

## ANNEX I - DESCRIPTION OF THE ACTION

<b>Project Title:</b>	Home Owners of Ukraine for Sustainable Energy Solutions (HOUSES) – an action within the EE4U Programme
<b>Project Number:</b>	ENI/2018/396-961
<b>Implementing Partner:</b>	UNDP
<b>Start Date:</b>	01.10.2018
<b>End Date:</b>	30.09.2020

### Brief Description

The need for energy efficiency improvements across the Ukrainian economy is significant. Ukraine's economy is two or three times as energy intensive as many neighboring countries, including Poland, Slovakia, and the Czech Republic. One of the many sectors which needs to become more energy efficient is the housing and communal sector. This sector, directly impacting on the quality of the living conditions of millions of Ukrainians, is four times less energy efficient than in the average Western European country and consumes almost 45 percent of the country's energy. Inefficient central heating systems lead to significant gas wastage. 70% of the housing stock, consisting of apartments, situated in multi-apartment buildings, housing approximately 34 million people, is highly energy inefficient.

Opportunities to address this issue have recently emerged with the passing of a number of related laws, among which a new law that implements an EU directive on the efficiency of buildings in July 2017, and the set-up of an Energy Efficiency Fund, which was officially registered on 24 July 2018. The Fund will provide financing to implement thermal modernization projects, establishing effective heating and cooling systems and equipment, as well as replacing existing systems and equipment with more efficient ones. Financing of energy efficiency projects will take the form of partial refunds of the projects costs to individuals and legal entities.

In 2017, the European Commission adopted a new Energy Efficiency Support Programme for Ukraine (EE4U), aimed at contributing to increased energy efficiency in the Ukrainian residential sector and reduce greenhouse gas emissions. In this context, the EU, together with Germany, will support the activities of the Energy Efficiency Fund in providing grants to energy efficient renovations of multi-apartment buildings across Ukraine. Through this Programme, the EU contributes 30 million Euros to a new Multi-Donor Trust Fund (managed by the International Finance Corporation - IFC) as well as a 19.5 million Euros package of technical assistance. EU is currently considering to provide 54 million Euros as the second tranche of the EE4U Programme. Out of this amount, 50 million Euros will top up the EU contribution to the MDTF and 4 million Euros will go to technical assistance package.

UNDP and IFC are called upon by the EU to contribute, through technical assistance, to the improvement of the Ukrainian housing stock energy efficiency. UNDP is intervening during a period of 24 months to fully prepare HOAs throughout the country for projects' financing and implementation, building on its country-wide network of partnerships with regional and local governments, and its long standing experience of bottom-up citizen mobilization for common action, including the creation of home-owner associations in the context of the EU-UNDP project Community-Based Approach to Local Development. The IFC is already active in the field and both organisations will be working in close cooperation.

The specific objectives of UNDP's proposed Project are to stimulate and support the creation of Home Owners Associations (HOAs) through a local presence throughout the country, and to prepare them to seek and obtain financing for their home improvement projects. Throughout the country's 24 oblasts, with UNDP's support, at least 2,000 new HOAs will be created and a total of 4,000 HOAs will be trained to manage their associations and develop energy efficiency projects. The Project will directly benefit an average of 480,000 people throughout Ukraine and will help raise energy efficiency awareness of no less than 1,000,000 people overall. The large-scale creation of home-owner associations as entities for active bottom-up engagement and civic responsibility also has other benefits on overall housing sector reform.

## LIST OF ACRONYMS

ATC	Amalgamated Territorial Community
CBA Project	Community Based Approach to Local Development Project
EBRD	European Bank for Reconstruction and Development
EEF	Energy Efficiency Fund
EE	Energy efficiency
EU	European Union
E5P	Eastern European Energy Efficiency Partnership
HBC	Housing/Building Cooperative
HOA	Home Owners' Association
IFC	International Finance Cooperation
M&E	Monitoring & Evaluation
SDC	Swiss Development Cooperation
SDGs	Sustainable Development Goals
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
VET	Vocational Education and Training
ZHEK (transliteration of ЖЭК)	Organisations providing housing management and maintenance services

## I. DEVELOPMENT CHALLENGE

The 2017 National Baseline Report “Sustainable Development Goals: Ukraine”, which was prepared and published by the Ministry of Economic Development and Trade of Ukraine, clearly indicates that accruing problems in the housing sector, including those related to energy efficiency, represent one of the major development challenges for sustainable development of cities and communities. The report states, in particular, that the current situation calls for immediate actions in order to address complex issues in the areas of housing, electricity and heat, etc. It is emphasized, that people’s needs in quality housing are not being met. Many households are still living in obsolete, unsafe or unsuitable buildings. The unfavorable living conditions in cities are aggravated by the lack of a systematic approach to urban development, housing sector reform and uneven funding in a context of growing income disparities.

The Report also stresses that the public is often excluded from the decision-making process to solve their housing issues in a participatory manner and is often deprived of the possibility to voice their opinions on how to design or improve residential districts. The reasons are varied, including an incomplete decentralization process, a lack of mechanisms for engaging communities in decision-making, a lack of financial resources in communities etc. Achieving sustainable development at the local level first requires efforts to improve the living conditions of socially vulnerable members of society – people living on low incomes, large families, people with disabilities, orphans and children deprived of parental care etc. The housing needs of population with higher incomes are increasingly being met through an acceleration in the construction of new and more energy efficient housing, simplifying and reducing the cost of procedures for acquiring land for construction, improving access to loans for building or purchasing houses and providing public support for specific loan programmes. However, such trends do not include the poorer and more marginalized segments of society, a phenomenon that has been described as common in other countries of Central and Eastern Europe by UNECE. Ensuring the sustainable development of towns, villages and communities to create a favorable living environment requires shifting the focus from administratively approved plans to strategizing for sustainable development that is driven by bottom-up participation and active citizenship. This requires partnerships, coordination and the inclusive participation of local communities, local authorities, civil society and businesses.

The **development challenge** that the “Home Owners of Ukraine for Sustainable Energy Solutions (HOUSES) – an action within the EE4U Programme” project (hereinafter – **the Project**) seeks to address comprises two interlinked elements: first, the need to further mobilize the community of home owners in Ukraine to organize themselves within the available legal parameters to fully realize their rights and responsibilities in relation to their housing buildings, thus leading to a demopolization and improvement of housing management and the quality and consistency of maintenance services, and second to reduce the excessive energy consumption levels which results from the outdated physical state of the country’s housing stock, and which can only be modernized with home-owners taking responsibility and playing an active role. The Project’s key premise is that home-owners and their associations in Ukraine can play a tangible role in significantly improving the energy efficiency of their housing blocks thereby reducing energy consumption and costs. The development challenge is, more broadly, linked to the general decrease in the population living standards with available incomes reduced due to the application of substantial increases in household energy consumption tariffs. It is understood that the existence of active home-owner associations also has other social, environmental and economic benefits and will contribute to good local governance in the context of decentralization reforms, another major priority reform supported by the EU and its member states.

### I.1 High energy inefficiency of Ukraine’s housing sector

Ukraine’s energy sector is key to its independence and economic growth. Yet it is in this sector that the country faces significant challenges. While the sector accounts for about 12.6 percent of GDP, the country’s energy intensity is staggering: Ukraine uses three times as much energy per unit of GDP than the EU average. There is no history of energy savings in the country.

In February 2016 the Ministry of Regional Development, Construction, and Housing and Communal Services of Ukraine published a “Concept of the Energy Efficiency Fund”, which provided a detailed overview of the state of residential heating and proposed a strategic vision for solving the problem of excessive heat consumption in the sector. According to the information included in this document at the macroeconomic level one of the key issues of the energy sector in Ukraine is the heating of residential sector, where about 60% of energy or \$ 3 billion (2.4 billion Euros) are lost annually.

The heating sector of residential and public buildings has one of the largest potentials for improving energy efficiency in Ukraine. The annual consumption of natural gas for heating purposes is estimated at 18.6 billion cubic meters with the reduction potential (when reaching the current level of losses in the EU) is estimated at 11.4 billion cubic meters of gas (approx. 58% of the Ukrainian imports). According to official statistics (2016 data), the biggest waste of gas is related to the central heating system – 22% of the heat wasted during production, 25% during transportation and 30 % during distribution, including by the end users – the home owners.

On the one hand, Ukraine’s outdated energy infrastructure is in need of major upgrades. Public heat and hot water supply systems use technically outdated equipment characterized by excessive heat energy losses during its production and transportation to end-users. On the other hand, the Ukrainian housing stock is relatively old; only 7% of the stock was built after 1991. A typical multi-unit building is 30-50 years old and badly in need of repairs and renovations. 70% of the housing stock consists of apartments, situated in multi-apartment buildings, housing approximately 34 million people throughout the country. An analysis of the heating losses in the housing sector, carried out by UNDP in 2015 shows that 42% of the heat is lost through the building envelope (the walls, top floor ceiling and cellar) due to their low thermal characteristics, 16% is lost through the windows, 7% through the roof and 30% through the ventilation system.

For many years, the energy inefficiency of the housing stock has had an impact on the cost of energy supply to users. Traditionally, energy prices for both Ukrainian households and municipal heating utilities had been heavily regulated and subsidized. In the wake of Ukraine’s revolution in 2014, the country’s ensuing sharp economic decline, and IMF’s request, in that same year, to reform natural gas prices subsidies in order to provide Ukraine with an aid package worth about \$15bn, energy prices have risen steeply from 2015. Actual prices increased by 285% in early 2015 and reached 100% of import cost levels by April 2017. As of January 2018, a monthly utility bill for a typical 55-square meter apartment in Kyiv was estimated at around Euro 40 (compared to Euro 20 in January 2015), or about 16% of the average monthly salary in Kyiv in that period.

Energy price increases have not, so far, led to the much-needed investments in basic energy saving (double-piping, metering, thermostatic controls, double-glazing of windows, etc.). This is because a large share of the population cannot afford to participate in collective or individual investments. According to the latest (2016) Human Development Report, nearly 60% of the Ukrainian population live below the poverty line defined as the actual subsistence minimum.

Yet, two factors have played a role in providing some assistance to the Ukrainian population to adjust to these price increases. First, in order to alleviate the significant burden of energy price increases on low income households, in 2015 the Government introduced a system of housing and utilities subsidies on households’ bills (calculated on the basis of incomes and utility usage) and of corresponding refunds to the utility providers.

A second important factor helping Ukrainian households to deal with higher energy prices has been a new governmental program focused on **promoting energy efficiency**, as well as the adoption of four related pieces of new legislation:

- new Law implementing an EU Directive 2010/31/EU on the energy efficiency of buildings;
- Law setting up an Energy Efficiency Fund;
- Law on commercial metering and billing;
- Law on utilities and communal services.



