strategic planning and implementation of reforms.

The MEDT is responsible for developing the policy framework in areas of entrepreneurship, regulatory policy, and licensing and permit systems. The SRS reports to the Cabinet of Ministers of Ukraine and is responsible for the development of legislation, for monitoring the regulatory environment and the implementation of regulatory policy and deregulation. The MEDT holds the leadership in developing and implementing state programmes focused on entrepreneurship development (e.g. National Programme for Small Business Development in Ukraine).

MEDT coordinates the Ukrainian Fund for Entrepreneurship Support, which is a public non-profit organization, established by the Cabinet of Ministers in 1999. Its Board is chaired by the Head of the State Services. The Fund performs two major functions: a) provision of consulting, information, and training services; and b) micro-crediting. UAH 10.3 mln were allocated for micro-crediting in 2013, UAH 875.2 thousands in 2014.

Along with the government bodies, there are various Councils with civil society and private sector participation: Council of Entrepreneurs at the Cabinet of Ministers, Public council at the State Regulatory Service of Ukraine, Public council at the Ministry of Economic Development and Trade of Ukraine, etc. The Councils are mandated to monitor and review legislation, lobby for better policy solutions and to serve as a platform to consult and interact with the private sector.

According to official data, the business support infrastructure in Ukraine is comprised of 531 business-centres, 76 business incubators, 46 technological parks, 535 leasing centres, 3964 non-banking financial institutions, 242 regional funds for entrepreneurship support, 3031 investment and innovation funds and companies, 3902 business advisory organizations, and 1720 public organizations (associations), including business membership organizations (BMOs). However, the large majority of these structures either do not perform their declared role, or are not operating. For example, business incubators are mostly virtual start-up services of simple business activities (mostly retail) without the typical characteristics of an incubator. Also business centres have the character of reasonably priced office space, but do not reflect the commonly known concept of business centres. In addition, many structures have been founded with and by donor support and have soon degraded after the exit of the donor.

To overcome these difficulties and to ensure sustainability, the proposed Project will work with established and independent BMOs that exist without regular government or donor support and that are willing to develop and grow to better represent their respective sectors.

Notably, in addition to the activity of the long-established non-governmental actors and BMOs, since 2014 Ukraine has seen an enormous mobilization of civil society through volunteering, formation a large number of NGOs, civil society initiatives and new wave of BMOs willing to promote values of democratic governance, market economy and conducive business environment.

Many of these organizations, are focused on addressing the emerging challenges of employment of IDPs from Donbas and Crimea, as well as issues faced by entrepreneurs from among the IDPs, which have to deal with a particular and unique set of business barriers and challenges compared to others. These include (but are not limited to) to formal registration of businesses, access to financial markets, investments and resources.

1.4. Donor coordination and partnership

Historically the development of the SME sector was never among the main priorities of the Ukrainian Government. Therefore, donor assistance in the area of SMEs development has been rather modest compared to the assistance provided in other development areas. With the emergence of the economic crisis, the status quo has changed and the Government started realizing the untapped potential of the SME sector as a driver of sustainable economic growth and a contributor to the social development of the country. Interventions focused on selected, limited areas, with a limited perspective of the whole private sector system.

The major donors who support(-ed) SME development are: the Delegation of the European Union to Ukraine, EBRD Shareholders Special Fund, International Financial Corporation, USAID, GIZ, Swiss Agency for Development and Cooperation in Ukraine, Danish Ministry of Foreign Affairs, and others.

Currently, the most important initiatives in this area are implemented by the EBRD, the Centre for International Private Enterprise (CIPE) and USAID. The EBRD Business Advisory Services (BAS) and the Enterprise Growth Programme (EGP) are aimed at improving the competitiveness and level of sophistication of the SME sector in Ukraine. While BAS enables micro, small and medium-sized enterprises to access a range of local consulting services on a cost-sharing basis by providing grants, the EGP focuses on substantial managerial and structural changes within companies, focusing on strengthening organisation, management, operations, sales, marketing and finance.

CIPE has been active in Ukraine since 2010 when it has launched programmes focused on the development and strengthening of business associations. The programme aims at improving the associations' capacity to represent and protect the interests of members. CIPE implements annual training programmes on strategic planning, management, fundraising, membership management, communications etc.

In late 2014 USAID launched Leadership in Economic Governance (LEV) Program to improve the business environment in Ukraine, combine the efforts of reform oriented civil society organizations and government institutions for the necessary change in policy, preparation, and implementation of the law, as well as to ensure specific institutional reforms contributing to development of small and medium-sized enterprises (SME). The Program activities are aimed to support the SME promotion reforms, establish a continuous public-private dialogue, and use the tools to build the capacity and institutional capability of the participating organizations.

The EU has expressed interest in supporting private sector development but to date no new initiatives have been launched.

II. STRATEGY

2.1. Project objective, approach, components and expected outputs

The Project falls under CP outcome “Reduction of poverty in rural areas through socio-economic development activities”, which is pursued by UNDP in through “provision of technical advice to the Government; development of trade capacity of authorities, entrepreneurs and their associations” for the period of 2012-2016. The expected project’s output comes as “Strengthened capacities of Business Membership Organizations to represent interests of the private sector and contribute to the policy development leading to SMEs sector growth”.

The Project **objective** is to accelerate the development of the SME sector in Ukraine by strengthening the capacities of the BMOs, thus allowing for more effective operations and the sustainability of these organisations in the medium to long term.

However, building capacity of BMOs and their institutional strengths is not an end in itself, but a means for achieving specific private sector goals, such as business enabling reforms through public-private dialogue and/or strengthening services to SMEs.

With more active and agile BMOs the SMEs from different sectors, including those working in rural areas, will have the efficient channel for communicating with the Government to advocate for conducive business environment. Increased capacity of BMOs to reach enterprises, including in rural areas, and provide all kinds of quality business services will further contribute to SME sector growth and hence reduce poverty levels through increased income, thus contributing to the achievement of CP outcome. In particular, the BMOs could be trained and engaged in popularization of non-agricultural clustering in rural areas and provision of further support to the b2b networking, opening new market opportunities, and fostering therefore bottom-up economic development.

The **Project approach** is to design and deliver a tailored capacity development programme to 7 selected BMOs (or more - this will be defined at the initial stage based on the results of the competition) throughout Ukraine. BMOs are one of the most important institutions to improve public private dialogue, as they channel and represent the interests of the private sector. Through the institutional strengthening of BMOs, the project will significantly contribute to a more active, responsive, professional and policy-oriented dialogue between public and private sectors

The participating BMOs will be selected based on a competitive process. The different phases of the competitive selection process will themselves form a capacity building process which first includes all interested BMOs who fulfil certain qualification criteria, and then the focused selection of winning BMOs. BMOs established at national, regional and local levels will be invited to submit their applications for technical assistance support. A clear set of criteria developed in close cooperation with the Project’s partners will be used to select the BMOs.

Out of a large number of potential beneficiaries, the most apt to receive the Project’s technical assistance will be selected. Aptitude will be determined based on **commitment, leadership and ideas**, in line with specific base criteria and requirements set by the project.

These will include, but will not be limited to:

- number of members and membership dynamics,
- estimated coverage,
- institutionalized linkage with other BMOs,
- degree of autonomy from government influence,
- internal democratic procedures and operational structure,
- proof of commitment/activity
- availability of resources.

Thus, a BMO should express interest, show full commitment, understanding and support to its development (organizational and/or service provision and/or advocacy); should have vision and mission

and is able to articulate them. Not less than 80% of the BMO members should be SMEs and private entrepreneurs or organizations of SMEs and private entrepreneurs. A BMO could operate either at the national or regional level or both, regardless to the sector of economy..

Using tools for BMO selection based on the above criteria will provide a framework for a more structured decision-making process for partner selection. However, the Project will keep necessary flexibility and open-mindedness in choosing BMOs.

