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PROJECT DOCUMENT

Project Title: Support to entrepreneurship and employment development along the Azov sea coastline in Donetsk and Zaporizhzhia regions

Project Number:

Implementing Partner: UNDP and FAO

Start Date:

End Date:

PAC Meeting date:

Brief Description

The Azov Sea region in Ukraine (in particular the coastline regions of the Donetsk and Zaporizhzhia oblasts) is suffering from socioeconomic decline and negative economic dynamics. Although this situation predates the armed conflict in eastern Ukraine, which started in 2014, it has been seriously exacerbated by it. The area's proximity to the military frontline and an escalation of tensions in the Azov Sea at the end of 2018 added further pressure, putting the inhabitants' security and livelihoods (industry, ports, tourism, and agriculture) under increased risks.

The economic downturn in urban centres and rural areas along the Azov Sea coastline in these two oblasts has significantly impacted on people's employment and livelihoods, especially among those engaged in maritime transport, fishing industry, agriculture. It is estimated that the lives of a total of 1,192,000 inhabitants, including 788,500 urban population and 201,000 IDPs, have been affected.

The Project is designed to address the employment and livelihoods issues of the conflict-affected women and men. The resolution of these issues will take place through the provision of dedicated capacity building, advisory and financing support to women and men willing to set up their businesses, particularly those formerly employed in ports and in the fishing industry, to existing agriculture and non-agriculture MSMEs, as well as to start-ups, cooperatives and farmers associations. The goals of the project are to contribute to the development of a dynamic MSME sector having access to strong business markets in the region.

Ultimately, the Project is aimed at improving population resilience and contribute to preventing further deterioration of the economic situation in the target coastline regions of eastern Ukraine.

Contributing Outcomes (UNDAF/CPD) 1.1.1. Share of the added value (by cost of production) in small and medium enterprises, % of total added value (by cost of production) (8.6.2. (UA)) 1.1.5. Employment rate of population aged 15-70, disaggregated by sex and age (8.3.1 (G)) Indicative Output(s) Output 2.1. National and subnational institutions are better able to develop and implement policies and measures that generate sustainable jobs and livelihoods Indicator 2.1.1. Number of new jobs and other livelihoods generated	Total resources required:	19,000,000 DKK (UNORE USD to DKK 6,791 = 2,797,821 USD)	
	Total resources allocated:	Donor Denmark:	
	Unfunded:		

Agreed by (signatures):

Government	UNDP	Implementing Partner
Print Name:	Print Name:	Print Name:
Date:	Date:	Date:

ACRONYMS

AAS	Agricultural Advisory Services
DCFTA	Deep and Comprehensive Free Trade Areas
DKK	Danish currency
DMFA	Danish Ministry of Foreign Affairs
EU	European Union
EUR	Euro currency
FAO	Food and Agriculture Organization
GCA	Government Controlled Areas
IDs	Internally Displaced Persons
IOM	International Organization for Migration
MSMEs	Micro, Small and Medium Enterprises
NGCA	Non-Government Controlled Areas
NGO	Non-Governmental Organization
RPP	Recovery and Peacebuilding Programme
SBAA	Standard Basic Assistance Agreement
SDG	Sustainable Development Goal
SSSU	State Statistical Services of Ukraine
UAH	Ukrainian hryvnia (Ukrainian currency)
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNPF	United Nations Partnership Framework
USAID	United States Agency for International Development

I. BACKGROUND AND DEVELOPMENT CHALLENGE

I.1. Situation analysis

The Azov Sea region in Ukraine (in particular the coastline regions of the Donetsk and Zaporizhzhia oblasts) is suffering from socioeconomic decline and negative economic dynamics. Although this situation predates the armed conflict in eastern Ukraine, which started in 2014, it has been seriously exacerbated by it. The area's proximity to the military frontline and an escalation of tensions in the Azov Sea at the end of 2018 added further pressure, putting the inhabitants' security and livelihoods (industry, ports, tourism, and agriculture) under increased risks.

In 2017¹, more than 20 per cent of the Ukrainian exports of steel, worth USD 2.3bn, were going through the port of Mariupol (Donetsk oblast), while the port of Berdyansk (Zaporizhzhia oblast) - located only 80 kilometres away - was primarily used for the shipment of metallic ore and grains. The unrestricted operation of these ports had been guaranteed by the provisions of the Ukrainian-Russian agreement² ratified in 2004, which sets out the rules for use of the Sea of Azov by both countries. The construction of a 19 km long bridge by the Russian Federation over the Kerch Strait has however interfered with navigation in Azov Sea. The bridge span hangs 33 meters above the waterway, thus limiting the passage of large vessels underneath it. In addition, ocean-going ships with a length exceeding 160 meters have been prohibited from navigating in the Kerch Strait. The introduction of the new size limits has been preventing 144 vessels that had previously been using the Ukrainian ports from passing through the strait. This accounts for 23 per cent of the total number of vessels, but as much as 43 per cent of the cargo when tonnage is taken into account.

According to the Ukrainian Sea Ports Authority, Ukrainian sea ports along the Azov Sea coastline have lost around USD 232.7 millions of incomes since the start of the conflict. This number does not include losses by businesses associated with the ports of Berdyansk and Mariupol, under traffic blockade since November 2018. On 25 November, three vessels of the Naval Forces of the Ukrainian Armed Forces – two artillery boats “Berdiansk” and “Nikopol” and one tug boat “Yany Kapu” – en route from Odessa to Mariupol were involved in an incident with vessels of the Russian Federation. Reportedly, weapons were used, six sailors were wounded, and the three Ukrainian vessels were seized. The incident resulted in the invocation of the Martial law in several regions of Ukraine, including Donetsk and Zaporizhzhia oblasts, implemented for a 30-day period and coming to an end in December 2018. During the period from 28 November to end December 2018, the volume of trans-shipment through the ports of Berdyansk and Mariupol was reduced, and shipment flows were redirected to the ports of Odessa.