These Laws have become a strong progress indicator of the ambitious reforms aiming at implementing economic and sectoral policies defined in the EU – Ukraine Association Agreement and Deep and Comprehensive Free Trade Agreement (AA/DCFTA).

## **1.2 Reforms to promote energy efficiency**

The milestone law “On the Energy Efficiency of Buildings” (No. 4941-d), which came into effect on 20 July 2017 aims to set forth a new regulatory framework for energy efficiency that will apply to the majority of buildings in Ukraine. It establishes minimal requirements for the energy efficiency of buildings and also establishes a mandatory certification system. In order to gradually improve energy efficiency standards, the Law provides for the development of a national plan to increase the number of so-called “nearly zero-energy buildings” (i.e. buildings that primarily use renewable energy and have a better energy efficiency performance than that which is required by the applicable national minimal standards).

The “Law on the Energy Efficiency Fund (EEF)” (no. 5598) adopted on 8 June 2017, defines the objective of the EEF to serve as a technical and financial tool that will not only enable the more efficient use of state budget funds, but is also intended to attract international aid. The EEF was officially registered on 24 July 2018. Of major significance is that the Fund has been designed to help reduce gas consumption in Ukraine by an estimated 30 percent. The Fund is heralded as being a new and effective tool for implementing state energy modernization projects in the residential sector. The key role of the Fund is to provide grants to home owners and home owners associations (HOAs) to co-fund thermal modernization projects, establishing effective heating and cooling systems and equipment, as well as replacing existing systems and equipment with more efficient ones. The form of providing funds will be a partial refund of the cost of measures on energy efficiency to HOAs. Two financing packages are earmarked for modernization projects in multi-apartment buildings: a first package (Package A, entitled HOA Light”) is focused on less costly measures such as the installation of a heat meter, of an individual heating substation, the replacement or thermal insulation of pipes, and the balancing of heating and domestic hot water. Package B (entitled “HOA Comprehensive”) envisages implementing Package A measures as well as other measures aimed at the overall reduction of heat losses of the building through improvements of the building structures or the heating system. These measures are costlier but guarantee higher energy savings in the long run.

The Law on commercial metering and billing (No. 4901) was adopted on 22 June 2017 to ensure the rational use of natural resources and to facilitate transparent and beneficial relations between customers and service providers. Through this law, residential hot and cold-water metering becomes compulsory.

The Law on utilities and communal services (no. 1581-d) adopted on 9 November 2017 regulates the legal relations between providers and consumers of utilities and communal services. In particular, the law sets the rules of consumers agreements to obtain a full range of utilities and housing services for house maintenance, water supply, waste treatment, gas and electricity supply.

In addition to the above-mentioned recent reforms, the State has been partially reimbursing loans taken to pay for energy efficiency materials and/or equipment under its “Warm Loans” Programme. The EEF operations will be building on this Programme’s experience for improved efficiency. The Warm Loans Programme started in November 2014. According to its conditions, home owners who take up a loan to implement an energy efficiency project get a refund which covers a part of the loan principal. Only loans used for specified energy efficiency measures are refunded (for instance solid fuel boilers). Loans are provided through the banking system.

According to the State Agency on Energy Efficiency, over the past three years, more than 400,000 households have been able to implement energy efficiency measures, having received more than UAH 5 billion (over EUR 160 million) of “warm loans”. The majority of these funds were used for projects in single apartments inside multi-apartments building. Refunds from the government amounted to almost UAH 2 billion (over EUR 60 million). The geographic and social distribution of this programme’s take-up is however very uneven.

### I.3 Housing maintenance and upgrade responsibilities

Despite the fact that Ukraine's housing stock is privatized at the level of 93.7%, the responsibility for the management and maintenance of common parts of the multi-apartment buildings has been, so far, shared between old-style and often ineffective municipal housing services organizations (ZHEK), housing/building cooperatives (HBC)<sup>1</sup>, and private home owners. Under this management system, major repairs, including those focused on energy efficiency, are traditionally not foreseen/planned. Moreover, co-owners have generally had limited awareness of their responsibilities, and are often not willing and/or capable to deal with and contribute to the financing of complex technical interventions. Attitudes and expectations often lag behind the legal and policy framework.

One of the important steps to align Ukrainian legislation in the field of energy efficiency of buildings with European standards was the Law "On specifics of ownership in apartment buildings" adopted in 2015. This Law determines the relations associated with the implementation of the rights and performance of duties by co-owners of apartment buildings in terms of its maintenance and administration (including energy efficiency issues). This law provides for the possibility of voluntarily creating an association of co-owners of a multi-apartment building if more than a half of co-owners vote for the decision of creating the HOA. The HOA (homeowners association) is a legal entity under the laws of Ukraine, has a permanent board and audit committee, and the most important issues are resolved at the general meeting. According to the Law, the co-owners of a multi-apartment building have the following alternatives:

- to create a HOA and manage its property through its statutory body;
- to conduct a meeting of co-owners and select a Managing Company by majority of votes, or decide that they will manage it directly;
- to make no decisions on the multi-apartment building management. In this case the local authorities appoint the Managing Company. The building co-owners can decide to change this and appoint (contract) another Managing Company if they wish.

On the basis of this legislation, the situation could therefore change. If effectively implemented, this measure will lead to the necessary de-monopolization of the supply of and demand for housing maintenance services.

According to data from the Minister of Regional Development, Construction and Housing and Communal Services<sup>2</sup>, as of January 2018, a total of 27,838 homeowners associations had been registered in Ukraine, which represent a coverage of 11.5% of multi-apartment buildings throughout the country. The overall trends of HOAs set-up/registrations show that after a slow growth (7.0 percent increase year on year) between 2014 and 2015 (from 15,992 in 2014 to 17,109 HOAs in 2015), the number of HOAs registrations peaked in 2016 to a figure of 26,080 (52.4 percent increase year on year) and returned to a more moderate pace between end 2016 and end 2017 (7 percent increase year on year). This mobilization level, although encouraging, is still insufficient not only to trigger the emergence of an effective and efficient housing management and maintenance services market throughout the country but also to tackle the renovation work for energy efficiency improvements in the housing sector.

The paternalistic attitude of the State towards the population is slowly losing its strength. This is triggered, not only by economic factors, by the country's decentralization process, albeit slow, but also by the recognition that cooperation and partnership between the population and state institutions can be beneficial. Culturally, the population appears to be more adept in changing, gradually understanding and recognizing that the state cannot fulfil all its needs. Experience from UNDP area-based development projects clearly shows that cultural changes among the population occur when people start believing that they can 'make things happen'.

<sup>1</sup> Housing/Building Cooperative is an outdated but still existing in Ukraine form of legal entity formed by individuals or legal entities, which is co-owning and co-managing multi-apartment buildings. With the recent changes in Ukrainian legislation many of existing HBCs are on their way of transformation into HOAs, however need additional support.

<sup>2</sup> Ministry of Regional Development report "Реформа ринку ЖКП та енергоефективності: поточні досягнення та подальші кроки" 2018.

#### **I.4 Weak training supply at local level**

In the context of a generally more favourable environment for housing energy efficiency on the one hand and for co-owners' organization potential on the other, the scaling up of the community mobilization and self-organisation process throughout the country as well the development of strong planning and management capacities of new or existing community organisations and HOAs is crucial to the effective implementation of the above mentioned recent reforms on the housing sector management and its energy efficiency.

The Ukrainian's system of vocational education and training (VET), in a state of flux in the context of the country's on-going and slow decentralisation process, is generally ill-prepared to provide training to members of not-for-profit organisations. It lacks, in particular, a system of regular training needs assessment of this particular target group and training methods based on the principles of inclusiveness (i.e. open to all), accessibility, (i.e. as near the client as possible), flexibility (i.e. with training durations adapted to the needs of the client) and practicality (i.e. concentrated on skills and competence development).

Training for grass root organisations (such as HOAs) so far has been mainly provided through donor-funded projects. Local training centres and resource centres, set up as non-governmental organisations or (as, for instance, for those set up with the support of the EU-UNDP CBA Project) within local authorities, have emerged over the years. These structures are still unevenly developed throughout the country and are, still, generally weak in capacities and financing. Yet they are, for now, filling the training gaps that the country's VET system could eventually fill. Continued support to these local training resources, which should come not only from donors' organisations, but also from local councils and the private sector, is therefore crucial to community mobilisation and organisational development.

## II. STRATEGY

The Project's strategy is aligned with the priorities of the Government of Ukraine – the United Nations Partnership Framework 2018–2022, and the UNDP Country Programme Document.

Specifically, the Project strategy responds indirectly to the EU's 2012 Energy Efficiency Directive and its 2016 update which establishes a set of binding measures to help the EU reach its 30% energy efficiency target by 2030. Under the Directive, all EU countries are required to use energy more efficiently at all stages of the energy chain, from production to final consumption. Measures included in the Directive, of particular relevance to the Project are:

- to achieve savings through improving the **efficiency of heating systems**, installing double glazed windows or insulating roofs
- the **empowerment of energy consumers** to better manage consumption. This includes easy and free access to data on consumption through individual metering

The Project takes also into consideration the EU Directive recommendation to strengthen the **social aspects of energy efficiency** by requiring that energy poverty must be taken into account in designing energy efficiency obligation schemes and alternative measures. As the Project is primarily aimed at supporting the implementation of EEf programmes, recommendations of EEf will also be taken into consideration.

The Project is planned to contribute to the following energy efficiency targets contained in the Ukrainian Government Priority Actions (2017) and Medium-Term Plans (2020) (Cabinet of Ministers of Ukraine Decree N 275-p of 3 April 2017):

- 1 billion. cubic meters of gas savings per year;
- Energy consumption of residential buildings and public institutions will be about 130 kWh per sq. meter;
- To achieve annual reductions of final energy consumption per year of at least 0,7% (in accordance with the requirements of the Energy Efficiency Directives Articles 7 and 20).