Selection will be conducted by the selection board, consisting of representatives of UNDP, SCO, Ministry of Economic Development and Trade, State Service for Regulatory Policy and representatives of SMEs community. Selected BMOs who will not comply with the Project's requirements during the implementation phase may be replaced by other BMOs who will have been entered on a reserve list during the selection process.

In order to increase networking opportunities between the participating BMOs and to optimize implementation costs, most of the capacity building interventions (training and coaching) will be carried out jointly for the selected BMOs. Such interventions will be followed up by long-term coaching processes whereby coaches, who will have a knowledge management function, will be shared by BMOs. Capacity building related to BMO-specific areas will be carried out on an individual basis. The project activities, where feasible, will be implemented in cooperation with national, regional and local partners such as MBA schools, consulting companies and advisers to be defined at the Project's implementation stage.

It is expected that the Project's intensive capacity development programme will positively impact on the ability of BMOs to attract members, to play a tangible role in promoting public-private sector dialogue and to contribute to policy development leading to SMEs sector growth. Increased membership of BMOs coupled with higher institutional effectiveness, resulting from the support received from the Project will contribute to the financial sustainability of BMOs and spur mobilization of the entrepreneurs, therefore strengthening the 'collective voice' of business.

The Project will be implemented through the following components.

Component 1: Strengthening the organisational capacity of BMOs and good governance. This component comprises the establishment of a baseline, partner selection and capacity building. A preliminary assessment of BMOs will be conducted to show the true state of the private sector organisational landscape in Ukraine and will thus serve the programme as a baseline for its activities. A competitive process will be designed and launched, and qualified and interested participating BMOs will receive capacity building support to establish and maintain good governance principles, including adequate organisational structures, processes and accountability, to optimize internal processes and to establish linkages and create networks with other relevant organisations. The key concern of the training process will be to improve the knowledge of BMOs on what they should do now (mission) and what they want to become in the future (vision). It is crucial for the sustainability of BMOs to have a meaningful mission and vision as this will help them to attract new members and retain existing ones. Special focus will be made on BMO membership development, including members' recruitment, retention and administration. The selected BMOs will receive further intensive capacity building support to advance their institutional development to be able to implement efficient internal processes, coordinate and cooperate among each other, and communicate effectively. In addition, individualised, tailored capacity building to selected BMOs will be conducted to address the specific needs in capacity development.

Component 2: Strengthening the service provision capacity of BMOs. This component comprises the establishment of a baseline and targeted capacity building programme. Since the purpose of BMOs is to support their target groups (which can be done through direct service provision to SME, or indirectly, e.g. through advocacy), this component will address their capacity to efficiently deliver the demanded services and come up with innovative business solutions aimed at increasing the competitiveness of SMEs. Based on the assessment of the selected BMOs markets, and on the needs of entrepreneurs in business (development) services, the core organisational capacity of BMOs will be strengthened to, among others, (i) understand the phases related to service provision from the initial problem identification on the entrepreneur's side to the final evaluation of a service; (ii) appreciate the

importance of trusted business diagnosis and referral services; (iii) know how to link the entrepreneur to other specialised service providers; (iv) know how to link SME with other SME; (v) be able to advise on the correct type of business development service to a specific SME related problem and (vi) identify business innovations that can serve the members' interests (to increase their market share or expand). Individualised, tailored training/coaching to the winning BMOs to address specific organisational needs will be provided to address specific capacity development needs.

To stimulate demand for the service offers of the BMOs, the component will furthermore support awareness raising of those SMEs which fall within the potential membership of the BMOs on the benefits of business development services, which will include, among others, (i) adaptation and dissemination of opportunity identification tools and guides to business development services; (ii) potentially the adaptation/development and dissemination of other related business awareness instruments, such as simulations; (iii) the introduction of "appetiser courses" wherein business development services providers provide short courses or consulting free of charge.

In addition, the project will facilitate the establishment of linkages and networks between (member) SME, and between SME and other relevant entities through business fora and round tables, information sharing among the companies, linkages with consulting associations to provide specific services to members at preferential conditions, etc.

The project will largely focus on building the capacity of BMOs through BMO business planning, staff training, knowledge sharing and technical advice. Moreover, since either business support services will be provided by BMOs or BMOs will refer its member to management consultants, it is expected that the project indirectly will impact the development of business consulting market.

Component 3: Strengthening advocacy and intermediary capacity of BMOs. The capacity of BMOs will be developed to identify and articulate common interests of members. The emphasis of this component will be on training and coaching on survey techniques and data collating, and on data analysis and presentation to BMOs' leaders for effective decision making. Moreover, BMOs will be trained in the elaboration of proposals for submission to the Government, which will cover, among others, (i) mechanisms to evaluate the impact of proposed policies/laws/regulations; (ii) writing and presenting policy/law development proposals in a convincing way; (iii) proactively proposing changes to or new policies/laws/regulations; (iv) knowing which governmental level should be addressed with which type of proposal and (v) identifying and presenting genuine motives for their initiatives. Furthermore, the component will develop the capacity of BMOs to mediate between government and member interests; as well as the capacity to self-regulate specific issues.

Component 4: Strengthening key governmental actors. This component will address the government's capacity to constructively engage with the private sector and support effective dialogue. Specifically, it will facilitate a process of understanding and definition of the SME sector's role in Ukraine's overall economic development and the establishment of relevant processes and structures. The authorities at national and regional levels will be coached on ways to open up the decision making process to the private sector, and the structures and capacities required to efficiently engage with the SMEs.

In doing so, the governmental side will be prepared to constructively engage in public private dialogue, which will result in (i) established processes and structures to assess the proposals of the private sector and mediate between the private sector interests and governmental interests; (ii) established processes of full cycle engagement (from idea generation to evaluation) of the private sector representatives in new initiatives; (iii) dialogue and mediation competences, not only limited to private sector representations but also to civil society representations; and (iv) processes and guidelines on information sharing.

The Government at all levels and BMOs will be encouraged to establish new platforms and/or strengthen and leverage such frameworks as Expert Councils (e.g. Expert Council at the Ministry of Economic Development and Trade) and other platforms that will allow for business representatives to take part in policy discussions and voice proposals, as well as monitor impact of legislation/regulations.

Annex 2 provides the detailed Logical Framework for the project.

2.2. Project sustainability

While the **sustainability of the project** is ensured in the long run, as the project is focused on investing in the human capital and institutional building of the selected BMOs, due consideration will be given to the pace at which the Project's recipients can absorb training and coaching and institutionalise their outputs.

The project is fully focused on achieving sustainability of BMOs through **capacity development**. It intends, during 3 years of the Project implementation, to equip selected BMOs with skills, competences and knowledge that will enable them to continue operating sustainably and effectively without support after Project's end. Continued and sustainable operations means that it will be expected that the BMO will be implementing a clear business strategy focused on a) providing quality and relevant services to its members, b) effectively advocating for improved SME environment through professional and transparent contacts with relevant institutions, c) attracting new members through clear and transparent reporting and accounting of its activities, results and resources usage.

UNDP's worldwide experience in capacity development points to the need for this Project to:

- engage from the very beginning the key stakeholders in the capacity development process, (UNDP has long-standing working relationships with key stakeholders in the field of SME development which will facilitate the engagement process);
- carry out at the start of the Project, but also at regular intervals of its intervention, an assessment of capacity assets and needs of the BMOs;
- design and implement a relevant and effective capacity development response, addressing the question of exit strategies which should keep sustainability considerations at the forefront.

The Project is also planned to pay particular attention to capacity development actions aimed to:

- Support individuals and groups to access the knowledge, develop the skills, and utilize the systems that support **leadership**. This includes, at the core, the attitudinal and behavioural base that constitutes good leadership.
- Promote **accountability**. It allows organizations and systems to monitor, learn, self-regulate and adjust their behaviour in interaction with those to whom they are accountable. It provides legitimacy to decision-making, increases transparency and helps reduce the influence of vested interests. Accountability is therefore a key driver of development results and one, which will impact on the BMOs ability to gain businesses' trust and expand their memberships.