The continuous limitations of freedom of passage across the Kerch strait have not only impacted on Ukrainian maritime freight, but they have caused, according to an assessment of the Association of Fishery Enterprises of Ukraine, significant losses for the fishing industry (about 90 fishery enterprises in Zaporizhzhia, Donetsk and Kherson oblasts were hit); 300,000 jobs (including processing, storage, sales and logistics) were directly affected by the conflict and the blockade. Yet, the situation could improve as the distribution of fishing quotas for 2020 will be determined through the signing of a protocol at a meeting of the Ukrainian-Russian fisheries commission on 13 November³.

These events have so far led to an accelerated economic downturn in urban centres as well as rural areas along the coastline, impacting on employment and livelihoods for those engaged in maritime transport, fishing industry, agriculture. While urban population employment in these coastline areas depends to a large extent on the activities of the Ukrainian Sea Ports Authority, private freight, industrial fishing companies and on (seasonal) tourism, rural population's livelihoods is more dependent on small scale (household) agriculture and fishing.

Socio-economic development monitoring data⁴ of the Donetsk and Zaporizhzhia oblast since 2015 have shown low or decreasing performance rankings compared to other regions of Ukraine. The most recent (2018) monitoring and ranking data⁴ highlight low development indexes in the two regions and a ranking at, respectively, the 24th and 20th places out of 25 oblasts:

- despite of the fact that *Zaporizhzhia oblast* shows comparatively strong GRP index (5th place),

¹ According to Financial Observer EU

² http://zakon4.rada.gov.ua/laws/show/643_205

³ According to Ministry of Energy and Environmental Protection of Ukraine

⁴ Results of the monitoring of socio-economic development of regions in 2018, Ministry for the Development of Communities and Territories of Ukraine, Construction and Housing and Communal Services of Ukraine

industrial production index (3rd place), exports level (3rd place) and size of the MSME sector (8th place)⁵, it also displays a weak agriculture production index (24th place), and low MSME production capacities. Average (ILO calculated) unemployment rate at oblast level was 9.9% of total population aged 15 to 70 in 2018⁶.

Out of a total of 20 rayons and 5 municipalities, one city/port (Berdyansk), two municipalities (Melitopol and Tokmak) and eight rayons (Berdyanskiy, Bilmakskiy, Huliapolskiy, Melitopol'skiy, Orikhivskiy Priazovskiy, Primorskiy and Yakumivskiy rayons) have been most affected by the conflict. This represents a total population of 564,000 inhabitants⁷ (out of which 100,000 in urban centres).

- For most of the indexes, *Donetsk oblast* ranking is localised between the 21st and 25th places. Yet, industrial production levels are comparatively high (4th place) similar to those of Zaporizhzhia oblast, and it is leading in terms of capital investments (1st place, Zaporizhzhia oblast being only at the 23rd place for this index). Its MSME sector has shrunk with 9,700 enterprises employing 168,000 people in 2018 (compared to 11,311 MSMEs employing 236,000 people in 2014)⁸. Agriculture production index is one of the lowest of all regions, as is the MSME sector index. Average (ILO calculated) unemployment rate at oblast level was 14.0% of total population aged 15 to 70 in 2018⁵

Out of a total of 15 cities and 13 rayons under Ukrainian government control, three rayons (Mangushskiy, Nikolskiy and Volnovakhskiy rayons) and the 2nd largest city in the oblast, the port of Mariupol, are bordering the Azov Sea and have been affected by the conflict. This represents a total of 628,000 inhabitants (including 486,000 in Mariupol)⁹.

The number of internally deported people (IDP) who have relocated to the coastal regions of Donetsk and Zaporizhzhia oblasts stood at an estimated 201,000 as of July 2019¹⁰ out of a total number of 543,000 IDPs¹¹ (488,000 in Donetsk and 55,000 in Zaporizhzhia oblasts). Mariupol has the highest number of IDPs (96,600) among urban centres along the coastline.

I.2. Key Challenges to be addressed by the Project

In the above-mentioned context, the resilience and sustainable livelihood opportunities of the communities in the Azov Sea coastline regions need to be strengthened. Agriculture and tourism are, currently, key sectors for promoting employment generation and recovery of the economy in these regions. The importance of agriculture has increased markedly since the conflict which led to the loss of key industries and markets for food products. The small enterprise sector could present opportunities to diversify employment.

In this respect, the key challenges that the Project will have to address are the need:

- for people formerly employed in heavy industry, mining, ports and fisheries in the region to embrace new economic and/or employment opportunities. Former employees of these industries have old skills sets and an undiversified work experience (mainly concentrated on one employer). Looking for new work opportunities, including the possibility to operate as private entrepreneurs, and undertaking programmes of re-skilling may be challenging for this category of workers.;
- for rural population (in particular along the coastline) to become more organised and productive. This population is usually self-employed in small-scale agriculture and fishing. Because of a lack of financing, of knowledge of production technologies and equipment, as well as management skills, the economic activities of these people are limited to just ensuring a day-to-day living for themselves. The challenge here is for these farmers and fishermen to want to go beyond a mere subsistence mode to transform themselves into entrepreneurs, equipped with the necessary set of skills and with the understanding of new production techniques and new markets (including non-farming)
- for existing small enterprises in the coastal regions, to understand their development needs, think up new business strategies and capacities in order to enter new or existing value chains and markets. The

⁵ in 2018, there were 14,967 MSMEs employing 169,000 people in Zaporizhzhia Oblast (compared to 14,462 MSMEs employing 188,000 people in 2014) – source SSSU

⁶ Source: State Statistics Service of Ukraine - ILO unemployment rate of population in 2018, by region

⁷ 2015 Wikipedia data estimates

⁸ SSSU data

⁹ 2012 Wikipedia data estimates

¹⁰ <https://reachmaps.shinyapps.io/UkraineIDPs/>

¹¹ IOM 2019 data

sector of small enterprises is under-developed in the two oblasts, lacking the right skills set, access to information and financing, as well as organisational and marketing capacities to promote themselves. The challenges for these enterprises, in this region, are exacerbated by diminished infrastructure, a difficult social setting, serious financial barriers and isolation from business networks. The local business environment is also impacted on by high levels of corruption, lost access to oblast centres on the other side of the contact line, for Donetsk oblast rayons, lack of security. Across the two oblasts, a significant drain of entrepreneurial talent has been observed as many business-minded people moved out to other regions or abroad.