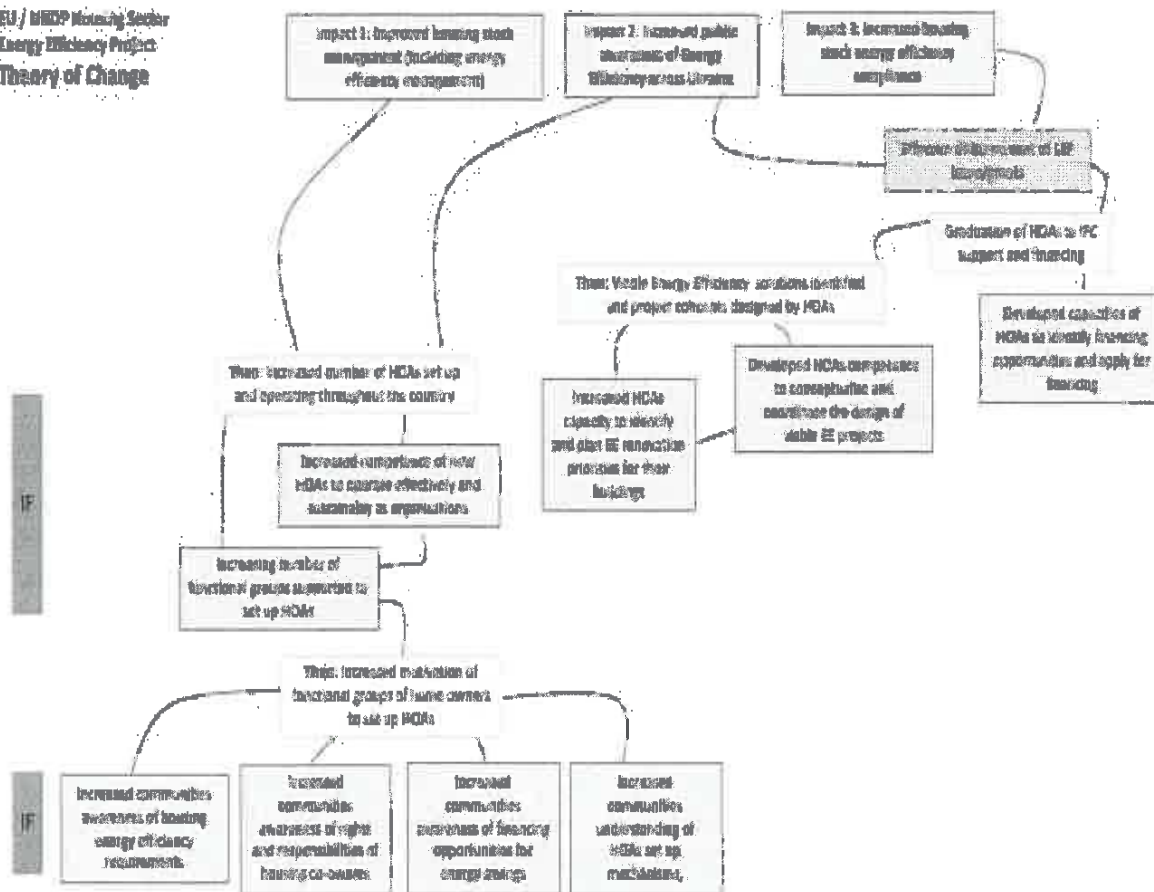
Lastly, the project aims to contribute to the achievement of the Sustainable Development Goals, in particular Goal 7 which promotes access to affordable, reliable, sustainable and modern energy for all. The Project will particularly contribute to Target 7.3 which establishes that by 2030, the global rate of improvement in energy efficiency will be doubled.

### II.1 Theory of change

In the context of a more enabling legislative and financing environment for energy savings in the housing sector, the project **aims at mobilizing the Ukrainian population of home-owners to trigger energy efficiency improvements in their housing buildings**. The Project is **specifically supporting the creation and capacity development of Home Owners Associations at local level throughout the country, and their preparation to apply for financing to the newly established Energy Efficiency Fund**.

The theory of change underpinning the Project is therefore built on the key role of HOAs in relation to the maintenance and retro-fitting of their buildings. It is presented below.





According to this Theory of Change, it is crucial that the target population receives, at the outset, clear information not only on the new energy efficiency requirements that will affect their buildings but also on their rights and responsibilities as co-owners in relation to the management and maintenance of their buildings, and opportunities embedded in the Ukrainian legislation to organize themselves in Associations and to apply for financing for their energy efficiency improvement projects.

Thus, if target population awareness of the above requirements and opportunities is effectively raised throughout the country and if the right set of incentives are in place, the level of motivation of home owners to set up a HOA or transform their existing old-style HBC into a HOA will significantly increase. Motivation needs to be further nurtured through concrete support to home owners/functional groups to actually set up their associations. A clear engagement of local authorities will be key to include, in the mobilization process, low income home owners, who, faced with a lack of financial capacity, could be left out. It is expected that local authorities will be ready to provide concrete support to this target group so as to ensure that home owners mobilization and association is not discriminative and does not perpetuate or create inequalities.

Once HOAs are established, focused and practical capacity building has to take place to ensure their operationalization. Thus, if home-owners set up their Associations and HOAs capacities to start operating are demonstrated, the network of operational and active HOAs is likely to significantly increase throughout the country. This represents a first level in HOAs development. It clearly demonstrates the mobilization capacity of the country around the issue of housing stock management and improvement.

Maintaining momentum in HOAs development is crucial. Thus, a second level of development will need to be quickly achieved. The assumption here is that HOAs' capacities will be further enhanced not only to identify and plan energy improvement initiatives but also to conceptualize and coordinate the design of viable projects, and to apply for financing. If HOAs provide clear evidence

of quality and viable energy efficiency project concepts and a clear understanding of the financing application process, they will “graduate” to the IFC-implemented part of the broader Programme which will further accompany them throughout their project design and implementation process. Through this outcome, the EEF will obtain a growing “client base” which will directly impact on the Fund’s grants.

The Project is thus expected not only to significantly contribute to an increased public awareness of energy efficiency across the country, but also to impact on the quality and transparency of the housing stock management and maintenance and to contribute to a higher energy efficiency compliance of Ukraine’s housing stock. In a broader context, as a key requisite of all UNDP’s interventions, the Project will impact on living standards, through improved quality of housing and reduced economic burden of energy usage costs on households.

## **II.2 UNDP’s experience and lessons learnt**

By promoting the de-monopolization of housing blocks management and maintenance through the set-up /activation of home owners’ associations, the Project is strongly contributing to the Country’s overall process of decentralization.

The Project builds on the experience of the **EU UNDP Community Development Approach to Local Development project**, implemented over a 9-year period (2008 to 2017). This Project has played a major role in mobilizing local communities to address, in partnership with local authorities, their social and economic development problems. In particular, the strong relationship built, through the Project, over the past few years between local government authorities and local communities in using bottom-up approaches, including in the creation of hundreds of HOAs for energy efficiency projects, has been identified by the EU as a lesson-learned and contributor to increasing involvement and accountability and one that has gone a long way to nurturing the emergence of a multitude of civil society groups in Ukraine. The same bottom-up approach principles will be used by the Project.

One of the key activities of the CBA project was to introduce **sustainable energy-reducing investments and practices** at local level to improve the material conditions of housing blocks. In the process, it built the capacity of local communities and authorities in energy planning and efficient energy use and raised public awareness on energy efficiency. The Project will build on this particular experience and will, in particular, draw from relevant practical manuals and training materials (e.g. Handbook for Associations of co-owners of multi-apartment buildings) and the existing networks and partnerships with regional and local authorities, universities, businesses and local communities in this regard.

The Project will also call upon the **Community Resource Centres**, which were set up and maintained in around 200 rayon and municipalities administration offices throughout the country. The Community Resource Centers are the taskforces established at rayon and municipal level under Rayon Councils and/or Rayon State Administrations (RC/RSA) and Municipal Councils (MC). The establishment of the resource centers was initiated by the joint EU/UNDP CBA. The main task of the Resource Centres was and still is to promote the organization/mobilisation of local communities, to support the implementation of their initiatives, and to build efficient and effective partnership with local authorities. In addition, the resource centres collect and disseminate information on various programmes, funding competitions, and grants. They also serve as a source of concentrated and well-structured knowledge. Currently, the resource centres are well institutionalized and well-organized structures which function as part of either RSA/RC or MC. A dedicated officer is appointed by the Council/Administration to undertake the resource centre’s activities. This person is a member of staff and is paid from the local budget. As of 2018, there are 219 rayon and 27 municipal resource centres in place and operating in all 24 oblasts of Ukraine.

These Centres will be used as hubs for information management, organizational liaison and capacity development. These are essential for the project’s visibility, not least to local government, and relevant for the contribution made to its impact and effectiveness by strengthening knowledge

and awareness of the project's approach, methodology, results, and impact amongst key stakeholders.

The Project will also build on the very relevant achievements of the UNDP Project “**Municipal Governance and Sustainable Development Programme**”, implemented between 2002 and 2013 and financed by SDC and UNDP, which aimed at building capacity for political participation of the local communities and municipalities geared towards strengthening urban, social, economic and environmental governance. Among its key achievements, the Project triggered the creation of associations of co-owners of multi-apartment buildings and other sustainable community-based organizations and strengthened their capacity by supporting the implementation of joint energy efficiency, water supply and sanitation projects.

The experience and lessons learnt gained through UNDP/GEF projects on **Bioenergy Technologies**, and **Energy Efficiency in Public Building** will be utilised by the Project. Importantly, these two projects, implemented in cooperation with IFC, have contributed to the establishment of the Energy Efficiency Fund. The project will also be closely aligned with other democratic governance portfolio components, in particular those aspects that relate to civil society development and the collaboration between local authorities and citizens, as well as the different efforts to promote transparency and integrity at the local level, in particular in the construction and infrastructure spheres.

In Donetsk and Luhansk Oblast, where UNDP is implementing a broad-based area-based programme with funding from the EU and other donors, the implementation of the Project will be fully integrated with the community-development and civic mobilization components of the Recovery and Peacebuilding Programme.

Overall, the Project will intervene at a time when the community mobilization momentum is still high in the country, thus ensuring **continuity and complementarity** of interventions at local level.

### **II.3 Inter-project synergy and coherence**

The Project has been planned, taking into account other specific projects or programme interventions in the Ukrainian housing energy efficiency sector. In general, these programmes, less focused on their target groups capacity building, are designed to provide access to energy efficiency funding. They include:

IQ energy, funded by the European Energy Efficiency and Environmental Partnership (E5P) Programme and implemented by the European Bank for Reconstruction and Development (EBRD), fosters energy efficiency improvements in the Ukrainian residential sector in accordance with European energy efficiency standards. Supported energy efficient projects consist of investments in high performing energy efficiency technologies and measures, which have at least a 20% higher energy performance than the market average. In order to facilitate the search for EE products that are eligible for this financing, EBRD has set up two databases – the List of Eligible Materials and Equipment (Technology Selector) and the List of Suppliers and Installers (Supplier Selector). The technologies and materials included in the Technology Selector meet the high standards set out by EBRD, based on a proven methodology used in many countries.

In the context of this programme implementation, EBRD co-operates with financial institutions in Ukraine. The financing of EE measures and projects is provided in the form of loans from several national or local banks participating in the programme. These loans can be provided to private residential stakeholders, including individual home owners, groups of home owners, home owners' associations and housing cooperatives. In addition to financing, the project provides its stakeholders with advisory services on energy-efficient equipment and technology.