It is thus assumed that BMOs, through the training and coaching received in the three years of Project's implementation, will improve their leadership, internal organizations, and will generate new memberships. This will lead to a strengthening of their financial situation and will give them the capacity to become policy influencers at local and national levels. Importantly, BMOs, through increased capacities, will gain the trust of their members. It is expected that the Project's results, to be widely disseminated, will trigger other (not-participating) BMOs' interest and requests for further technical assistance (which could be provided through a Project's second phase), and will gradually shape SMEs' attitude and trusts towards these organisations.

III. RESULTS AND RESOURCES FRAMEWORK

UNDAF Outcome(s):	Partnership Framework Thematic Area 1 “Sustainable Economic growth and poverty reduction”– Outcome 1: New economic opportunities created particularly in the small and medium business sector as a result of enabling improvements in the business and investment environment, improved skills and better utilization of Ukraine’s scientific and innovation potential				
Expected Outcome(s)	CP	Outcome 2: Reduction of poverty in rural areas through socio-economic development activities <i>Outcome indicator: Number of jobs created in rural areas including in the agricultural sector per year.</i>			
Expected Output(s):		Strengthened capacities of BMOs to represent interests of the private sector and contribute to the policy development leading to SMEs sector growth			
INTENDED OUTPUTS		OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
Output 1: Strengthened capacities of BMOs to represent interests of the private sector and contribute to the policy development which will lead to a more conducive business climate and SMEs sector growth		Targets: 1. Membership of selected BMOs, including 1 organization representing women’s entrepreneurship, increased at least by 15%; 2. Incomes from membership fees in selected BMOs, including 1 organization representing women’s entrepreneurship, increased by at least 30%, which leads to better financial sustainability of BMOs; 3. At least 1 of trained/coached BMOs develops and provides services for female entrepreneurs	Activity 1. Strengthening the organisational capacity of BMOs and good governance. 1.1. Organize inception workshop to present the project to potential stakeholders; identify additional stakeholders and partners. 1.2. Organize competitive process to select the most apt BMOs through transparent screening process, review of applications, analysis of their starting capacity, understanding of mission, vision and leadership 1.3. Conduct in-depth organizational capacity assessment of the selected BMOs, according to recognized international methodology, to reveal their actual status, establish a baseline for project activities, and identify key areas and priorities for capacity development which will underpin the capacity development plan. 1.4. Provide capacity building support (trainings) to help BMOs establish and maintain good governance principles, to optimize internal processes, establish linkages and create networks with other relevant organizations from among the business-associations, CSOs, NGOs private institutions dealing with private sector development. 1.5. Organize individualized training and coaching for selected BMOs to address the specific needs and	UNDP, Ministry of Economic Development and Trade of Ukraine, State Regulatory Service of Ukraine, Selected BMOs	Total budget for Output 1: USD 1,053,723.00 Total for Activity 1: USD 207,921.00, including: 71200-International Consultants:\$19,600 71300-Local Consultants: \$48,980 71600- Travel: \$10,000 72100-Contractual Services- Comp: \$9,800 72600- Grants: \$34,500 74200-Audio Visual & Print Prod Costs: \$3,000 74500- Miscellaneous: \$4,010 75100-Facilities & Administration: \$14,365 75700-Training, Workshop &Conference: \$63,666 Total for Activity 2: USD 284,602.00, including: 71200-International Consultants:\$29,100 71300-Local Consultants: \$63,920

<p>representing women's entrepreneurship)</p> <p>2. Financial position of the BMOs, amount of income received from membership fees</p> <p>3. Number of BMOs providing services to female entrepreneurs.</p> <p>4. Percentage of BMOs' members receiving Business Development Services.</p> <p>5. Percentage of BMOs' members satisfied by the services received.</p> <p>6. Number of proposals to the Government/ mediations undertaken/ advocated issues by the trained BMOs.</p> <p>7. Number and nature of news items covering BMO's development and BMOs-Government interaction.</p> <p>8. Number of national and regional authorities engaged in the dialogue with private sector.</p> <p>Gender Rating: 2</p>	<p>generating therefore additional support to female entrepreneurs;</p> <p>4. Number of members receiving BDS increased by 30%;</p> <p>5. Members' satisfaction of BDS provided/facilitated by BMOs has increased by 50%.</p> <p>6. At least 40 out of all position papers/proposals on policy improvement presented by BMOs are taken into account by the government to improve SME regulatory/business environment.</p> <p>At least 10 out of all position papers presented by BMOs address women's entrepreneurship policies and are taken into account by the government.</p> <p>7. At least 50 news stories covering BMO's development, BMOs-Government interaction appear on national and regional media</p> <p>8. At least 2 national authorities and 7 regional authorities establish framework to</p>	<p>gaps identified in the course of the organizational capacity assessment.</p> <p>1.6. Monitor the results of the capacity building activities provided through analysis of qualitative and quantitative indicators, activity reports and regular feedback from selected BMOs.</p> <p>2. Activity 2. Strengthening the service provision capacity of BMOs.</p> <p>2.1. Assess the Business Development Services provided by the selected BMOs to SMEs, identify their capacity to efficiently deliver the demanded services and come up with innovative business solutions aimed at increasing the competitiveness of SMEs; assess scope and quality of services as well as satisfaction of SMEs through relevant survey.</p> <p>2.2. Based on the Assessment, design and provide advisory and capacity building programme to the selected BMOs to enhance and improve their service provision to SMEs in terms of demand, scope and quality of services</p> <p>2.3. Facilitate the establishment of linkages and networks, as well as mediation of interests between BMO members (SME), and between SME and other relevant entities through business fora and round tables, information sharing among the companies, linkages with consulting associations etc.</p> <p>3. Activity 3. Strengthening advocacy and intermediary capacity of BMOs</p> <p>3.1. Conduct research and initial internal and external communication needs analysis of the BMOs.</p> <p>3.2. Train the BMOs' on defining their advocacy targets.</p> <p>3.3. Design, develop and provide training and coaching on survey techniques and data collating, and on data analysis, analytical reporting and presentation to BMOs' leaders for effective decision making.</p> <p>3.4. Provide training for the BMOs in policy analysis and elaboration of proposals for submission to the Government.</p> <p>3.5. Design and provide targeted training to develop the</p>	<p>71400-Contractual Services- Individuals:\$37,160</p> <p>71600- Travel: \$10,000</p> <p>72100-Contractual Services- Comp: \$19,600</p> <p>72600- Grants: \$40,000</p> <p>74200-Audio Visual & Print Prod Costs: \$9,000</p> <p>74500- Miscellaneous: \$7,300</p> <p>75100-Facilities & Administration: \$19,822</p> <p>75700-Training, Workshop &Conference: \$48,700</p> <p>Total for Activity 3:</p> <p>USD 260,620.00, including:</p> <p>71200-International Consultants:\$19,960</p> <p>71300-Local Consultants: \$40,900</p> <p>71400-Contractual Services- Individuals:\$37,160</p> <p>71600- Travel: \$10,000</p> <p>72100-Contractual Services- Comp: \$14,960</p> <p>72600- Grants: \$50,000</p> <p>74200-Audio Visual & Print Prod Costs: \$19,150</p> <p>74500- Miscellaneous: \$6,690</p> <p>75100-Facilities & Administration: \$18,120</p> <p>75700-Training, Workshop &Conference: \$43,680</p> <p>Total for Activity 4:</p> <p>USD 130,723.00, including:</p> <p>71200-International Consultants:\$10,000</p> <p>71300-Local Consultants: \$26,150</p> <p>71400-Contractual Services- Individuals:\$5,000</p> <p>71600- Travel: \$14,840</p>
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assess and develop the proposals of the private sector.	<p>capacity of BMOs to mediate between government and member interests.</p> <p>3.6. Establish the SMEs-oriented platform for stakeholders' consultations and advocacy campaigning</p> <p>3.7. Train the BMOs to self-regulate specific issues within their competence.</p> <p>4. Activity 4. Strengthening key governmental actors</p> <p>4.1. Assess existing needs and gaps among the key governmental actors to further help them constructively engage with the private sector and support effective dialogue.</p> <p>4.2. Develop the cooperation framework with the key governmental actors at national and regional level to involve targeted BMOs and business community into effective interaction with the Government.</p> <p>4.3. Organize coaching and training of the governmental authorities at the national and regional levels aimed at opening up the decision-making process to the private sector and involvement of SMEs to the decision-making process.</p> <p>4.4. Monitor the results in improvement of the public-private cooperation through analysis of qualitative and quantitative data, independent review and feedback from both government and private sector</p> <p>5. Activity 5. Project Management</p> <p>5.1. Establish Project Board.</p> <p>5.2. Engage project staff.</p> <p>5.3. Ensure effective project implementation and monitoring.</p>	<p>72100-Contractual Services- Comp: \$5,000</p> <p>72600- Grants: \$10,000</p> <p>74200-Audio Visual & Print Prod Costs: \$4,000</p> <p>74500- Miscellaneous: \$2,541</p> <p>75100-Facilities & Administration: \$8,942</p> <p>75700-Training, Workshop & Conference: \$44,250</p> <p>Total for Activity 5: USD 169,857.00, including:</p> <p>71400-Contractual Services- Individuals:\$136,720</p> <p>72400-Communic & Audio Visual Equip:\$1,000</p> <p>72500- Supplies: \$2,000</p> <p>72800-Information Technology Equipment: \$8,514</p> <p>73100-Rent and maintenance:\$6,084</p> <p>74500-Miscellaneous:\$4,180</p> <p>75100-Facilities & Administration: \$11,360</p>
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IV. ANNUAL WORK PLAN (ATLAS FORMAT)