Failure to address the above-mentioned challenges will impact negatively on vulnerability levels and will lead to lost confidence in the state.

II. STRATEGY

The Project is designed to address the employment and livelihoods issues of conflict-affected population living along the Azov Sea coastline (a total of 1,192,000 inhabitants, including 788,500 urban population). The resolution of these issues will take place through the provision of dedicated support to unemployed people, particularly formerly employed in ports and in the fishing industry, existing agriculture and non-agriculture MSMEs, as well as start-ups, cooperatives and farmers associations. Ultimately, the Project will help improve population resilience and contribute to preventing further deterioration of the economic situation in the target coastline regions.

II.1 Theory of change

The **theory of change** underpinning the Project argues that

If access, by the target group, to relevant and systematised business information, as well as to business skills is tangibly improved

and if new or existing entrepreneurs and MSMEs have easier access to business financing

and if entry to new or existing markets and value chains is facilitated for these entrepreneurs and enterprises,

then employment and livelihoods issues among the population of the Azov Sea coastline will reduce thanks to the growth of a dynamic and sustainable entrepreneurship and MSME sector in the region and the capacity of these enterprises to enter new value chains and markets within and outside their geographical boundaries. This will result in overall increased resilience of this target population.

The theory of change also argues that economic development successes achieved can play an important role in conflict transformation and peacebuilding. Along with rebuilding critical infrastructure, reviving institutions and restoring security, strengthening local business capacity and supporting homegrown entrepreneurs (both agricultural and non-agricultural, including young people and women) are among the first priorities and the most powerful instruments to lay the foundation for economic recovery and for improved security levels in these areas.

The Project's theory of change is based on the following assumptions:

- there is sustained political willingness to seek solutions in the conflict-affected area
- Ukraine's political leadership is committed to national reforms, conducive to economic recovery and regional development
- local authorities are attentive to private sector development in their support and budget decisions and partner with international organizations to achieve synergies of results
- systems of inclusive local governance are developed and are seen as legitimate by communities.
- committed financial resources are available in a timely and consistent manner.

II.2. Approach to Project implementation

For its implementation, the Project will be fully integrated into the UN Recovery and Peacebuilding Programme (RPP) in eastern Ukraine, coordinated by UNDP, and will particularly be implemented in partnership between UNDP and the UN Food & Agriculture Organisation (FAO).

II.2.1. The Recovery and Peacebuilding Programme (RPP)

UNDP has been active and present in eastern Ukraine for the past decade, prior to the conflict, with a focus on community development, civil society development, and environmental protection. Work on addressing the specific conflict-related development challenges discussed above built on this earlier engagement and established partnerships and started in 2015 through the **Recovery and Peacebuilding Programme (RPP)**, a multi-donor funded framework programme formulated and led by the United Nations Development Programme (UNDP) in collaboration with the Government of Ukraine and in cooperation with a number of partnering UN agencies (UN Women, FAO, UNFPA).

The RPP was designed to **respond to and mitigate the causes and effects of the conflict**. It is based on findings of the Recovery and Peacebuilding Assessment (RPA) and is aligned to the State Target Programme for Recovery as well as to the two oblast development strategies up to 2020. The RPP involves three pillars for action: 1) restoration of infrastructure and social services; 2) economic recovery; and 3) social resilience and peacebuilding. It is an integral component of the UNDP Country Programme and is therefore fully aligned with the United Nations Partnership Framework (UNPF). It is closely interlinked with the Democratic Governance and Reform Programme, operating nationally and in all of Ukraine's regions and is consistent with the SDGs.

Specifically developed for the conflict-affected areas of eastern Ukraine, the RPP addresses the key stabilization, peacebuilding, economic and governance priority needs in eastern Ukraine following the start of the conflict. It takes into account the opportunities that have arisen from the Minsk Protocol of September 2014 and the renewal of its cease-fire provisions and is also fully adjusted to the humanitarian-development nexus.

The Programme's interventions are grouped under the following key Programme components, which reflect the region's priority needs:

- Component 1: Economic Recovery and Restoration of Critical Infrastructure
- Component 2: Local Governance and Decentralization Reform
- Component 3: Community Security and Social Cohesion.

The Programme, which operates on the basis of a pooled funding arrangement, follows a multi-sectoral programme-based approach and is implemented using an area-based methodology. It is a unifying interventions framework for 23 projects funded by 13 international partners with, to date, total funding amounting to **USD 124,958,982**.

II.2.2. Project Implementation

The Project will contribute to promoting peace and stabilisation in eastern Ukraine, through developing socio-economic resilience of the target population, thus complementing the EU Support to the East project. It will be working with potential, new or existing entrepreneurs to develop their capacities to effectively plan and sustainably manage their businesses but also to access financing and market opportunities.

In line with the overall approach of the RPP, the Project will be using an **area-based methodology** to carry out its activities. This methodology is the most relevant and suitable for this Project as it targets a specific territory in Ukraine, and along the Azov Sea coastline in particular:

- in Zaporizhzhia oblasts, the Project will work in eight rayons: Berdyanskiy, Bilmakskiy, Huliaipolskiy, Orikhivskiy, Melitopolskiy, Priazovskiy, Primorskiy and Yakumivskiy rayons, and in two large urban centres: the municipalities of Berdyansk, Melitopol and Tokmak. These represent a total population of 564,000 inhabitants
- in Donetsk oblasts, the Project will work in three rayons and one city (port): Nikolskiy, Mangushskiy, Volnovakhskiy rayons and the city (port) of Mariupol. This represents a total of 628,000 inhabitants.