IQ energy is supported by an incentive grant totaling Euros 15 million provided by the Eastern European Energy Efficiency and Environmental Partnership (E5P) and a technical assistance grant for programme implementation provided in equal share by E5P and Sweden. Borrowers

investing in eligible technologies and materials may qualify for a grant of up to 35% of the loan value.

- The E5P is a €180 million multi-donor fund initiated during the Swedish Presidency of the European Union in 2009 to encourage municipal investments in energy efficiency and environmental projects in the Eastern Partnership region. Initially active in Ukraine, in 2014 the fund formally extended its activities to Armenia, Georgia and Moldova and in 2017 to Belarus.

The E5P merges financial contributions from the European Union and a group of 21 nations, including countries which are benefiting from the fund. The contributions are used as grants to support **municipal sector projects**. The projects approved for implementation in Ukraine have shown that the E5P grants can leverage on average investment volumes that are five times the size of the committed grants. The grant allocations are flexible and recognize priorities of each recipient country with the overall aim to reduce energy use, pollution and greenhouse gas emissions. The fund also supports policy dialogue and regulatory reform.

Whereas the E5P Fund is a facility primarily targeted at municipal energy efficiency projects, IQ Energy is, since April 2018, providing grant and loan financing directly to HOAs, thus creating a certain level of competition between its own financing products and those of the Ukraine's Energy Efficiency Fund: both facilities have integrated a system of incentive grants in their funding mechanism; both are targeting HOAs. However, the presence of these two financing facilities could in fact trigger a beneficial diversification of financing opportunities for HOAs at different stages of their own development and capacities and technological requirements

- The International Finance Cooperation (IFC), since 2010, is working to improve energy efficiency in the housing sector. The goal of their interventions is to establish a legal and institutional framework for creating opportunities for home owners' associations and housing management companies to obtain funding for energy efficiency projects. The IFC has been developing and promoting the Law on utilities and communal services, the law relating to the set-up of the Energy Efficiency Fund as well as several other laws, since then adopted among which the law on the Property Rights in multi-apartment buildings and the law on Energy Efficiency in buildings. The IFC is providing technical support to the development and implementation of the Warm Loans state programme.
- The IFC has been called upon by the EU to provide technical assistance (TA) to HOAs to access energy efficiency financing of the EEF. IFC's TA Project has recently started. IFC and UNDP's TA will run in parallel for a period of 2 years from the start of the UNDP Project. It is intended that the UNDP mobilized and trained HOAs will be transferred to IFC's TA Project for further support to access energy efficiency funding. Modalities for the coordination of UNDP and IFC activities as well as procedures to allow for a smooth transition of HOAs from UNDP's support environment to that of IFC are described in detail in Section III.6.

## **II.4. Rights-Based Approach**

This Project will be implemented following a rights-based approach encompassing all human rights. The five working principles below will be applied at all stages of Programme implementation:

1. Legality, universality and indivisibility of human rights;
2. Participation and access to the decision-making process;
3. Non-discrimination and equal access;
4. Accountability and access to the rule of law;
5. Transparency and access to information.



### III. RESULTS AND PARTNERSHIPS

#### III.1 Expected Results

The **key intended outcome** of the Project is an increase, throughout the country, of the number of operational HOAs which have the capacities to plan viable energy efficiency solutions for their buildings and mobilize financing for their EE improvement projects through the EEF. It is expected that, as a result of the Project's activities no less than 4,000 HOAs, both newly established and pre-existing ones, throughout the country's 24 oblasts will be trained to manage their associations and develop their own micro-projects for improved energy efficiency. It is expected that at least 2,000 of them will apply for further technical assistance to IFC. It is also expected that the Project will directly benefit no less than 480,000 people throughout Ukraine and will help raise energy efficiency awareness of no less than 1,000,000 people.

This outcome is in line within **UNPF Outcome 1.2** which specifies that by 2022, national institutions, private businesses and communities implement gender-responsive policies and practices to achieve sustainable management of natural resources, preservation of ecosystems, mitigation, adaptation to climate change and generation of green jobs.

The Project's intended outcome will be realized through the achievement of the following two main outputs:

##### **Output 1 – Mobilized home owners set up their associations**

To fulfill this output, the Project will carry out awareness raising and training activities which will take place at Project's start and will be repeated at least twice in a cyclic manner (therefore, some activities described below will be repeated several times and referred to as **stages of the training cycle**) during the Project's implementation period and will involve the public at large, regional and local authorities, and local communities in all oblasts.

**Activity 1.1: A public information campaign** (with well targeted and clear communication messages and user-friendly information and analytical written and audio-visual materials) will be organized (in coordination with IFC – see coordination modalities in Section III.6) at national, regional and local levels to inform the public at large, local communities (including home owners) on the new legislation on energy efficiency (including in relation to the housing sector), the set-up of a new Energy Efficiency Fund, the financing mechanism of this fund as well as the EU's contribution to the Fund. The Theory of Change presented above highlights the importance of effective communication, information and awareness raising of the communities and home owners, at Project's outset, to trigger their motivation to organize themselves into HOAs.

This activity will also include the organization of short surveys of home owners to establish baseline information as to their knowledge and understanding of the topics and principles promoted through the public information campaign.

The Project will establish strong partnership links with the Ukrainian Association of HOAs, which will facilitate communications with HOAs throughout the country as well as best practices' sharing.

##### *Activity results:*

- no less than 1,000,000 people throughout Ukraine will be reached by the public information campaign;
- no less than 75% of informed home owners understand energy efficiency requirements for their buildings and EE financing opportunities.

**Activity 1.2:** The Project will focus on the selection of HOAs/Functional Groups to be supported and respective territorial units where it will intervene (geographical coverage). A Call for

Participation will be announced. Selection criteria for the choice of HOAs and FGs will be defined at the start of the Project but could include (without being limited to):

- a) the demonstrated will of the local councils to cooperate with UNDP and their commitments to support the Project implementation;
- b) the number of multi-apartment buildings, in which owners can participate in the Project's activities;
- c) the number of existing HOAs interested in participation in Project's activities.

Thus, at the **first stage** of the training cycle the Functional Groups, i.e. groups of active home owners representing existing HOAs and those willing to set up a HOA or transform existing HBC into a HOA, will be identified by the Project. Once the groups are identified, the Project will then carry out training needs analyses in all the selected territorial units. For this purpose the information submitted by each group in their expression of interest to participate in Project's activities (applications) will be analysed and compared with the information obtained through individual meetings, which will be conducted by Project's staff in all oblasts. On the basis of the results of the TNA and information requirements of the Groups, the Project will design/adapt its capacity building modules for all interactions.

During the first stage of training cycle, the Project will specifically support the functional groups in planning the actual set-up of their associations. For this purpose the Project will carry out a series of group consultations (basic seminar on establishing HOAs) and individual consultations with active home owners willing to set up their HOAs. Local authorities will be also invited for participation and engaged into these activities to ensure that they are aware of the need for and principle of leadership and planning in relation to HOA's set-up, as well as support, which might be required from local authorities.

*Activity results:*

- no less than 2,000 existing HOAs representing at least 240,000 multi-apartment buildings owners selected for participation in the Project's activities (the number can vary in each oblast);
- no less than 2,000 Functional Groups representing at least 240,000 multi-apartment buildings owners selected for participation in the Project's activities (the number can vary in each oblast).

**Activity 1.3:** The activity is focused on the first development step of HOAs when home owners' Functional Groups are formed and are supported by the Project to set up their Associations;

- At the **second stage** of the training cycle the Project will provide to the identified Functional Groups information on practical aspects of the creation of HOAs (including regulatory and legal aspects of HOAs registration and associated issues, business activities, technical aspects of buildings/surrounding territories management) and will provide advice on ways to overcome issues that may arise during this process. This again will be done through targeted training sessions and individual consultations both face-to-face and remotely.

*Activity results:*

- Consultations attended by representatives of at least 2,000 Functional Groups, i.e. potential HOAs (cumulatively by the end of Project);
- It is expected that at least 1,000 of the supported Functional Groups will establish HOAs (cumulatively by the end of Project), which will participate in the Project's activities.

**Output 2: Operational, project design and implementation capacities of new or pre-existing HOAs are developed**

Activities that will be carried out to achieve Output 2 will concentrate on the second development step of pre-existing and newly set up HOAs when the associations are provided with knowledge and skills not only to operate effectively, but also to identify energy efficiency initiatives that can receive financing. They are organized in 4 interactions (3<sup>rd</sup> to 6<sup>th</sup> interactions)

**Activity 2.1:** will be focused on the operationalization of the newly set up HOAs:

- At the **third stage** of training cycle efforts will be focused on developing the newly set-up HOAs knowledge and understanding of the new or current Ukrainian legislation regulating energy efficiency measures and the management of multi-apartments building. A specialized training will be provided by the project staff and contracted short-term experts. The supported new and pre-existing HOAs will be also provided with extended consultancy support (both face-to-face and remotely) on the specific issues related with legislative regulations and norms applicable in their particular cases. The list of Frequently Asked Questions with answers will be developed and disseminated among the interested HOAs and also shared with partners of the Project;
- At the **fourth stage** of the training cycle efforts of the Project will be focused on the development of HOAs practical management skills. The newly set up Associations will receive training on book-keeping and financial management (accounting, budget, tax issues, oversight, etc.).

*Activity results:*

- trainings attended by no less than 8,000 representatives of HOAs (cumulatively by the end of Project, i.e. 8 trainings of up to 21 participants each in each oblast, per year);
- no less than 80% of trained HOAs representatives confirm use of new skills and competence in running their Associations by the end of the Project.

**Activity 2.2:** will raise new or existing HOAs' capacities to initiate viable energy efficiency solutions and attract funding to their implementation:

- At the **fifth stage** of the training cycle the Project will provide support to the engaged new and pre-existing HOAs in identifying their buildings energy efficiency priorities. This will be done through special trainings followed by individual face-to-face and remote consultations provided by Project staff and/or short-term experts contracted by the Project;
- The **sixth stage** of the training cycle will be focused on a) providing information to HOAs on the network of financial institutions, the type of loans proposed the incentive schemes attached to loan packages (grants), the loans/grants conditions and b) on developing/strengthening their knowledge and understanding of the financing application process. A specialized training followed by targeted consultancy support will be coinducted within this stage. The content of this training will depend on the legislation in place and on the financial institution guidelines at the time of the Project implementation but will include a training module on the basics of financial literacy.

*Activity results:*

- trainings attended by no less than 8,000 representatives of HOAs (cumulatively by the end of Project, i.e. 8 trainings of up to 20 participants each in each oblast, per year
- no less than 80% of trained HOAs representatives confirm use of new skills and competence in running their Associations by the end of the Project.