Project/Award ID:	00084268
Award Title:	Private Sector Development
Output/Project ID:	00094897

Project Title:	BMO Strengthening
Executing Agency:	Ministry of Economic Development and Trade of Ukraine

Atlas Activity	Implem. Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount (USD) 2015	Amount (USD) 2016	Amount (USD) 2017	Amount (USD) 2018	Amount (USD) TOTAL	
ACTIVITY 1: Strengthening the organisational capacity of BMOs and good governance	UNDP	30000	DONOR	71200	International Consultants	9 800,00	9 800,00			19 600,00	
		30000	DONOR	71300	Local Consultants	13 000,00	19 600,00	11 500,00	2 880,00	46 980,00	
		04000	UNDP			2 000,00				2 000,00	
		30000	DONOR	71600	Travel	3 000,00	3 000,00	3 000,00	1 000,00	10 000,00	
		30000	DONOR	72100	Contractual Service-Companies	4 800,00	2 000,00	2 000,00	1 000,00	9 800,00	
		30000	DONOR	72600	Grants		19 500,00	15 000,00		34 500,00	
		30000	DONOR	74200	Audio Visual&Print Prod Costs		1 000,00	1 000,00	1 000,00	3 000,00	
		04000	UNDP							0,00	
		30000	DONOR	75700	Training, Workshop &Conference	19 756,00	19 500,00	7 530,00	4 880,00	51 666,00	
		04000	UNDP			4 000,00	4 000,00	4 000,00		12 000,00	
		30000	DONOR	74500	Miscellaneous Expenses (UNDP services cost)	1 200,48	1 600,00	970,00	240,00	4 010,48	
ACTIVITY 2: Strengthening the service provision capacity of BMOs	UNDP	30000	DONOR	75100	F&A (GMS 8%)	4 124,52	6 080,00	3 280,00	880,00	14 364,52	
		DONOR Total					55 681,00	82 080,00	44 280,00	11 880,00	193 921,00
		UNDP Total					6 000,00	4 000,00	4 000,00	0,00	14 000,00
		GRAND TOTAL ACTIVITY 1					61 681,00	86 080,00	48 280,00	11 880,00	207 921,00
		30000	DONOR	71200	International Consultants	9 800,00	9 900,00	9 400,00		29 100,00	
		30000	DONOR	71300	Local Consultants	6 419,63	29 000,00	14 000,00	14 500,00	63 919,63	
		30000	DONOR	71400	Contractual Services Individuals	4 160,00	12 000,00	12 000,00	6 000,00	34 160,00	
		04000	UNDP			500,00	1 000,00	1 000,00	500,00	3 000,00	
		30000	DONOR	71600	Travel	2 000,00	3 000,00	3 000,00	2 000,00	10 000,00	
		30000	DONOR	72100	Contractual Service-Companies		9 800,00	9 800,00		19 600,00	
		30000	DONOR	72600	Grants		20 000,00	20 000,00		40 000,00	
30000	DONOR	74200	Audio Visual&Print Prod Costs		4 000,00	3 000,00		7 000,00			
04000	UNDP			0,00	1 000,00	1 000,00		2 000,00			
30000	DONOR	75700	Training, Workshop &Conference		19 000,00	10 000,00	7 700,00		36 700,00		

	04000	UNDP			3 000,00	3 000,00	3 000,00	3 000,00	12 000,00
	30000	DONOR	74500	Miscellaneous Expenses (UNDP services cost)	2 400,00	2 300,00	1 800,00	800,00	7 300,00
	30000	DONOR	75100	F&A (GMS 8%)	1 982,37	8 720,00	6 640,00	2 480,00	19 822,37
				DONOR Total	26 762,00	117 720,00	89 640,00	33 480,00	267 602,00
				UNDP Total	3 500,00	5 000,00	5 000,00	3 500,00	17 000,00
				GRAND TOTAL ACTIVITY 2	30 262,00	122 720,00	94 640,00	36 980,00	284 602,00

Atlas Activity	Implem. Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount (USD) 2015	Amount (USD) 2016	Amount (USD) 2017	Amount (USD) 2018	Amount (USD) TOTAL
ACTIVITY 3: Strengthening advocacy and intermediary capacity of BMOs	UNDP	30000	DONOR	71200	International Consultants		9 980,00	9 980,00		19 960,00
		30000	DONOR	71300	Local Consultants	8 100,00	14 000,00	14 000,00	4 800,00	40 900,00
		30000	DONOR	71400	Contractual Services Individuals	4 660,00	12 000,00	12 000,00	6 500,00	35 160,00
		04000	UNDP				1 000,00	1 000,00		2 000,00
		30000	DONOR	71600	Travel	2 000,00	3 000,00	3 000,00	2 000,00	10 000,00
		30000	DONOR	72100	Contractual Service-Companies	4 960,00	5 000,00	5 000,00		14 960,00
		30000	DONOR	72600	Grants		20 000,00	25 000,00	5 000,00	50 000,00
		30000	DONOR	74200	Audio Visual&Print Prod Costs		9 600,00	9 550,00		19 150,00
		30000	DONOR	75700	Training, Workshop &Conference		9 600,00	9 550,00	10 530,00	29 680,00
		04000	UNDP				5 000,00	5 000,00	4 000,00	14 000,00
		30000	DONOR	74500	Miscellaneous Expenses	2 280,00	1 820,00	1 920,00	670,00	6 690,00
		30000	DONOR	75100	F&A (GMS 8%)	1 760,00	6 800,00	7 200,00	2 360,00	18 120,00
					DONOR Total	23 760,00	91 800,00	97 200,00	31 860,00	244 620,00
ACTIVITY 4: Strengthening key governmental actors	UNDP				UNDP Total	0,00	6 000,00	6 000,00	4 000,00	16 000,00
					GRAND TOTAL ACTIVITY 3	23 760,00	97 800,00	103 200,00	35 860,00	260 620,00
		30000	DONOR	71200	International Consultants	5 000,00	5 000,00			10 000,00
		30000	DONOR	71300	Local Consultants	5 000,00	9 500,00	4 800,00	4 850,00	24 150,00
		04000	UNDP			2 000,00				2 000,00
		30000	DONOR	71400	Contractual Services Individuals		5 000,00			5 000,00
		30000	DONOR	71600	Travel	3 000,00	4 940,00	4 900,00	2 000,00	14 840,00
		30000	DONOR	72100	Contractual Service-Companies	2 000,00	2 000,00	1 000,00		5 000,00
		30000	DONOR	72600	Grants		10 000,00			10 000,00
		30000	DONOR	74200	Audio Visual&Print Prod Costs	0,00	2 000,00	1 000,00	1 000,00	4 000,00