While the Project will focus its development actions primarily at the local level, engagement at the regional and national levels will be necessary to ensure effective knowledge sharing and contribution to policy development mechanisms. UNDP coordinates closely with the Government and other development partners in the areas of private sector development. The area-based work in eastern Ukraine is closely linked to these national-level coordination and policy advocacy efforts through cooperation with relevant thematic portfolios in the Country Office.

II.3 UNDP's work on private sector (including MSMEs sector) development - Lessons learnt

The obstacles faced by entrepreneurs and MSMEs are similar across the whole country. However, the challenges faced by population in the targeted regions are exacerbated by security risks and maritime blockade, diminished public infrastructure and an isolation from regional and national business networks.

Lessons learned from previous UNDP RPP initiatives providing support to the conflict affected areas of eastern Ukraine are showing that:

- most of the local newcomer entrepreneurs often lack an elementary understanding of business operations and management, and the majority, particularly those involved in agricultural related activities, find difficulties in accessing credit. As a result, the level of success of those new entrepreneurs is low

- there is generally a high demand among the local population to participate in training sessions related to opening or expanding small business and to obtain start-up grant financing
- the economic and social impacts of supporting businesses in conflict-affected zones greatly depend on the level and continuity of the assistance provided
- the necessity-driven “survival” entrepreneurship pattern, particularly but not exclusively observed among IDPs, makes people vulnerable to political and economic volatility in the conflict-affected region. Not only these persons usually lack necessary knowledge to operate a business but more importantly, if they already have a business, have no intention or see no opportunities to grow. They are typically very small “one man/woman” businesses keeping business afloat while living on the profits from one day to next, and only seldom grow into larger firms. They are also often concentrated in low entry-threshold activities and face difficulties in shifting to more advanced and profitable business fields
- In general, beginner entrepreneurs, including those who have already received funding or in-kind support from UNDP and FAO, need additional support and coaching for turning their business into a sustainable source of income.

The latest (February 2018) Evaluation Report of the RPP lists a number of **recommendations** that the RPP and the Project will aim at fulfilling, in particular relating to the need to:

- move RPP activities close to the coastline to address the needs of those most impacted by the conflict
- keep the Programme’s flexible framework and an administrative system that is deliverable-oriented; concentrate the Programme’s activities on pilots, building model processes and services,
- minimize subsidies and develop/communicate clear exit strategies
- enhance inclusion of women and youth in component activities to make them part of the process of recovery, reform and development

II.4. Denmark and UNDP partnership in Ukraine (including eastern Ukraine)

Denmark has been the main partner for UNDP Ukraine in recent years, already prior to the 2014 Maidan Revolution, but in particular in support of democratic and human rights reforms for the past three years. Since 2015, the Support to the Office of the Ombudsperson project, has contributed to the expansion of the Ombudsman Office presence at the regional level, increasing the capacities of the OO to contribute to urgent reform agendas and respond to emerging human rights challenges in Ukraine, including Donetsk and Luhansk oblasts. Denmark has also funded UNDP’s Enhancing Transparency and Integrity project (2015-2018) focused on the establishment of new anti-corruption bodies in Ukraine and preventing corruption by enhancing transparency and integrity in all state institutions. Another project, the “Civil Society for Enhanced Democracy and Human Rights in Ukraine” project (2017 to 2022) is aimed at enhancing the institutional capacity of civil society actors in the regions of Ukraine to have a stronger impact on the reform processes in the country in the areas of democracy and human rights and to contribute to more inclusive, democratic and rights-based governance. A new project, which started in 2019, supported through pooled funding of the governments of Denmark, Sweden and Switzerland, is aimed at strengthening governance and citizens engagement for improved services in the fields of justice, community security and environmental protection.

The funder of this Project, the **Denmark’s Ukraine Peace and Stabilization Programme** (UPSP) 2018-2021 is a four-year programme of civilian and military stabilization support to eastern Ukraine financed through the Danish Peace and Stabilization Fund (PSF). It builds on Denmark’s current and previous diplomatic, stabilization, and development support and has been designed to complement Denmark’s other channels of support within an overall funding envelope of DKK 120 million between 2018-2021. This multi-year approach thereby further strengthens Denmark’s contribution to the international community’s support to Ukraine for conflict-affected eastern Ukraine, and it reinforces Denmark’s commitment to stability and good governance. The support package is provided through two thematic programmes: 1. Community Security and Social Cohesion and 2. Support to reform of the Armed Forces of Ukraine, based on the priorities expressed by the Ukrainian Government and aligned with the expressed desire of enhanced stability, economic and social development and closer association with the EU and NATO.

The project will fall within the first thematic programme of the UPSP to be managed by the **Danish Ministry of Foreign Affairs (DMFA)**.

II.5. FAO assistance in Ukraine

FAO's assistance in Ukraine is shaped by the 2016-2019 FAO Country Programming Framework (CPF), which is centered on four priority areas:

- a) Business climate and law enforcement and setting up of a stable legal framework, with a focus on phytosanitary control services at national level; sustainable land management and soil conservation; seed sector; prevention, control and surveillance of Transboundary Animal Diseases; animal production; and adaptation of the current legislation with international and EU requirements
- b) Land reform and food security, through support to development of a land consolidation instrument as well as appropriate tools such as governance mechanisms and monitoring systems as well as capacity development and awareness programmes
- c) Agrofood production chain development and access to international markets, strengthening capacities of main stakeholders involved in this process
- d) Environment and management of natural resources, including forestry and fisheries, with an emphasis on land, water, forestry, genetic resources and biodiversity

In the conflict affected areas of eastern Ukraine, since 2015, FAO is working to:

- provide immediate food assistance to the most vulnerable to avoid irreversible negative coping mechanisms.
- assist farming families to support their household food security needs with self-production and channeling surplus to functional markets for income generation.
- provide early recovery livelihoods and income-generation support to conflict-affected populations, including displaced people and host families, to strengthen their resilience.

FAO has been supporting around 47,000 households located along the “contact line” through different types of agricultural resources, including young poultry, rabbits, animal feed, vegetable seeds, drip irrigation systems, etc. In fall 2019, it has distributed 330 tons of animal feed among another 2 200 rural households and livestock holders in the area.