**Activity 2.3:** will be focused on the dissemination of HOAs gained experience, best practices and lessons learnt all over Ukraine. A number of exchange visits, tele-bridges, webinars, etc. will be organized to support this dissemination/sharing process. In order to ensure efficiency of interventions and synergies of results, the Project will coordinate these activities with the Covenant of Mayors (CoM East) secretariat which will be also organising such city-to-city exchanges.

*Activity results:*

- no less than 50,000 visitors to the UNDP Project dedicated webpages by end of Project and 3,000 likes on UNDP Facebook related posts
- no less than 80 positive media coverage on the Project and HOAs energy efficiency solutions.

It is expected that a total of three full training cycles (from Interaction 1 to Interaction 6) will be carried out over the Project life which will last on average 8 months per training cycle.

**Activity 2.4.:** the Project will collect on a regular basis (monthly or quarterly, depending on the phase of the Project) feedback from HOAs supported by the Project on issues they are facing in the context of preparation of and access to external funding for their micro-projects for improved energy efficiency, including issues related with functioning of EEF. The Project will provide a summary of this feedback in monthly or quarterly Feedback Reports (cf. section VI) which will also include lessons learnt, problems encountered within the Project implementation.

### **III.2 Resources Required to Achieve the Expected Results**

A detailed budget detailing all resources and their respective costs required to implement the Project activities is presented in Annex III. The key resources that will be required by the Project to achieve its expected results are summarised below.

Among others, the Project will require a dedicated Project Office which will comprise of the following types of costs:

#### **a. Human resources**

##### **a.1. Project staff:**

This will include staff responsible for providing technical assistance and carrying out administrative and management tasks. The human resources required for the implementation of the project comprise of **10 full-time project staff** (for 24 months) based in UNDP country office (Kyiv), including one driver, and **48 local full-time project staff based in the 24 oblasts** of the country (one Community Development Associate and one driver per oblast). The key staff profiles and roles are summarized below:

- A Project Team Leader, based in UNDP Country Office, will be responsible for the overall management of the Project activities, developing and implementing a results-based work plan for the project. He/she shall be responsible for all substantive, managerial and financial reporting for the project. He/she will provide overall supervision of all project staff in the project management unit in Country Office, as well as in field offices. She/he will be guiding and supervising all policy-based relations between the project and the Government of Ukraine.
- A Community Development Specialist, based in UNDP country office in Kyiv, will coordinate the work of 24 Community Development Associates. The Community Development Specialist will be responsible for designing, with support from short term expertise, a Training and Support Programme to be delivered to the HOAs/Functional Groups. The job holder will undertake, on a rotating basis, field trips to each oblast to review the delivery rate of the Training and Support Programme, potential delivery issues (and ways to solve them), the capacity development results achieved by the target groups, and assess the degree of readiness of HOAs to submit their grant applications. The Community Development Specialist will participate actively in all awareness raising events organised by the Project through its lifetime.
- A Community Development Assistant will be supporting the Community Development Specialist in all organisational aspects of her/his coordinating work throughout the country. She/he will be based in UNDP country office but will be carrying out field trips to oblasts as requested by the Community Development Specialist.
- 24 Community Development Associates, one in each oblast. The key responsibilities of the Community Development Associates will be to coordinate the timely and quality delivery of the Training and Support Programme to the Project's target groups. He/she will ensure proper liaison with short term experts involved in the Training & Support Programme delivery as well as adequate documentation and quality assessment of all Project's activities carried out for the target groups.



- One Administration Officer based in UNDP country office. The job holder will ensure transparent and efficient administration services and systems throughout the whole project implementation period. The Administration Officer will work in close collaboration with other project staff to resolve administration-related issues and ensures full compliance of the Project's administration with UNDP rules and regulations.
- One Finance Specialist based in UNDP country office. The job holder will ensure transparent and efficient financial and procurement services and processes during the whole project implementation period. He/she will work in close collaboration with other project staff to resolve complex financial and procurement-related issues and ensure full compliance of the Project's procurement activities with UNDP rules and regulations
- Two project assistants: Administration Assistant and Finance Assistant, both based in UNDP country office, will be supporting the above-mentioned Administration Officer and Finance Specialist in carrying out the administration of the Project, supporting procurement and financial management.
- One Communication and Monitoring Associate, based in UNDP country office, will be responsible for supporting implementation of the Project's communication activities and maintaining public relations with various stakeholders as well as maintaining and keeping up-to-date the Project's databases and supporting the project monitoring and evaluation activities on regular basis.

A total of 25 drivers (1 at national level and 24 at oblasts level) will be deployed to ensure effective transportation services at national and regional levels.

## 2. Short term expertise:

This will include:

- International expert(s) with strong and relevant/practical housing sector reform and/or energy efficiency experience in residential buildings (preferably in Eastern European countries). These assignments will be aimed at providing practical advice to the Project Management Unit, national stakeholders and national experts, and home owners associations on a) sustainable housing and energy efficient technologies adopted in their countries which can be implemented in Ukraine, and b) standards and capacities of companies specializing in residential energy efficiency. These experts will mainly intervene at national level: a) carrying out, as required, assessments of energy efficiency technologies and b) providing advice through workshops to national and regional partners, as well as representatives of home-owners associations on innovative and tested approaches to achieve effective energy savings in the residential sector, as well as on measures to strengthen the network of energy efficiency specialists. International experts may, on a limited basis, travel to oblasts as required by the Project and/or regional local stakeholders;
- National experts with strong communication and training experience in particular in the context of associations/CSOs mobilisation, capacity building as well as in project planning and budgeting. These experts will be responsible for a) preparing and conducting training modules in line with the overall Training Curriculum designed by the Project (in coordination with IFC), b) providing hands-on support to HOAs during the preparation of their projects and the elaboration of their applications, c) advising on and supporting the preparation of public awareness campaigns and the selection of territorial units where the Project will intervene, d) supporting the Project's knowledge management and monitoring

### a.3. Travel costs and per diems for staff and short-term experts.

**b. Equipment and supplies:** the key resources required in this budget category are:

- vehicles - given its high mobility requirements, the Project will deploy a fleet of 25 vehicles, 1 in Kyiv and 24 at oblast level. The Project will be transferring the fleet of cars that were used by the EU-UNDP CBA Project between 2008 and 2017. Yet, because of the previous highly

intensive usage of this fleet by the CBA Project and the age of some of the vehicles, a number of these vehicles (19 in total) will require minor repairs, and a total of 6 new vehicles will need to be purchased to replace vehicles that are no longer operational. Insurance costs for the fleet are charged to the Project;

- the Project will make use of the furniture, computer and other equipment, as well as software, purchased within the CBA project. Some items will be purchased to replace the outdated or disposed items for local staff in each oblast and at country office level to replace discarded ones.

**c. Local office:** the key resources related to this budget category include:

- costs related to the maintenance and running of 25 cars, and including registration and insurance;
- office rental costs: such costs are incurred in Kyiv (country office) as well as (for security reasons) in Kramatorsk (Donetsk oblast) and Severodonetsk (Lugansk oblast). In the other oblasts, project staff will be accommodated, rent free, in resources centres or local administrations, according to existing Partnership Agreements signed between local administrations and UNDP. In Kyiv, a total of 140 m2 for 10 working stations (i.e. 14 m2/working station) will be required. In Kramatorsk and Severodonetsk, a total of 28 m2 for 2 working stations in each office will be needed. These costs include utilities, cleaning, ITC support, IT infrastructure upgrade, reception, connectivity charges (internet, phone calls), minor office supplies;
- costs of utilities, communication, cleaning and IT services in local project offices provided rent-free to the Project staff;
- office supplies (stationery) for the PMU in the Kyiv office and 24 local offices;
- other services required in the local offices (small repairs, equipment installation, etc.).

**Other resources include:**

- publications,
- evaluation
- translation and interpretation
- conferences and seminars (project launching and closing, regional seminars, , etc.)
- capacity building events (information, training events) for HOAs
- experience sharing visits for HOAs to other regions of Ukraine
- visibility actions (including visibility items, media sensitisation, printing, audio-visual, website, etc.)
- surveys
- costs of security in Kyiv and all oblasts (including enhanced security in Eastern Ukraine)

### **III.3 Partnerships**

UNDP has a clear advantage to implement this project based on its vast experience in mobilizing communities and strengthening their capacities, combined with a physical presence in each oblast of Ukraine, as well as its long-standing partnership with government agencies at all levels.

In order to achieve an effective implementation of the Project, UNDP will activate the following key partnerships:

- at **national level**, the project will work with:
  - the Ministry of Regional Development, Construction and Housing and Communal Services. UNDP has already signed partnership agreement with this Ministry. A representative of the Ministry will be invited to take part in the Project Board Meeting each year, as Senior Supplier;

- the Energy Efficiency Fund. This new organization will be regularly informed of the Project's goal, activities and expected results, consulted as needed during the Project lifetime, and informed of the progress achieved;
  - the IFC, as the organization which, through its technical assistance programme, will ensure that the Project trained HOAs have access to energy efficiency financing from the EEF (cf. section III.6 on UNDP/IFC cooperation/coordination modalities). A representative of the IFC will be invited to take part in the Project Board Meeting each year;
  - the Coordination Council which will be a coordination mechanism between the donors contributing to the MDTF and the Ukrainian Government aimed at aligning policies and strategies as well as reviewing progress of the MDTF and the Ukrainian EEF. As the Project is planned to contribute to the EU EE4U Programme and the Ukrainian Energy Efficiency Fund, UNDP will take part as observer, as appropriate, in the Coordination Council meetings as well as in other related coordination meetings organised by the beneficiary or the EU.
- As the Project is planned to contribute to the EU EE4U Programme and the Ukrainian Energy Efficiency Fund, UNDP will take part as observer, as appropriate, in the Coordination Council meetings (coordination mechanism between the MDTF of donors and the EEF) as well as in other related coordination meetings organised by the beneficiary or the EU. at **regional level**, UNDP will work on the basis of its already established partnerships with all regional administrations/councils, based on recently signed partnership agreements on cooperation in the field of sustainable development to include this Project's proposed interventions and its expected results. It will keep representatives of regional administrations informed about Project's achievements by inviting them to key Project's events (in particular at Project's start and end).
  - at **local level**, UNDP will work in close coordination with:
    - municipality councils and rayons/ATCs councils to ensure the successful mobilization of home owners and their institutionalization in associations. Coordination will take the form of on-going information and consultations with councils and local authorities, possible involvement in selected capacity building events, participation in experience sharing events
    - resource centers, established by the CBA and Municipal Development Projects, and institutionalized within local authorities/councils. The Centers will be fully informed of the Project's goals, activities and key outputs, and will be attracted to the planning and implementation of the capacity building and experience sharing events.

#### III.4 Human-rights Based Approach and Gender Equality

The Human-Rights Based Approach and Gender Equality have been fully reflected and integrated in the project design.