	30000	DONOR	75700	Training, Workshop & Conference	15 000,00	9 500,00	6 900,00	4 850,00	36 250,00
	04000	UNDP			4 000,00	4 000,00			8 000,00
	30000	DONOR	74500	Miscellaneous Expenses	780,56	1 060,00	400,00	300,00	2 540,56
	30000	DONOR	75100	F&A (GMS 8%)	2 462,44	3 920,00	1 520,00	1 040,00	8 942,44
	DONOR Total				33 243,00	52 920,00	20 520,00	14 040,00	120 723,00
	UNDP Total				6 000,00	4 000,00	0,00	0,00	10 000,00
	GRAND TOTAL ACTIVITY 4				39 243,00	56 920,00	20 520,00	14 040,00	130 723,00

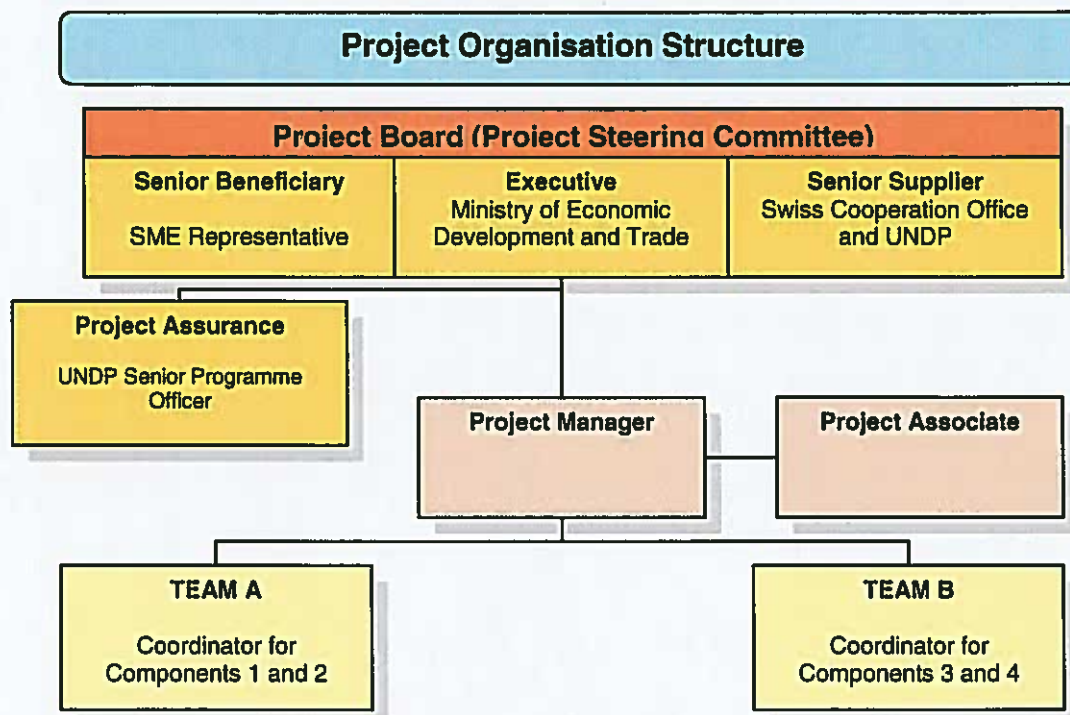
Atlas Activity	Implem. Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount (USD) 2015	Amount (USD) 2016	Amount (USD) 2017	Amount (USD) 2018	Amount (USD) TOTAL
ACTIVITY 5: Project Management	UNDP	30000	DONOR	71400	Contractual Service-Individuals	18 390,00	44 130,00	44 130,00	22 069,67	128 719,67
		04000	UNDP			1 335,00	2 665,00	2 665,00	1 335,00	8 000,00
		04000	UNDP	72400	Communication & AV Equipment	150,00	350,00	350,00	150,00	1 000,00
		04000	UNDP	72500	Supplies	400,00	600,00	600,00	400,00	2 000,00
		30000	DONOR	72800	Information Technology Equipment	4 513,56				4 513,56
		04000	UNDP			4 000,00	0,00	0,00	0,00	4 000,00
		30000	DONOR	73100	Rent & maintenance	847,00	1 695,00	1 695,00	847,00	5 084,00
		04000	UNDP			150,00	350,00	350,00	150,00	1 000,00
		04000	UNDP	74500	Miscellaneous Expenses	100,00	150,00	150,00	100,00	500,00
		30000	DONOR	74500	Miscellaneous Expenses	3 680,00				3 680,00
	30000	DONOR	75100	F&A (GMS 8%)	2 194,44	3 666,00	3 666,00	1 833,33	11 359,77	
	DONOR Total					29 625,00	49 491,00	49 491,00	24 750,00	153 357,00
	UNDP Total					6 135,00	4 115,00	4 115,00	2 135,00	16 500,00
	GRAND TOTAL ACTIVITY 5					35 760,00	53 606,00	53 606,00	26 885,00	169 857,00
GRAND TOTAL DONOR (GOVERNMENT OF SWITZERLAND)						169 071,00	394 011,00	301 131,00	116 010,00	980 223,00
GRAND TOTAL UNDP						21 635,00	23 115,00	19 115,00	9 635,00	73 500,00
GRAND TOTAL PROJECT						190 706,00	417 126,00	320 246,00	125 645,00	1 053 723,00

Project Budget Breakdown by Source of Funding

Expenses	Unit	# of units	Unit rate (in USD)	Swiss Contribution (in USD)	UNDP Contribution (in USD)	Total costs (in USD)
Component 1. Strengthening the organizational capacity of BMOs						
Inception workshop and organization of competition to select partners	event	1	6 000,00	5 000,00	1 000,00	6 000,00
Assessment of BMOs	assessment	1	15 556,00	13 556,00	2 000,00	15 556,00
General trainings and coaching	training set	6	14 333,33	80 500,00	5 500,00	86 000,00
Individualized trainings and coaching	training set	6	14 333,33	80 500,00	5 500,00	86 000,00
UNDP F&A, 8%				14 365,00	-	14 365,00
Total Component 1				193 921,00	14 000,00	207 921,00
Component 2. Strengthening the service provision capacity of BMOs						
National consultant to coordinate activities of the component 1 and 2 and facilitate linkages between SMEs and BSOs	person/month	30	1 300,00	36 000,00	3 000,00	39 000,00
Assessment of BDS	assessment	1	14 780,00	14 780,00	-	14 780,00
General trainings and coaching	training set	7	12 928,57	85 000,00	5 500,00	90 500,00
Individualized trainings and coaching	training set	7	12 928,57	85 000,00	5 500,00	90 500,00
Awareness raising activities	activity	10	3 000,00	27 000,00	3 000,00	30 000,00
UNDP F&A, 8%				19 822,00	-	19 822,00
Total Component 2				267 602,00	17 000,00	284 602,00
Component 3. Strengthening advocacy and intermediary capacity of BMOs						
National consultant to coordinate activities of the component 3 and 4	person/month	30	1 300,00	37 000,00	2 000,00	39 000,00
Trainings and coaching on surveying	training set	7	4 500,00	28 500,00	3 000,00	31 500,00
Trainings and coaching on development and communication of proposals	training set	6	10 000,00	56 000,00	4 000,00	60 000,00
Trainings and coaching on mediation function	training set	7	9 500,00	62 500,00	4 000,00	66 500,00
Trainings and coaching on self-regulation	training set	7	6 500,00	42 500,00	3 000,00	45 500,00
UNDP F&A, 8%	percent			18 120,00	-	18 120,00
Total Component 3				244 620,00	16 000,00	260 620,00

V. MANAGEMENT ARRANGEMENTS

The project will be implemented according to the rules and procedures of UNDP and will be guided by UNDP Programme and Operations Policies and Procedures (POPPs), and in line with the SECO guidelines, including but not limited to recruitment, procurement, financial management, and reporting. Hence, the funds will be managed and reported on by UNDP independently from the governmental systems.