II.4 Inter-project synergy and coherence

Inter-project synergy and coherence is warranted by the RPP since it acts as a framework program through which all interventions, including the Project, are planned, carried out and monitored in line with the Programme priorities.

The Programme, implemented by UNDP, is coordinated at the level of the **UNET (United Nations Eastern Team)** which is comprised of eleven United Nations agencies, funds and programmes present in the East of Ukraine. This mechanism focuses on improving the coordination and results of UN recovery, peacebuilding and development work in Government Controlled Areas of Eastern Ukraine.

The Project's interventions will be aligned with and will complement those of the EU funded project “**EU Support to the East of Ukraine – Recovery, Peacebuilding and Governance**” implemented by UNDP in partnership with UNFPA, FAO and UN Women. The EU funded project is aiming:

1. To enhance local capacity for gender-responsive decentralisation and administrative reforms to improve governance, local development and the delivery of services.
2. *To stimulate employment and economic growth by providing assistance to Micro, Small and Medium Enterprise (MSME) development through demand-driven business development services and professional skills training.*
3. To enhance social cohesion and reconciliation through promotion of civic initiatives.
4. To support sector reforms and structural adjustments in health, education and critical public infrastructure to mitigate direct impacts of the conflict.

The Project and the EU Support to the East project will particularly cooperate on the second objective. They will synergise dissemination of common or complementary development solutions for their more effective and efficient scaling-up.

The Project will also closely coordinate its activities with other nation-wide projects/initiatives such as:

- International Labour Organisation (ILO), in particular in relation to the ILO's Decent Work Country Programme for Ukraine, as well as transferring best practices that can be used for linking up the

private sector, State Employment Services and final beneficiaries in the targeted regions, in developing local employment partnerships.

- the USAID funded ULEAD project (Leadership Program, Promotion of Export, Investment, and Development), in particular in relation to market entry solutions for MSMEs
- the USAID funded ERA project (Economic Resilience Activity, implemented by DAI), in particular in relation to the value chains support and development
- the USAID Agriculture and Rural Development Support (ARDS) project, in particular in relation to promoting an enabling environment for agricultural SMEs
- Canada funded projects for the development of Milk business and Horticulture
- the Competitive Economy Program (CEP) funded USAID, in particular in relation to development MSMEs competitiveness and trade links and capacities
- EBRD funded projects such as a) the DCFTA SME Direct Finance Facility, which provides business loans facility for capital investment, b) the projects “Network of Business Support Centres in Ukraine” (under the EU4Business programme) and “Women in Business”, aimed at improving to access to finance by Ukrainian SMEs

In order to ensure effective projects’ interactions and coordination,

- working at grass roots level, the Project will adopt a coherent approach to Project implementation, ensuring the *complementarity of its actions and results to be achieved*, in particular with those of the EU Support to the East Project, in terms of business training, counselling and grants provision;
- working at regional level, the Project will directly engage with other projects/donors’ staff members/representatives to *share and promote the sharing* of respective approaches, models and results achieved and will participate in all policy development dialogues taking place at that level.
- at national level, the Project will *share results of the tested models and lessons learnt* and will take part in all *relevant policy development dialogues* taking place at that level.

III. RESULTS AND PARTNERSHIPS

III.1. Expected Results

The Project's overall goal is to improve the resilience of local population affected by the conflict and prevent further deterioration of the economic situation in Donetsk and Zaporizhzhia regions along the Azov Sea coastal line of Ukraine¹².

The key **intended outcomes** of the Project are:

Outcome 1: the MSMEs sector in these coastal areas grows, generating the creation of new jobs, and

Outcome 2: MSMEs, in the target regions, successfully integrate new or existing markets, providing them with improved perspectives for sustainable business operations and long-term business development.

The Project's outcomes are in line with UNPF 2018-2022 priorities and strategies in its Pillar 1, focused on sustainable economic growth and employment. It is also in line with the national reforms and policies in the sphere of MSME development.

The Project approach builds on the core principle of "leaving no one behind". It is particularly focused on SDG 8 – Decent work and economic growth.

The Project's interventions are organised under 3 key outputs, to be achieved through activities that will be carried out in cities and rayons along the Azov Sea coastline:

Output 1.1. – Improved access to relevant business information, skills development and support

Output 1.2 – Improved access to business financing

The fulfilment of Outputs 1.1 and 1.2 will contribute to the realisation of *Outcome 1*.

Output 2.1 – Improved access to new or existing markets.

This output will contribute to the realisation of *Outcome 2*.

The Project's outputs will be achieved through the implementation of a number of activities as follows:

Under Outcome 1 (the MSMEs sector in these coastal areas grows, generating the creation of new jobs)

Output 1.1 – Improved access to relevant business information, skills development and support

Activity 1.1.1. Support the development of effective business information systems, communication network and network of advisory services

Entrepreneurs require timely and relevant information both to start business activities and/or to grow their businesses. As a business develops, the challenges it faces also tend to grow. The owner of a growing business is likely to be looking for different types of information than someone having business in the start-up stage or only thinking to launch one. Business owners are also looking to easily exchange/share information with other owners. It is therefore important that the information provided is relevant for each target group and is easily accessible and that it is associated with an effective information exchange/communication system.