Ensuring that human rights are fully respected is an integral part of the Project design. The EEF funding for which HOAs will be prepared to apply for energy efficiency financing is based on the premises that home owners have private resources to pull together not only to operate their Associations but also to pre-finance their energy efficiency solutions/projects. The Project design would not be complete if a special attention was not paid, in this context, to low income home owners. EEF financing presupposes advance payments of certain costs (design, energy audit, etc.) then provides a refund for these costs. If, due to lack of financial capacity, poor households cannot form HOAs and/or cannot apply for EEF financing, the maintenance of their buildings will continue to be carried out by the municipal housing management companies (ZHEKs) which do not have the capacity to plan and invest in energy efficiency improvements of housing blocks. In order to avoid the appearance of two types of housing in Ukraine (the retrofitted housing blocks belonging to and managed by average to high income households and the old and highly energy inefficient housing blocks belonging mainly to low-income households), the Project will work with

local councils to engage their support to low income home owners<sup>3</sup> to form their associations and meet the costs of energy efficiency improvements to their housing blocks.

Gender equality and gender balance considerations are mainstreamed in the Project design, as follows:

a) the Project will undertake, at its start, to understand the gender dynamics of the territorial units where it will be intervening. It will carry out baseline gender equality analyses in those locations. These analyses will help identify, among other factors, the extent of engagement of women and men in associative activities in a given territory, public perception on women and men's respective ability to manage an association of home-owners effectively, public perception on women's ability to handle technological issues or innovations related in particular but not exclusively to energy efficiency, the representation of women in decision positions in local self-governments. The list is not exhaustive;

b) gender balance will be measured, through the gathering of disaggregated gender data, at activity level (gender balance in the membership of associations and functional groups, in attendance to events and training, in renovation projects' design and financing application preparation) and at results level (gender balance in new skills and competence acquisition, in setting up and managing associations, gender balance for improved decision making processes within associations, gender balance for securing energy efficiency financing, for dealing with EEF and lenders, etc.)

c) the Project will monitor on a systematic basis the impact that it will have on gender equality and gender balance in a given community

d) the recruitment of Project staff and experts will be carried out on the basis of a 50:50 gender balance.

### III.5 Risks and Assumptions

Ukraine is still subject to political turbulence, which may be heightened with the upcoming Presidential and Parliamentary elections in 2019. In this context, it is important that the Project as well as the larger Programme of the EEF and its implementation remains apolitical and is not used by any political forces in the upcoming elections. Although the Project will work primarily with non-governmental beneficiaries (home owners), political uncertainty and the possible emergence of conflicts could impact on the decision-making process of this target group and on their motivation, not only to organize themselves into associations but to obtain financing to pursue energy efficiency improvements. This is particularly sensitive as corruption is still a common phenomenon in Ukraine and the allocation of funding for housing improvement projects may be seen as affected by political or electoral calculations. Political turbulence could also affect government energy efficiency priorities; this risk is however considered, for the time being, as low given the commitment of Government of Ukraine and approved National Energy Efficiency Action Plan till 2020. Other risks, detailed in Appendix A, include:

- The Energy Efficiency Fund does not start operating or its operations are hindered by lengthy administrative procedures, and/or lack of competent staff
- Insufficient motivation of HOAs to participate in the EEF grant programme
- Insufficient number of energy auditors in the country or in some particular oblasts
- Difficulty in engaging disadvantaged groups in Project's activities
- Difficulty in providing relevant skills and competence to homeowners with low educational attainment.

<sup>3</sup> Housing blocks with low income home-owners, in this context, will be identified through surveys and/or analysis of administrative records, on the basis of the following indicators : a) percent of home-owners in a given housing block who receive subsidies for utilities, b) amount of long-term arrears of payments of property maintenance, c) percentage of households with at least one unemployed work-able member, d) percentage of home-owners claiming their inability to contribute to repairs/renovation costs in their housing block. *The list is not exhaustive.*



The project is based on the following assumptions:

- relevant legislation (including primary and secondary legislation) on Energy Efficiency is in place;
- territorial units continue to adhere to the principles of community empowerment through community mobilization and self-organization, understand the evolving role of home owners in managing and maintaining the housing stock. Territorial units' budgets are formed, based on a systematic human rights assessment at local level, which ensures that vulnerable members of the population are not left out in the decision-making process
- home owners are already aware, to some extent, of the reforms brought in by the new legislation concerning the management and maintenance of the housing stock and, thus, of their evolving role as co-owners of their multi-apartment buildings

### **III.6 Stakeholder Engagement**

The key stakeholders of the Project include its main partners, as described in section III.3, at national, regional and local levels.

The main beneficiaries of the Project are the residents of multi-apartment buildings, home owners and their existing and potential associations. The Project will focus its very first activity to identify the key target groups to enroll into the Capacity Building Programme that it proposes. The engagement of the target groups will require the highest quality of the information that they will receive. The Project will ensure the dissemination of highly pertinent and user-friendly information to this target group at its start and throughout its life-time.

Crucial to the Project will be the need to closely coordinate/cooperate with IFC, also engaged at EU's request in supporting home owners' associations to apply for energy efficiency financing and implementing a complementary TA Project. The cooperation/coordination between the two organisations will be take place as follows:

- a) at UNDP Project's start:
  - identification of each Project's geographical coverage in relation to their implementation phases;
  - identification of the beneficiaries the two Projects will work with (including sharing of selection indicators, lists of supported HOAs and trainings participants, as well as other relevant information);
  - planning of joint information events on the respective Projects, their goals and activities, and of public awareness campaigns (this could include the production of coordinated leaflets/information materials on the two TA projects as well as a common leaflet/brochure/information material on energy efficiency measures and funding opportunities);
  - ensuring IFC's inputs to the Project's Training Curriculum and the Training Modules materials to ensure their full relevance for achieving the 2 Project's end goals;
  - trainings for UNDP regional coordinators (Community Development Associates) will be provided by IFC at initial phase of Project's implementation and later, if needed;
  - identification of clear criteria for "graduation" of HOAs supported by UNDP to IFC.
- b) during the Project:
  - regular exchange of information between the two Projects on progress achieved, key constraints and their solutions (in particular, sharing results of surveys, other relevant data and analysis, etc.);
  - organisation of joint events or information sessions to stakeholders/beneficiaries, as required by the Projects;
  - organization of joint inter-regional experience exchange activities aimed at dissemination of best practices and experience gained within both projects;

- joint consultations/information meetings with national partners (the Ministry of Regional Development, Construction and Housing and Municipal Services of Ukraine as well as the Energy Efficiency Fund);
- participation of IFC in UNDP's Board Meetings as observers and information givers. Reciprocally, IFC will invite UNDP in their Steering Committee or Board Meetings.

c) at UNDP Project's end:

- sharing of Project's results and lessons learnt with IFC;
- end of Project's information/evaluation event to be attended by IFC to project clear messages to the public and beneficiaries of the complementary of actions by the two Organisations/Projects and their continuation through IFC and its TA Project.

The above cooperation modalities were agreed between UNDP and IFC at the time of Project design. Coordination of activities between the two organisations will be the responsibility of the Project Team Leader, supported by UNDP senior management.

### **III.7 Knowledge**

The Project will not only draw on the existing Knowledge Base of the CBA Project, in particular its training modules, but will also supplement it with its own training materials produced to work with HOAs. The Project Knowledge Base will thus contain (but will not be limited to) the following training and information modules:

- how to set up an association of home owners (including regulatory and legal aspects of HOAs registration)
- how to manage a HOA (governance, budget, account, taxation, oversight, etc.)
- the technical aspects of a housing block management and maintenance
- energy efficiency measures, legislation and financing programmes
- how to identify and plan housing energy efficiency priorities
- how to apply to a financing organization/programme

Knowledge will be complemented by information dissemination and experience sharing. The Project will ensure a regular dissemination of up to date information to its target group and will facilitate experience sharing through newsletters, case studies and success stories, as well as exchange visits throughout Ukraine.

### **III.8 Sustainability and Scaling Up**

The Project is built on the principle of sustainability, through building the capacity of home owners' associations so that they can play an effective role not only in the management of their housing blocks but also in ensuring their long-term energy efficiency and reducing energy consumption costs. The Project has a practical and targeted approach to these Associations development in as much as it aims at preparing them to obtain financing for their projects. Thus prepared, it is expected that these organisations will not only have access to EEF grants and loans but will also be capable of applying for other types of improvement funding.

The Project focuses on building strong local partnerships between HOAs and local authorities/local councils. It also aims at promoting face-to-face experience sharing among HOAs across Ukraine, through exchange visits and web-conferencing. It is thus expected that the Project development approach and effective dissemination of results will trigger further mobilisation of home owners and their participation in energy efficiency programmes.

### **III.9 Communication and visibility**

The outreach activities in the framework of the Project entail a large number of communication and visibility activities. They relate to briefings, written material, press conferences, presentations, invitations, signs, commemorative plaques, social media, dedicated Project webpages and all other

tools. All outreach and communication activities will be developed in line with the *Joint Visibility Guidelines for EC-UN actions in the field*<sup>4</sup>.

The Project will seek EU Delegation's approval on key strategic communication related planning and decisions (including Communication Strategies, and Communication and Visibility Plans), as well as on the design of visibility products. In this context, as appropriate, the Project will refer to the advice and support of UNDP's internal corporate communication team.

The Project will coordinate its communication and visibility actions with TA Project for support to EE Programme in Ukraine funded by EU and implemented by IFC at all stages of implementation. This will include but will not be limited to: (a) planning of joint information events on the respective Projects, their goals and activities, and of public awareness campaigns (this could include the production of coordinated leaflets/information materials on the two TA projects as well as a common leaflet/brochure/information material on energy efficiency measures and funding opportunities); (b) organization of joint inter-regional experience exchange activities aimed at dissemination of best practices and experience gained within both projects; (c) joint consultations/information meetings with national partners (the Ministry of Regional Development, Construction and Housing and Municipal Services of Ukraine as well as the Energy Efficiency Fund); (d) end of Project's information/evaluation event to be attended by IFC to project clear messages to the public and beneficiaries of the complementary of actions by the two Organisations/Projects and their continuation through IFC and its TA Project.

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<sup>4</sup> <https://ec.europa.eu/europeaid/node/45481>

## **IV. PROJECT MANAGEMENT**

### **IV.1 Cost Efficiency and Effectiveness**

The Project Strategy is to use the momentum reached by the CBA Project to continue working with communities and local partners. Transaction time and costs to reach the target group and to form partnership will therefore be minimal.

As noted earlier in Section III.7, the rich knowledge base made available by the CBA Project will allow the Project to start its activities quickly and efficiently. The Project intends to stimulate a quick and steady involvement of home owners in its capacity building programme through an awareness raising and information programme at the very start of the Project. Client "capture" will be as large as possible throughout the two years of the Project, thanks to training cycles not exceeding 8 months each. It is thus expected that, in order for 2,000 HOAs to graduate to the second TA programme provided by IFC, the Project will support no less than 4,000 HOAs training them to manage their associations and develop projects for improved energy efficiency. Out of 4000 supported HOAs, at least 2,000 will be new established with support of UNDP.