Implementing Partner: This project will be implemented under the **Direct Implementation Modality (DIM)**. The Ministry of Economic Development and Trade of Ukraine will be the Project's Implementing Partner. The Ministry of Economic Development and Trade of Ukraine makes an ideal partner in the context of this Project's implementation as it is the main central governmental authority responsible for supporting entrepreneurship development.

Project Board: The Project Board will be established for making, on a consensus basis, management recommendations when guidance is required by the Project Manager. Particularly, the Project Board will have the responsibility to review/endorse project documents and revisions thereto, annual work plans, quarterly and annual project reports.

This Board contains three roles:

- **Executive** representing the project ownership to chair the group. For this project, the Ministry of Economic Development and Trade of Ukraine will assume the role of Project Board Executive.
- **Senior Supplier** role to provide guidance regarding the technical feasibility of the project. This role will be assumed jointly by Swiss Cooperation Office and UNDP.
- **Senior Beneficiary** role to ensure the realization of project benefits from the perspective of project beneficiaries. This role will be fulfilled by a representative from SME community to be identified prior to the first project board meeting.

To discuss strategic issues of the Project activities, outputs and impacts, and to ensure that best available international and national expertise is given due consideration in the formulation of the project strategy, the Project Board may decide to invite to its meetings other stakeholders.

The **Project Assurance** role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures that appropriate project management

milestones are managed and completed in a given time frame. This role will be performed by a UNDP Ukraine Programme Officer.

Project Manager: The Project Manager has the authority to run the Project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Project Board. The Project Manager is responsible for day-to-day management and decision-making for the Project. The Project Manager's prime responsibility is to ensure that the Project produces the results specified in the Project document, to the required standard of quality and within the specified constraints of time and cost.

The Project Manager will be supported by the **Project Associate** providing administrative, financial, procurement and communication assistance for timely and quality implementation of the project activities and delivery of intended results.

Due to the nature of project activities, the Project Unit will be formed by 2 project Teams – Team A (project components 1 and 2) and Team B (project components 3 and 4) led by **Coordinators** responsible for management, coordination and facilitation of respective groups of activities combined under project's components. The Coordinators will directly report to the **Project Manager**.

Direct UNDP Country Office Support Services to the Project Implementation

UNDP and the Government (Ministry of Economic Development and Trade of Ukraine) agree that the UNDP country office will provide support services, as described below.

The UNDP country office will provide support services for assistance with reporting requirements and direct payment. In providing such support services, the UNDP country office shall ensure that the capacity of the Government-designated institution is strengthened to enable it to carry out such activities directly. The costs incurred by the UNDP country office in providing such support services shall be recovered from the project.

The UNDP country office will provide the following support services for the activities of the project:

- a) Identification and/or recruitment and solution of administrative issues related to the project personnel;
- b) Procurement of commodities and services, including those provided by physical person;
- c) Identification and facilitation of training activities, seminar and workshops;
- d) Financial monitoring and reporting;
- e) Processing of direct payments and financial services;
- f) Supervision of project implementation, monitoring and assistance in project assessment;
- g) Assistance with reporting requirements and direct payment.

The procurement of goods and services and the recruitment of project personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures. Support services described in paragraph 3 are detailed in the current project document. If the requirements for support services by the country office change during the life of a programme or project, the annex to the project document is revised with the mutual agreement of the UNDP resident representative and the Ministry of Economic Development and Trade of Ukraine.

The relevant provisions of the Standard Basic Assistance Agreement between the Government of Ukraine and the United Nations development Programme (the "SBAA"), including the provisions on liability and privileges and immunities, shall apply to the provision of such support services. The Government shall retain overall responsibility for the nationally managed programme or project through the Ministry of Economic Development and Trade of Ukraine. The responsibility of the UNDP country office for the provision of the support services described herein shall be limited to the provision of such support services detailed in the current project document. Any claim or dispute arising under or in connection with the provision of support services by the UNDP country office in accordance with this letter shall be handled pursuant to the relevant provisions of the SBAA.

The manner and method of cost-recovery by the UNDP country office in providing the support services will be in line with UNDP Cost Recovery Policy. The UNDP country office shall submit progress reports on the support services provided and shall report on the costs reimbursed in providing such services, as may be required.

VI. MONITORING FRAMEWORK AND EVALUATION

In accordance with the UNDP programme operation policies and procedures (POPP), the project will be monitored through the following:

Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods.
- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- A risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- A Project Progress Reports (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
- A project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project.
- a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board and the Outcome Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

In addition, the UNDP will provide SECO with full information on the project implementation. UNDP will submit **semi-annual progress reports, a mid-term report upon completion of 18 months and a final report** at the end of the project. The reports will contain a narrative and a financial part, will be based on the logical framework, and will provide a comparison of planned and achieved results.

Quality Management for Project Activity Results

OUTPUT 1: Strengthened capacities of BMOs to represent interests of the private sector and contribute to the policy development leading to SMEs sector growth		
Activity Result 1 (Atlas Activity ID)	Strengthening the organisational capacity of BMOs and good governance (Governance and sustainability of targeted BMOs improved)	Start Date: May 2015 End Date: February 2018
Purpose:	Provide intensive capacity building training for the selected BMOs to advance their institutional development to be able to implement efficient internal processes, coordinate and cooperate among each other, and communicate effectively; as well as address specific developmental needs of the selected BMOs.	
Description:	Conduct an assessment of BMOs to reveal the true state of the private sector organisational landscape in Ukraine. Establish a baseline for project interventions. Organize a competitive process and select BMOs for direct project interventions. Design and organize capacity development programmes (trainings and seminars) to enhance the institutional capacities of the selected BMOs. Assess specific development needs of the selected BMOs. Design and provide tailor-made trainings for BMOs to address their specific developmental needs. Monitor and evaluate the effectiveness of the capacity building support provided.	
Quality Criteria: Conducted Assessment of the existing BMOs to establish a baseline for project interventions. BMOs capacity development programme in place. Availability of the factual evidence of BMOs' good governance improvement and strengthened organizational capacity.	Quality Method: Established a clear baseline showing the actual status of the BMOs in Ukraine. At least 5 workshops/trainings on capacity development for BMOs conducted. Written analysis (financial records, project reports, ad-hoc reports), questionnaires, (evaluation sheets), and interviews of selected beneficiaries.	Date of Assessment: At the end of activities; and at the end of the project
Activity Result 2 (Atlas Activity ID)	Strengthening the service provision capacity of BMOs (SMEs are increasingly making use of up-to-date techniques and knowledge provided by BMOs)	Start Date: May 2015 End Date: February 2018
Purpose:	Improve BMOs' capacity to efficiently deliver the demanded services and come up with innovative business solutions aimed at increasing the competitiveness of SMEs.	
Description:	Assess the capacity of the BMOs to provide business development services to SMEs. Based on the Assessment, design and provide advisory and capacity building programme to the selected BMOs to enhance and improve their service provision to SMEs. Study the markets of the selected BMOs and stimulate demand for BMOs' service. Support awareness raising among SMEs which fall within the potential membership of the BMOs. Facilitate the establishment of linkages and networks between (member) SME, and between SME and other relevant entities through business fora and round tables, information sharing among the companies, linkages with consulting associations etc.	
Quality Criteria: Availability of the factual evidence of improvement of the BMOs' services to the SMEs, including new services offered. Demand for and awareness of the BMOs services increased among the SMEs.	Quality Method: Written analysis (project reports, ad-hoc reports), questionnaires, (evaluation sheets), and interviews of selected beneficiaries.	Date of Assessment: At the end of activities; and at the end of the project