Under this activity, the Project will:

- develop a business information platform relevant to the needs of each target group. The platform will be designed, taking into account existing information systems and best practices, and will be tested with users' participation before being launched. The platform will be widely advertised among the population of the target regions and beyond
- promote the creation of innovative and effective information exchange/communication networks for would be and existing entrepreneurs. Best practices will be reviewed and drawn upon for the set-up of such networks. Once in place and their effectiveness having been tested, the networks will be widely publicized in the target regions and beyond

¹² in Zaporizhzhia oblast, in Berdyanskiy, Bilmakskiy, Huliaipolskiy, Melitopolskiy, Orikhivskiy, Priazovskiy, Primorskiy and Yakumivskiy rayons, and in the cities of Berdyansk, Melitopol and Tokmak
in Donetsk oblast, in Nikolskiy, Mangushskiy, Volnovakhskiy rayons and the city (port) of Mariupol

- promote the establishment of an effective and widely accessible network of advisory services to farmers and agriculture MSMEs. In particular for the development of effective agriculture extension services, the project will:
 - a) Identify MSMEs' and farmers' needs for Agricultural Advisory Services (AAS)
 - b) Assess existing service providers in the region and identify potential AAS actors
 - c) Create and implement capacity development programmes for the identified actors
 - d) Establish linkages with AAS actors from other oblasts and/or territorial communities, especially from the Donetsk and Lugansk oblasts.

Activity 1.1.2. Develop and deliver a skills enhancement programme for potential and existing entrepreneurs, farmers and cooperatives.

Investing in skills development, both formal and informal education, is an effective strategy to attract people to set up a business, and help business expand activity, sustain and improve productivity, and strengthen cooperation skills between MSMEs, farmers, cooperatives and other stakeholders. The Project's business-skills trainings will be tailored to the varied needs of entrepreneurs (with a particular attention to young farmers and women). For instance, those lacking basic business knowledge will be provided training on (among others) business planning, financial recordkeeping, and identification of market opportunities. For already established MSMEs, and other target beneficiaries (individuals, agriculture cooperatives, etc.), trainings will be focused on skills and competences needed to access grants and loans; business management skills; skills to assess business opportunities; understanding of online marketing, etc.

Under this activity, the Project will:

- carry out surveys of training requirements of the target groups
- based on the results of the surveys, develop and test a variety of training programmes
- deliver training programmes in targeted urban and rural centres
- promote cooperation/contracting schemes between relevant agriculture stakeholders

Training programmes will provide particular support to entrepreneurs and MSMEs in:

- Creating a business vision
- Creating product/service offering and evaluating business uniqueness
- Writing a business plan
- Developing a business strategy
- Creating a marketing, promotion, pricing, and social media strategy
- Evaluating funding options
- Planning business growth and scaling strategy.

For agriculture stakeholders, the Project will provide:

- cooperative members with training programmes in leadership, meeting management, democracy and administration, and capacity development opportunities to exchange experience with successful cooperatives in the region and disseminate good practices and service contracting schemes
- young farmers with specific capacity development programme

Output 1.2 – Improved access to business financing

Activity 1.2.1. Design and launch a business grant scheme

Under this activity, the Project will:

- design a business grant scheme and its disbursement criteria, drawing from UNDP and FAO's previous business grant schemes management experience. Specific eligibility criteria for agriculture/farming related business plans, and as well as dedicated evaluation criteria for business models related to agriculture MSMEs, farms and cooperatives will be developed
- launch a call for applications in the target areas, through a wide public information campaign.

Activity 1.2.2. Provide small-scale financing through the grant scheme

Project business grants, including agriculture development/farming business plans, of up to 6,500 EUR (to be disbursed in UAH) will be provided to local entrepreneurs in target regions having submitted a viable business

project. The Project will ensure that the grantees' selection process is carried out in a clear and transparent manner through the organisation of selection panels composed of relevant, capable and objective members.

Business grants will be aimed at covering the following:

- procurement of equipment necessary to start production activities;
- procurement of tools to start providing services;
- hiring additional staff and expanding business;
- renting office or site for production/service provision;
- purchasing of inputs for production/services provision;
- purchasing of franchise under commercial concession (franchising) agreement with respective equipment; etc.

The Project will also be helping entrepreneurs and enterprises to link up with financial institutions for additional business financing.

Activity 1.2.3. Develop and deliver consultancy support services for business development, product or service improvement, and promote experience sharing

To ensure that newly created micro, small and medium enterprises are able to sustain, develop and expand business in a fragile environment, various consultancy support services will be provided on an on-going basis by the project. This will be arranged through designing and implementing a voucher programme to provide micro, small and medium enterprises with: (1) legal advice; (2) accounting advice; (3) marketing advice. Beneficiaries of the Project, as well any micro, small and medium enterprise operating in the targeted regions will be able to apply to this programme.

In addition, a series of study-tours, within Ukraine and internationally, will be organized by the project for the owners and managers of the local MSMEs. The main purpose of these visits will be to share experience of entrepreneurs and MSMEs, as well as governmental and non-governmental organizations in promoting the development of MSMEs, strengthening their competitiveness and reaching new markets.

Under this activity, the Project will:

- conduct an information campaign to inform potential beneficiaries about the available voucher programme and to raise awareness about its benefits.
- ensure provision of remote and face-to-face consultations in legal, accounting, product quality and marketing issues to eligible beneficiaries.

Consulting services will be provided in the following areas:

- legal issues (including registration, re-registration, obtaining permits, certificates etc.)
- accounting and taxation (including auditing, reporting etc.)
- marketing (including business and product promotion among customers, using social media, cooperation with mass media, developing new markets etc.). This will include the branding and promotion of locally produced agricultural products.
- provision of extension services (for farming entrepreneurs and enterprises, in particular young farmers and women in agriculture), including advice on good hygiene practices, product quality and standardization.

Under Outcome 2 (MSMEs, in the target regions, successfully integrate new or existing markets)

Output 2.1 – Improved access to new or existing markets

The Project will support the region-based entrepreneurs and MSMEs in identifying new or existing markets for possible entry, in facilitating the creation of contacts and partnerships within these markets and promoting entrepreneurs and enterprises' visibility.

Activity 2.1.1. Identify key agriculture/non-agriculture sectors for market entry

Taking into account the results of a value chain assessment carried out by the EU Support to the East project¹³, the Project will carry out an in-depth marketing research on the *prioritized* agriculture/non-agriculture sectors and value chains, with the purpose of identifying entry points for the target entrepreneurs and enterprises.

¹³ assessment results will be available in January 2020

A presentation of the results of the research will be carried out among target groups, accompanied by advisory support to help businessmen and businesswomen understand the implications of the research findings for their own businesses and make appropriate decisions.