### **IV.2 Project Management**

The Project will be implemented by UNDP Ukraine, which has extensive experience not only in democratic development and local governance but also in supporting effective use of energy for sustainable development. Its experience in implementing projects jointly with the European Union, and in working with local communities and local authorities is significant.

The Project will thus benefit from the institutional structure of the UNDP Country Office, in Kyiv, including its financial, operations, and procurement systems (Country Office Support Services).

The Project will have a Project Team (described in more details in section III.2.) led by a Project Team Leader. The Project team will ensure the Project's administration, financing management, communications, monitoring and reporting. It will also be responsible for communications with representatives of key national, regional and local stakeholders, for organizing Project Board meetings as well as ensuring synergies between similar projects within UNDP and/or across the UN system. UNDP Country Office Support Services will be provided on an on-going basis to the Project

The Project will deploy 2 staff members in 24 local offices (one Community Development Associate and one driver). Each office will be supported, as appropriate, by short term local consultants for the provision of training and practical advice to the target group as well as for ensuring effective organization of events and information dissemination/experience sharing. The Project's Community Development Associate will be responsible for the organization of all capacity building events of the Project, as well as for communicating with and informing home owners and local councils/ATCs.



## V. LOGICAL FRAMEWORK

**Intended Outcome as stated in the UNDAF/Country Programme Results and Resource Framework:** 4.2 - By 2022, national institutions, private business and communities implement gender-responsive policies and practices to achieve sustainable management of natural resources, preservation of ecosystems, mitigation, adaptation to climate change and generation of green jobs.

**Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:** Growth is inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded

3.2. Share of energy produced from renewable sources in the total final energy consumption (SDG) Baseline (2015): 4.9% Target (2020): 11%

3.3. Share of population benefitting from improved coverage by cost-efficient and sustainable energy in the public sector, by gender: Baseline (2016): 0 Target (2022): 15% (women), 15% (men)

**Applicable Output(s) from the UNDP Strategic Plan:** 1.5.1 Solutions adopted to achieve universal access to clean, affordable and sustainable energy

2.5.1 Solutions developed, financed and applied at scale for energy efficiency and transformation to clean energy and zero-carbon development, for poverty eradication and structural transformation

**Project title and Atlas Project Number:**

EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)		DATA COLLECTION METHODS & RISKS
			Value	Year	Year 1	Year 2	
Output 1 – Home owners are mobilised to organise themselves into HOAs	1.1 Percentage of people/home owners aware of emergency efficiency requirements and solutions for their buildings and EE financing facilities (gender disaggregated) in territories covered by the Project	Baseline and yearly short surveys	tbd	2018	50% (50/50w/m)	75% (50/50w/m)	Data collected via short surveys of home owners in territories covered by Project Risks: minimum. The target group is known and accessible and will be asked to take part in these short surveys
	1.2. Cumulative number of home owners' functional groups, supported by the Project, register their associations	Project records	0	2018	1,000	2,000	Data collected at local Project office level, cross-checked with local registries of NPOs No risks
Project Outcome 1: Increased home owners' engagement in housing stock management and renovations	1.3. Percentage of newly set-up functional groups and HOAs, supported by the Project, are managed by women or with a majority of women in their memberships	Project records Local registers of NPOs	0	2018	30%	50%	Data collected at local office level. No risks
	1.4. Cumulated number of HOAs (both pre-existing and newly created) supported by the Project	Project records Local registers of NPOs	0	2018	2,000	4,000	Project records. No risks

confirm intention to renovate/retrofit their buildings for EE <b>Project impact 1:</b> Increase in the number of HOAs in Ukraine, leading to diversified and competitive housing stock management services	1.5. Percentage of newly set-up HOAs, supported by the Project, manage housing blocks with at least 25% of low-income home-owners	Project and local administrative records	0	2018	20%	20%	A baseline survey will be carried out in all territories covered by the Project to assess the number of housing blocks occupied by low income home-owners. Data on this target group's mobilisation and organisation will be captured through Project records and local administrative records. Risks: minimum
<b>Output 2 – Developed capacities of HOAs in housing stock management, renovations/EE retrofitting planning and resource mobilisation</b> <b>Project Outcome 2:</b> Quality and sustainable energy efficiency solutions identified by trained HOAs and financed by EEF <i>Indicators</i> - % of housing blocks in territories covered by the Project retrofitted for EE - % of renovation costs	2.1. Percentage of trained HOAs representatives confirm use of new skills and competence in running their Associations  2.1 – Number of renovation projects designed by HOAs trained by the Project  2.2 – Number of financing application packages prepared by HOAs trained by the Project  2.3. Percentage of home-owners, in territories covered by the Project, satisfied with HOAs management (including plans for renovations and EE retrofitting) (gender disaggregated)	Baseline and yearly surveys  Project records  Project records  Baseline and yearly survey	tbd  0  0  tbd	2018  2018  2018  2018	65%  1,000  1,000  50%	80%  2,000  2,000  75%	Evidence of HOAs project documentation (including budgets) No risk Evidence of HOAs financing applications No risk Data will be collected on the basis of a baseline survey conducted at Project's start and yearly surveys. No risk

covered by EEf grants in a given location covered by the Project - % of Project's trained HOAs obtain grants from EEf - % of Project's trained HOAs apply, independently, to other types of funding (loans) <b>Project impact 2:</b> Housing energy consumption reduces, leading to a reduction of households' bills and state savings in subsidies	2.5. Cumulative number of positive media coverage on the Project and HOAs energy efficiency solutions/energy savings	Media coverage monitoring records	0	2018	100	200	UNDP is carrying out a systematic and detailed media monitoring of media coverage on all its projects and actions No risk
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## VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:

### Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action
<b>Preparing Feedback reports</b>	To collect the feedback from HOAs supported within the Project on the issues they are facing in the context of preparation and getting external funding for their micro-projects for improved energy efficiency, including the issues related with functioning of EEf. The Feedback Report should include also lessons learnt, problems uncouncted within the Project implementation.	Monthly or quarterly (depending of the Project's phase)	The identified and generalized issues will be reported to the Project's partners, including EUD, Ministry of Regional Development, Housing and Construction of Ukraine, and the Energy Efficiency Fund
<b>Track results progress</b>	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs. Short surveys of home owners will be carried out at the start and end of each Training Cycle	Quarterly  Beginning and end of Project	Slower than expected progress will be addressed by project management. The results of the surveys will be used to provide baseline data and for project's monitoring and evaluation
<b>Monitor and Manage Risk</b>	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.
<b>Learn</b>	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	Quarterly	Relevant lessons are captured by the project team and used to inform management decisions.
<b>Annual Project Quality Assurance</b>	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.
<b>Review and Make Course Corrections</b>	Internal review of data and evidence from all monitoring actions to inform decision making.	Annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.



<b>Project Progress Report</b>	Project Progress Reports (including final report) will be submitted to the EU in line with Article 3 of the GCs.	Semi-annually, annually, and at the end of the project (final report)	
<b>Project Review (Project Board)</b>	<p>A summary of annual Project Progress Report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk log with mitigation measures, and any evaluation or review reports prepared over the period.</p> <p>The project's governance mechanism (i.e., Project Board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.</p>	Annually	Any quality concerns or slower than expected progress should be discussed by the Project Board and management actions agreed to address the issues identified.

#### Evaluation Plan

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNDAF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders
End of Project Evaluation		<p><b>Output 1.5.1</b> Solutions adopted to achieve universal access to clean, affordable and sustainable energy</p> <p><b>Output 2.5.1</b> Solutions developed, financed and applied at scale for energy efficiency and transformation to clean energy and zero-carbon development, for poverty eradication and structural transformation</p>	<p>4.2 - By 2022, national institutions, private business and communities implement gender-responsive policies and practices to achieve sustainable management of natural resources, preservation of ecosystems, mitigation, adaptation to climate change and generation of green jobs.</p>	September 2020	<p>Ministry of Regional Development</p> <p>Ministry of Energy</p> <p>IFC</p> <p>Municipality and ATC Councils, Local Authorities</p> <p>Resource Centres</p> <p>Home owners' functional groups/associations</p>

## VII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

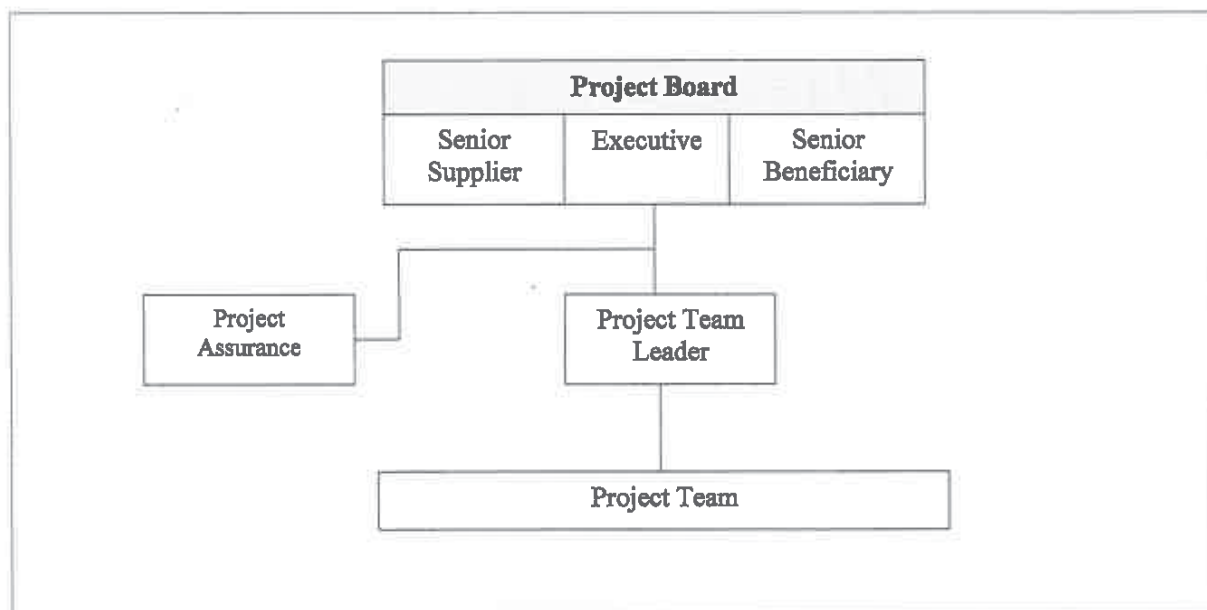
### VII.1 Implementation modality

This project will be implemented under the Country Programme Action Plan using UNDP Direct Implementation Modality (DIM).