Activity Result 3 (Atlas Activity ID)	Strengthening advocacy and intermediary capacity of BMOs (BMOs increasingly contribute to policy-making)	Start Date: May 2015 End Date: February 2018
Purpose:	To develop the capacity of BMOs to identify and articulate common interests of members and to mediate between government and member interests; as well as the capacity to self-regulate specific issues.	
Description:	Conduct initial communication and advocacy needs analysis of the BMOs. Define the BMOs' advocacy targets. Design, develop and provide training and coaching on survey techniques and data collating, and on data analysis and presentation to BMOs' leaders for effective decision making. Provide training for the BMOs in the elaboration of proposals for submission to the Government. Design and provide targeted training to develop the capacity of BMOs to mediate between government and member interests. Monitor the results of the established BMOs communication vehicle.	
Quality Criteria: Strong evidence of BMOs' capacities to articulate SME development/business solutions based on a clear and consultative problem analysis. Sound proposals developed by BMOs and presented to the Government (at least 10 proposals). Meaningful mediations undertaken by the trained BMOs between Government and their members. At least 1 of the trained BMOs advocated for women's entrepreneurship issues. Availability of the factual evidence of improvement of the BMOs' communication and advocacy ability (number of news stories covering BMO's development and BMOs-Government interaction in national and regional media – averages 40-50).	Quality Method: Project's, BMOs' and Government's reports. Interviews with and evaluation of selected beneficiaries and project partners. Media monitoring, press-clippings.	Date of Assessment: At the end of activities; and at the end of the project.
Activity Result 4 (Atlas Activity ID)	Strengthening key governmental actors (Growing engagement of authorities at national and local levels in the dialogue with private sector)	Start Date: May 2015 End Date: February 2018
Purpose:	Improve the government's capacity to constructively engage with the private sector and support effective dialogue. Facilitate wide engagement of the SMEs to the decision-making process at all levels.	
Description:	Assess coordination practices at the national and sub-national levels and make recommendations for creating enable environment. Organise a number of capacity development activities for the government the governmental authorities at the regional level aimed at opening up the decision-making process to the private sector and involvement of local SMEs to the decision-making process. Establish stakeholder platforms to enable regular interaction and coordination of activities of numerous partners and opportunities for networking and cooperation at both levels. Support to organisation of regular coordination meetings. Support with additional technical and human resources to boost coordination at both levels. Monitor the results in	

	improvement of the public-private cooperation.	
Quality Criteria: National and regional authorities show concrete evidence of established dialogue with BMOs. Established framework to assess and develop the proposals for SMEs legislation improvement in cooperation the private sector.	Quality Method: Project's, BMOs' and Government's reports. Interviews with and evaluation of selected beneficiaries and project partners. Developed procedures and regulations.	Date of Assessment: At the end of the activities. At the end of the project implementation.
Activity Result 5 (Atlas Activity ID)	Project Management	Start Date: May 2015 End Date: February 2018
Purpose:	To ensure effective and efficient project implementation and monitoring	
Description:	Sign agreements and MOUs; Establish Project Board; Recruit project personnel; Arrange project office and equipment;	
Quality Criteria: 1. Project team and office are set up 2. Project reporting and monitoring activities in place	Quality Method: 1. Staff contracts; signed agreements; arranged office 2. Project status and monitoring reports	Date of Assessment: At the end of activities At the end of each implementation year

VII. LEGAL CONTEXT

This document together with the CPAP which is incorporated by reference constitute together a Project Document as referred to in the SBAA and all CPAP provisions apply to this document.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

Audit Clause: The project might be subject to an annual audit that will be conducted in accordance with UNDP Financial Rules and Regulations, and applicable audit policies for UNDP projects.

VIII. ANNEXES

RISK ANALYSIS

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1	Challenging macroeconomic situation in Ukraine	Jan. 2015	Economic	SMEs are highly dependent on domestic market. Therefore, their performance depends heavily on macroeconomic situation. Unfavorable economic conditions may diminish the impact of the project. P = 3 I = 5	UNDP closely cooperate with the Ministry of Economic Development and Trade of Ukraine to monitor the economic situation. The project envisages activities aimed at opening up the decision making process to the private sector, thus engaging SMEs to the development of regulation framework and influencing the sector drivers.	Project Manager	Project Manager	Feb. 2015	No change
2	Lack of trust among project key stakeholders	Jan. 2015	Reputational	The low level of trust of BMOs to the national/sub-national authorities and vice versa may prevent smooth project implementation. P = 2 I = 3	The project envisages a number of activities (such as capacity development for both groups of stakeholders) that would mitigate this risk in the course of implementation.	Project Manager	Project Manager	Feb. 2015	No change
3	Organizational weakness of BMOs	Jan. 2014	Organizational	BMOs usually depend on the leader's personality who drives all processes. The weak internal capacity of the selected BMOs may affect the project results. P = 3 I = 5	The Project will provide extensive capacity development trainings for BMOs, including tailor-made trainings for their leaders to strengthen the BMOs organizational capacity.	Project Manager	Project Manager	Feb. 2015	No change

Project's Logical Framework (18 months)

Strategy of Intervention/Project Objectives	Key Performance Indicators	Means of Verification	External Factors (assumptions / risks)
Impact 1. Increased growth and competitiveness of SMEs with BMOs membership and improved business environment through policy advancements	Impact Indicators No impact level changes can be expected after one and a half year of project implementation.	Impact assessment report using both quantitative and qualitative methods	Macroeconomic situation. SMEs are highly dependent on domestic market. Therefore, their performance depends heavily on macroeconomic situation. Unfavorable economic conditions may diminish the impact of the project
Outcomes 1. Governance and sustainability of targeted BMOs improved	Outcome Indicators <ul style="list-style-type: none"> - Membership of selected BMOs, including 1 organization representing women's entrepreneurship, increased at least by 5%; - Incomes from membership fees in selected BMOs, including 1 organization representing women's entrepreneurship, increased by at least 10%. 	Written analysis (financial records, project reports, ad-hoc reports), questionnaires, (evaluation sheets), and interviews of selected beneficiaries	Note Cooperation with regional and national authorities depends on political and institutional stability of the latter. The project assumes as a baseline the current institutional framework. Though there are no current plans to reshuffle the structure and competences within the national government, some changes may occur within the implementation period.
2. SMEs are increasingly making use of up-to-date techniques and knowledge provided by BMOs	<ul style="list-style-type: none"> - Number of members receiving BDS increased by 10%; - Members' satisfaction of BDS provided/facilitated by BMOs has increased by 20%. 		The low level of trust of BMOs to the national/sub-national authorities and vice versa may prevent smooth project implementation. The project envisages a number of activities (such as capacity development for both groups of stakeholders) that would mitigate this risk in the course of implementation.
3. BMOs increasingly contribute to policy-making	<ul style="list-style-type: none"> - At least 10 out of all position papers/proposals presented by BMOs are taken into account by the government to improve SME regulatory/business environment; - At least 3 out of all position 		