Under this activity, the Project will organise study programmes within or outside the oblasts for target groups to acquire a good understanding of market entry and value chains requirements in those identified economic sectors.

Activity 2.1.2. Facilitate access to identified markets and value chains

Under this activity, the Project will facilitate entry to identified (in activity 3.1.) markets/value chains by the target group through visibility building mechanisms and events, and promotional campaigns. Purposeful communications with key business stakeholders as well as the general public will be supported through (among others):

- the set-up of online presence and visibility mechanisms (e.g. business web-sites clearly and innovatively describing business products and services, delivery means, success stories, etc.);
- local, regional and national business promotion events such as East Expo organised annually by UNDP in Kiev and Lviv¹⁴ to promote MSMEs in Donetsk, Luhansk, Zaporizhzhia oblasts
- activation of entrepreneurial networks.

Activity 2.1.3. Promote formation and development of clusters, business groups and associations

Clusters, business groups and business associations are communities of entrepreneurs who work closely with local authorities and universities in order to become more competitive and improve the economy of their regions. They are effective mechanisms to promote regional products at national and international levels and stimulate exports.

There are currently three clusters/business groups in Zaporizhzhia oblast: the technological innovation cluster "AhroBUM", a cluster of honey production "Bee knows no boundaries," and a food cluster "Buy Zaporizhye products!". Four clusters/business groups function in Donetsk oblast: Ceramic Cluster, Mariupol IT Cluster, Donbas Fashion Cluster and tourism cluster "Hospitality Industry of Donetsk region".

The Project will support its target group in understanding the types of clusters¹⁵ that can be formed, their role in a regional context and how to integrate new or existing regional agriculture or non-agriculture clusters, business groups and associations. This will require:

- carrying out a review of existing clusters, business groups and associations in the two regions and analysing their effectiveness
- providing information workshops/training on the results of the above analysis
- providing advice on and support to join existing clusters, business groups or associations or to create new ones,
- supporting the establishment of contacts and communications between Project's target group and clusters/groups members, for instance through (but not limited to) the use of the Ukrainian Clusters Portal.

III.2. Resources Required to Achieve the Expected Result

The key resources that will be required by the Project to achieve its expected results include:

Human resources

- a) Project staff will be drawn from existing team members in the RPP Component no 1. These comprise:
- Programme Coordinator
 - Business Development Specialists (2 persons)

¹⁴ in 2017, in Kyiv with the financial support from the government of UK, Japan and Poland; in 2018 in Lviv with the support of the governments of Poland, Japan and the US Embassy, in 2019 in Kyiv, with the support of the governments of Poland, Japan and of the EU

¹⁵ four types of clusters: production (including agriculture) clusters; innovation and technological clusters (geographically localized companies, linked by innovation product chains; tourism clusters; transport and logistics clusters.

- Vocational Education Development Specialist
- Local Coordinator
- Programme Associate

These team members will be responsible for the overall implementation of the Project. They are fully familiar with communities and business development issues in the target regions and experienced in actions implementation in eastern Ukraine through their involvement in a large number of projects, including, currently, the EU Support for the East Project.

To complement this team, the Project will recruit a Specialist on Entrepreneurship and Employment. This specialist will ensure not only the adequate development and effective implementation of Project's business development and employment promotion activities but also their relevance to the target groups.

b) Short term expertise and regional offices support:

- short term consultants (trainers, analysts, agriculture development specialists, IT specialists, etc.) will be called upon to implement certain project's activities. The cost of these consultants is included in the Project activity budget
- contractors: whenever necessary, the Project will call upon the services of companies specialised in organising public information/awareness campaigns, capacity building events, workshops and conferences etc.
- UNDP Country Office HR, Finance, and Procurement personnel, as well as a Programme Analyst (to ensure Project's outputs quality control and oversight) and the UN SCORE Analyst, in country office and/or regional office

Grants: it is planned that a total of **EUR 1,300,000** from the Project's budget will be funding a grant scheme for targeted agriculture and non-agriculture businesses.

Equipment and supplies. These relate mainly to monitoring and other surveys, communication and visibility items, translation, equipment, vehicle maintenance, office costs, rental of equipment, audio-visual and printing costs, office supplies and direct security.

A detailed budgeting of Project's costs is provided in the Multi-Year Work Plan.

III.3 Contribution to policy development

Contributing to national policy development is one of the key objectives of the UN RPP programme and of this Project. The Project's activities are aligned to and will contribute to the implementation of:

- The State Target Programme on Recovery and Peacebuilding in the Eastern Regions of Ukraine (based on the Recovery and Peacebuilding Assessment conducted in late 2014 by the European Union, the United Nations and the World Bank Group, and endorsed by the Government of Ukraine);
- The National Strategy for Regional Development;
- The National Strategy for Agriculture and Rural Development 2015-2020;
- Sustainable Development Strategy and Agenda 2030.

At regional level, the Project's design takes full account of the directions and priorities of the two oblasts Regional Development Strategies

III.4. Partnerships

In order to achieve its expected outcomes and outputs, the Project will benefit from the existing and long-term partnerships, established by UNDP and FAO through its many projects, with regional and local authorities, business representation and business support structures, educational institutions in the target areas, as well as at the central level:

at **local/territorial level**, UNDP and FAO will work in partnership with:

- local self-governing bodies
- state employment services
- business representatives and business support structures (including business membership organizations)
- community members
- local educational establishments

at **regional/territorial level**, the Project will maintain partnerships with regional administrations/councils, as well as with regional business representatives, including the regional chambers of commerce & industry, universities and vocational education establishments, business members of regional clusters. It will regularly inform them on Project's achievements and will invite them to key relevant Project's events. With regional business clusters members, the Project will actively involve them in Project's activities, in particular related to partnerships building for market entry (Project output 3)

at the **national level**, the Project will maintain partnerships with and provide information on key results and achievements to relevant representatives of:

- the Ministry for the Development of Economy, Trade and Agriculture of Ukraine
- the Ministry for the Development of Communities and Territories of Ukraine
- the Ministry for Veteran Affairs, Temporarily Occupied Territories and IDPs of Ukraine
- the Ministry of Education and Science of Ukraine
- the SME Development Office
- the Ukraine Chamber of Commerce & Industry
- national level business clusters/groups/associations (e.g. food and logistics clusters)
- selected national universities

The Project, through UNDP RPP staff, will ensure close coordination and cooperation with representatives of the Danish Embassy in Ukraine and will invite them to take part in monitoring missions to project sites, dialogues with key Project's counterparts and beneficiaries, as well as in the Project's Board meetings.