The Project requires close and well-timed collaboration with different agencies and stakeholders, numerous territorial units and home-owners and their associations as beneficiaries of the Project outcomes. This necessitates having a substantial level of flexibility in the decision making granted to the Project implementation team.. As the Project's senior beneficiaries, the Ministry of Regional Development, Construction and Housing and Communal Services and the Energy Efficiency Fund (when fully established) have insufficient capacities to effectively coordinate the Project at grass roots level on a regular basis and to maintain collaboration with other ministries and state agencies. The Project's activities are focused on home owners' mobilization and capacity building which requires local presence near the beneficiaries. This also, in our opinion, prevents the project to be in the senior beneficiaries' active portfolios. Finally, Ukraine is still subject to political turbulence, which may be heightened with the upcoming Presidential and Parliamentary elections in 2019. Although the Project will work primarily with non-governmental beneficiaries (home-owners), political uncertainty and the possible emergence of conflicts could impact on the decision-making process of this target group and on their motivation, not only to organize themselves into associations but also to pursue energy efficiency improvements. Political turbulence could also affect government energy efficiency priorities.

For the reasons described above, DIM is considered as the most appropriate mechanism for the Project implementation.

### VII.2 Governance and management set-up



#### • The Project Board

The Project Board is the group of officials responsible for making, on a consensus basis, management decisions for the project when guidance is required by the Project Team Leader, including recommendation for UNDP approval of project revisions. Project reviews by this group are made at designated decision points during the running of the project, or as necessary when raised by the Project Team Leader. This group is consulted by the Project Team Leader for

decisions when project tolerances (i.e. constraints normally in terms of time and budget) have been exceeded.

This group contains three roles:

- Executive (role represented by UNDP) that holds the project ownership and chairs the group,
- Senior Supplier (role represented by EU) that provides guidance regarding the technical feasibility of the project,
- Senior Beneficiary (role represented by the Ministry of Regional Development, Construction, and Housing and Communal Services of Ukraine and the Energy Efficiency Fund) (when fully established) that ensures the realization of project benefits from the perspective of project beneficiaries.

Potential members of the Project Board are reviewed and recommended for approval during the Local Programme Advisory Committee (LPAC) meeting.

Thus, the Board represents at managerial level the interests of the implementing partner (UNDP), responsible parties as well as the EU. Board members are senior managers and have authority and responsibility for the commitment of resources to the project, such as personnel, cash and equipment. The Project Board 'manages by exception', i.e. Board members are regularly informed of project's progress but are only asked for joint decision making at key points during implementation.

The Project Board decision making is not carried out on the basis of votes. The Board's Executive – a UNDP Senior Manager – is the key decision maker as he/she is ultimately responsible for the project's effective and efficient implementation.

The Project Board is appointed by UNDP programme management to provide overall direction and management of the project. It is responsible for ensuring that the project remains on course to deliver products of the required quality to meet expected results. Furthermore, the Board is accountable for the success of the project and has responsibility and authority for Project within the instructions set by UNDP programme management.

The Board approves all major plans and authorizes any major deviation from agreed Project work plans. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and any parties beyond the scope of the project.

Project Assurance is the responsibility of each Project Board member, but the role can be delegated. The Project Assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed. A UNDP Programme Manager holds the Project Assurance role for the UNDP Board member.

Project implementation will be governed by the provisions of the present document and UNDP Operations Manual. The project will utilize a direct payment modality.

#### • **The Project Team**

A detailed description of the Project Team is provided in Section IV.2 of this document (see above).

### **VII.3 Monitoring and evaluation**

The Project will be subject to UNDP's standard monitoring procedures. Project monitoring and evaluation will be based on a periodic assessment of Project's progress, on the delivery of specified project results and achievement of project objectives.

UNDP will organize an external evaluation after project completion, which will focus on assessing the relevance and level of achievement of project objectives, development effectiveness, efficiency, impact and sustainability of outputs.

#### Monitoring frequency

The project deliverables will be monitored on a semi-annual basis at outputs, outcomes and impacts level.

#### Responsible parties

The Project Team Leader and the responsible UNDP Portfolio Manager will bear responsibility for the timely submission and quality of the annual monitoring and reporting

#### Method

Annual monitoring and reporting will review the degree of achievement of Project's outputs and will provide an analysis of the extent to which outcomes are being achieved based on the indicators included in its Logical Framework, as well as key lessons learnt and risks and constraints management.

A detailed Monitoring and Evaluation Plan is provided in Annex VI.



## VIII. RISK MANAGEMENT

1. UNDP as the Implementing Partner shall comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS.).
2. UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the Project funds 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/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml). This provision must be included in all sub-contracts or sub-agreements entered into under this document.
3. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
4. UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
5. UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:
  - a. Consistent with the Article III of the SBAA, the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party's, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:
    - i. 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;
    - ii. assume all risks and liabilities related to such responsible party's, subcontractor's and sub-recipient's security, and the full implementation of the security plan.
  - b. 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 the responsible party's, subcontractor's and sub-recipient's obligations under this document.
  - c. Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
  - d. The requirements of the following documents apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. Each

responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are available online at [www.undp.org](http://www.undp.org).

- e. In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.
- f. Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). It will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

- g. UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this document. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail any responsible party's, subcontractor's or sub-recipient's obligations under this document.

Where such funds have not been refunded to UNDP, the responsible party, subcontractor or sub-recipient agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this document, may seek recourse to such responsible party, subcontractor or sub-recipient for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this document.

- h. Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.
- i. Should UNDP refer to the relevant national authorities for appropriate legal action on any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.
- j. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled "Risk Management Standard Clauses" are adequately reflected, *mutatis mutandis*, in all its sub-contracts or sub-agreements entered into further to this document.

## IX. APPENDICES

### APPENDIX A -- RISKS ANALYSIS (RISKS LOG)

Project Title: Home Owners of Ukraine for Sustainable Energy Solutions (HOUSES) – an action within the EE4U Programme				Award ID:		
#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Management response	Owner
1	Political instability	20/04/2018	Political	Ukraine is still subject to political turbulence, which may be heightened with the upcoming Presidential and Parliamentary elections in 2019. Although the Project will work primarily with non-governmental beneficiaries (home-owners) at local level, political uncertainty and the possible emergence of conflicts could impact on the decision-making process of this target group and on their motivation, not only to organize themselves into associations but to pursue energy efficiency improvements. Political turbulence could also affect government energy efficiency priorities. This risk is however considered, for the time being, as low as the country is fully engaged in energy efficiency reforms and the process of implementing the EU Energy Efficiency Directive.  P = 2 I = 4	<p>The Project will remain politically neutral, but aware of all important policy changes, which may have significant impact on its implementation and results (related to EE, tariffs, etc.)</p> <p>The Project will monitor the situation at local level and re-evaluate risks in the period preceding and following the elections.</p> <p>The Project Board including the Donor will be consulted regarding any significant change to the activity plan because of political circumstances.</p>	Project Team Leader, Community Development Officers

2	The Energy Efficiency Fund does not start operating or its operations are hindered by lengthy administrative procedures, and/or lack of competent staff	15/05/2018	Institutional	<p>In December 2017, the Cabinet of Ministers of Ukraine established Energy Efficiency Fund in the form of state legal entity. The Fund was officially registered on 24 July 2018 and it is expected to be fully operationalized by mid 2019. The HOAs supported by the Project may be seeking for external sources of financing in few months after their engagement, so it is important that the Fund will be operational by that time. The non-operationalization of the Fund would have significant impacts on the Project.</p> <p>P = 3 I = 5</p>	The Project will monitor the situation in close cooperation with IFC and re-evaluate risks on a regular basis. In any circumstances the Project will form a pipeline of potential beneficiaries.	Project Team Leader, UNDP
3	Insufficient motivation of HOAs to participate in the EEF grant programme	15/05/2018	Institutional	<p>HOAs may not be interested in applying to the Fund for financing if the effects of energy efficiency measures, the EEF funding package are not explained clearly and the funding procedures are perceived as complex and cumbersome.</p> <p>P = 3 I = 4</p>	The Project will provide clear and practical information to HOAs and Functional Groups on the Fund's grants programme and on the financing application procedures. Moreover, the Project will work, in close cooperation with IFC, to ensure effective direct communications by the Fund to HOAs on its grants programme and to streamline its funding procedures.	Project Team Leader, UNDP
4	Insufficient number of energy auditors in the country and in some oblasts in particular	15/05/2018	Institutional	An insufficiently developed network of energy auditors across the country, and in specific oblasts, will constrain the HOAs	GI2, the Polish Environmental Fund, as well as the EU will set up specific training for energy auditors to support the activities of the EEF. UNDP will	Project Team Leader, UNDP



				<p>in their applications for EEF financing since energy audits are a pre-requisite for such type of financing.</p> <p>P = 3 I = 4</p>	<p>follow the results of these programme and its impact across the regions. The Project will work with link qualified energy auditors with its beneficiaries to ensure that HOAs trained by the Project can access this type of services. The Project will monitor the situation regarding access to energy audit services in close cooperation/consultation with GIZ and IFC.</p>	
5	Difficulty in engaging disadvantaged groups in Project's activities	20/04/2018	Socio-economic	<p>Low income homeowners may be reluctant to engage in the Project's capacity building programme and set up their associations. Moreover, housing and utilities subsidies may desensitise the population to sign up for energy efficiency measures. This is a risk that has been built into the project design.</p> <p>P = 2 I = 4</p>	<p>It is expected that the EEF will provide additional top-up for subsidy recipients (subject to confirmation by its Supervisory Board when it becomes active). The Project from its side will initiate a dialogue with local authorities in target communities aimed to find joint solutions for these groups of beneficiaries.</p> <p>The Project will ensure that the information that it will provide at its start is fully relevant and sufficient for this target group. In addition, throughout its duration, the Project will maintain socio-economic and gender disaggregated records of participation in project activities, thus identifying areas where greater attention is required to assure equitable participation.</p>	Project Team Leader, Community Development Officers
6	Difficulty in providing relevant skills and competence to homeowners with low educational attainment	20/04/2018	Socio-economic	<p>Homeowners across the country may have differing levels of educational attainment and, generally, weak financial literacy. This risk is considered as being high. UNDP's experience in</p>	<p>Training needs analyses will be carried out at the beginning of each training cycle. The Project training modules will be adapted to the very needs of this target group.</p> <p>Community mobilisation officers</p>	Project Team Leader Community Development Officers

				<p>working at grass roots level has however highlighted the determination of local communities to quickly learn and enhance their skills.</p> <p>P = 3 I = 4</p>	<p>have significant experience of training community members with differing levels of education.</p>	
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