Strategy of Intervention/Project Objectives	Key Performance Indicators	Means of Verification	External Factors (assumptions / risks)
	<p>papers presented by BMOs address women's entrepreneurship policies and are taken into account by the government;</p> <ul style="list-style-type: none"> - At least 8 out of all mediations conducted by BMOs lead to a successful outcome. 		
4. Growing engagement of authorities at national and local levels in the dialogue with private sector	<ul style="list-style-type: none"> - Dialogues between private and public sectors are assessed as positive and constructive by at least 30% of dialogue participants. 		
Outputs	Output Indicators		Note
1. Selected BMOs strengthened its organizational capacity	<ul style="list-style-type: none"> - 1 baseline assessment conducted; - At least 7 beneficiary BMOs are selected; - At least 2 out of 7 trained/coached BMOs, including 1 organization representing women's entrepreneurship, optimized internal processes and show increased ability to maintain adequate organizational structure and processes; - At least 3 out of 7 trained/coached BMO, including 1 organization representing women's entrepreneurship, established linkages and created networks with other relevant organizations; - At least 2 out of the 7 trained/coached BMOs, including 1 organization representing women's entrepreneurship, 	Project monitoring data and reports	-

Strategy of Intervention/Project Objectives	Key Performance Indicators	Means of Verification	External Factors (assumptions / risks)
2. Selected BMOs strengthened its service provision capacity	<p>leaders show increased understanding of the needs of their members.</p> <ul style="list-style-type: none"> - 1 baseline assessment conducted - At least 3 out of 7 trained/coached BMOs provide or facilitate the provision of new or improved BDS; - At least 30% of trained/coached BMOs' members are increasingly aware of the BDS offered and assess positively their quality. 		
3. Advocacy and intermediary capacity of BMOs improved	<ul style="list-style-type: none"> - At least 3 out of the 7 trained/coached BMOs, including 1 organization representing women's entrepreneurship, show evidence of capacities to articulate SME development solutions based on clear and consultative problem analysis; - At least 3 out of the 7 trained/coached BMOs have designed no less than 5 sound proposal drafts to the Government; - At least 3 out of the 7 trained/coached BMOs have undertaken at least 3 mediations between the Government and their members; - At least 1 out of 7 BMOs advocated for women's entrepreneurship issues; - At least 15 news stories covering BMO's development, BMOs- 		

Strategy of Intervention/Project Objectives	Key Performance Indicators	Means of Verification	External Factors (assumptions / risks)
4. Capacity of key governmental actors to engage with private sector strengthened	<p>Government interaction appear on national and regional media.</p> <ul style="list-style-type: none"> - 1 training programme for 5 national and 12 local authorities developed. - At least 3 out of the 5 trained national authorities and 7 out of the 12 trained regional authorities show concrete evidence of increased dialogue with BMOs. 		

Project's Logical Framework (36 months)

Strategy of Intervention/ Project Objectives		Key Performance Indicators	Means of Verification	External Factors (assumptions / risks)
Impact		Impact Indicators		
1. Increased growth and competitiveness of SMEs with BMOs membership and improved business environment through policy advancements		<ul style="list-style-type: none"> - Evidence of 5% sales growth among SMEs with BMOs membership; - At least 3 laws and 7 sub-laws, consulted with BMOs and the private sector, have been submitted to respective authorities for adoption. 	Impact assessment report using both quantitative and qualitative methods	Macroeconomic situation. SMEs are highly dependent on domestic market. Therefore, their performance depends heavily on macroeconomic situation. Unfavorable economic conditions may diminish the impact of the project
Outcomes		Outcome Indicators		Note
1. Governance and sustainability of targeted BMOs improved		<ol style="list-style-type: none"> 1. Membership of selected BMOs, including 1 organization representing women's entrepreneurship, increased at least by 15%; 2. Incomes from membership fees in selected BMOs, including 1 organization representing women's entrepreneurship, increased by at least 30%; 	Written analysis (financial records, project reports, ad-hoc reports), questionnaires, (evaluation sheets), and interviews of selected beneficiaries	Cooperation with regional and national authorities depends on political and institutional stability of the latter. The project assumes as a baseline the current institutional framework. Though there are no current plans to reshuffle the structure and competences within the national government, some changes may occur within the implementation period.
2. SMEs are increasingly making use of up-to-date techniques and knowledge provided by BMOs		<ol style="list-style-type: none"> 3. Number of members receiving BDS increased by 30%; 4. Members' satisfaction of BDS provided/facilitated by BMOs has increased by 50%. 		The low level of trust of BMOs to the national/sub-national authorities and vice versa may prevent smooth project implementation. The project envisages a number of activities (such as capacity development for both groups of stakeholders) that would mitigate this risk in the course of implementation.
3. BMOs increasingly contribute to policy-making		<ul style="list-style-type: none"> - At least 40 out of all position papers/proposals presented by BMOs are taken into account by the government to improve SME regulatory/business environment; - At least 10 out of all position 		

Strategy of Intervention/ Project Objectives	Key Performance Indicators	Means of Verification	External Factors (assumptions / risks)
	<p>papers presented by BMOs address women's entrepreneurship policies and are taken into account by the government;</p> <ul style="list-style-type: none"> At least 20 out of all mediations conducted by BMOs lead to a successful outcome. 		
4. Growing engagement of authorities at national and local levels in the dialogue with private sector	<ul style="list-style-type: none"> At least 2 national authorities and 7 regional authorities establish framework to assess and develop the proposals of the private sector; Dialogues between private and public sectors are assessed as positive and constructive by at least 80% of dialogue participants. 		
Outputs	Output Indicators		Note
1. Selected BMOs strengthened its organizational capacity	<p>5. At least 6 out of 7 trained/coached BMOs, including 1 organization representing women's entrepreneurship, optimized internal processes and are able to maintain adequate organizational structure and processes;</p> <p>6. At least 6 out of 7 trained/coached BMO, including 1 organization representing women's entrepreneurship, established linkages and created networks with other relevant organizations;</p>	Project monitoring data and reports	

Strategy of Intervention/ Project Objectives	Key Performance Indicators	Means of Verification	External Factors (assumptions / risks)
	<p>7. At least 6 out of the 7 trained/coached BMOs leaders, including 1 representing women's entrepreneurship, show increased understanding of the needs of their members.</p>		
<p>2. Selected BMOs strengthened its service provision capacity</p>	<p>8. At least 6 out of 7 trained/coached BMOs provide or facilitate the provision of new or improved BDS;</p> <p>9. At least 1 of trained/coached BMOs develops and provides services for female entrepreneurs;</p> <p>10. At least 80% of all trained/coached BMOs' members are increasingly aware of the BDS offered and assess positively their quality.</p>		
<p>3. Advocacy and intermediary capacity of BMOs improved</p>	<ul style="list-style-type: none"> - At least 6 out of the 7 trained/coached BMOs, including 1 organization representing women's entrepreneurship, show strong evidence of capacities to articulate SME development/business solutions based on a clear and consultative problem analysis; - At least 6 out of the 7 trained/coached BMOs have designed no less than 10 sound proposals to the Government - At least 6 out of the 7 trained/coached BMOs have undertaken, each, at least 7 mediations between Government 		

Strategy of Intervention/ Project Objectives	Key Performance Indicators	Means of Verification	External Factors (assumptions / risks)
	<p>and their members.</p> <ul style="list-style-type: none"> - At least 1 out of 7 BMOs advocated for women's entrepreneurship issues; - At least 50 news stories covering BMO's development, BMOs-Government interaction appear on national and regional media. 		
4. Capacity of key governmental actors to engage with private sector strengthened	<ul style="list-style-type: none"> - 5 trained national authorities and 12 trained regional authorities show concrete evidence of established dialogue with BMOs. 		

TORs for Project Staff