III.5. Stakeholder Engagement

The Project's key target groups are:

- conflict-affected population along the Azov Sea coastline, in particular those who have lost their employment and/or livelihoods due to the conflict,
- people interested in setting up their business,
- existing entrepreneurs and MSMEs, including young farmers and women in agriculture

Other key stakeholders include:

- regional administrations of Donetsk and Zaporizhzhia regions;
- local governments at municipal and territorial community levels;
- business Membership Organizations, including chambers of commerce, associations of business owners, rotary clubs, community-based business clubs, industry associations, investment clubs, at national and regional levels;
- institutions/individuals involved in the provision of business trainings and business skills development;
- input suppliers and various service providers (machinery, business development, laboratories and so on.

In order to achieve rapid stakeholders' engagement, the Project will carry out a public information campaign on the Project's objectives and intended results throughout the Zaporizhzhia and Donetsk oblasts. This campaign will put in evidence success stories (to be communicated via small films and written information) through information events, carried out, at least twice during the Project's lifetime backed up by media coverage (on-line and paper press) and relevant posts on UNDP and FAO websites as well as on local authorities' websites.

Engagement of target groups and key stakeholders will be further strengthened when they see that concrete results and solutions to improve livelihoods and economic activity, are achieved with Project's support. It is thus important that the target groups understand well the necessary pathway which they have to follow in terms of capacity building, planning and testing, in order to achieve these results/solutions.

III.6. Human Rights-Based approach to Project implementation

As is the norm in all UNDP and FAO projects, the Project will be applying a human rights-based and gender sensitive approach to the implementation of all its activities. In this context, the Project will:

- train key stakeholders on the importance of *knowing and understanding human rights* (including those of women, youth and vulnerable groups) when planning activities and measures to address economic development and livelihoods issues,
- support them in developing their *human rights-based and gender-sensitive strategies, plans and budgets*.
- complement this with *focus groups and public consultations focused on the protection of human rights* (including those of women and vulnerable groups) in the target regions so as to provide a sound analytical basis for all planning and development efforts.

The Project's analytical work and report will ensure socio-economic, geographic, gender and vulnerability data disaggregation as much as possible.

III.7. Risks analysis

There are a number of risks that may delay or prevent achievement of planned results:

- an escalation of the conflict affecting the Project's target areas, which could undermine the willingness and opportunities to do business in the region and would require getting back to emergency aid.
- a worsening of the macroeconomic situation in Ukraine (high rates of inflation, volatile currency, limited access to credit resources, etc.) that would generate uncertainty within the business environment, especially in the conflict-affected context, and provoke a fear to start/expand business or invest, particularly limiting immobile capital investments (in production facilities, real estate and land).
- political instability and politicization of the reform process at the national level which could potentially affect development priorities of targeted regions and modalities of their cooperation with UNDP and FAO.

Political uncertainty and an exacerbated conflict situation would also impact on the decision-making process of the target group and on their motivations to take part in Project's activities.

Another risk to stability in the east of Ukraine is the general disbelief among the population in the capacity of public institutions (including educational institutions) and the banking sector to act for a better economic future for citizens of the region. Whilst progress is being made in this area, decision-makers need to clearly demonstrate their commitment and support to doing business in the target regions, and their responsiveness to the needs of all citizens, potential economic agents.

As the outcome of the conflict remains uncertain, UNDP and FAO will keep the Project (and all Projects in the RPP Portfolio) flexible enough to remain relevant to the evolving situation on the ground and enable UNDP to respond robustly to potential national, regional and local developments. Regular monitoring and assessment of emerging risks, political and security development scenarios remains the priority.

A detailed Risks Log is provided in Annex 1.

III.8. Sustainability and Scaling Up

The Project is based on the key principle of sustainability, through building capacities of local populations and MSMEs so that they can not only acquire the necessary skills and competences to diversify their economic opportunities, develop and operate effectively their business, but also reach a sufficient level of dialogue and cooperation within the business sector as well as with public institutions to develop new markets and secure local and regional sustainable development. The Project benefits from the window of opportunity created by the decentralisation process, whereby local authorities have been given the responsibility to manage and disburse bigger budgets for development purposes. Enhanced capacities and dialogue cannot fail to lead to informed decisions on real budget spending for long-term territorial development.

As the Project will be working with a number of territorial units across the two oblasts, well-documented results achieved will be proactively disseminated (on the basis of the knowledge dissemination strategy described in III.9) to ensure effective and efficient replication and/or scaling up. Moreover, the Project will seek to promote face-to-face experience sharing within the two oblasts as well as with other oblasts across Ukraine, through exchange visits and web-conferencing and in close collaboration with other programme components operating in other regions. The media (at national and regional levels) will be attracted by the Project to report on Project's results and scaling up opportunities.

III.9. Communication, visibility and knowledge

The Project's outreach activities entail a large number of communication and visibility activities. They relate to briefings, written material, video product, press conferences, presentations, invitations, signs, commemorative plaques, social media, dedicated Project webpages and all other tools. Whilst ensuring adherence to UNDP communication and visibility guidelines, the Project will warrant full compliance to the Donors' own guidelines.

Being fully integrated into the RPP portfolio, the Project will benefit from the Knowledge Base of the Programme, maintained over the last 4 years. It will also build on it. Designed to work with members of urban and rural communities across all five oblasts of conflict-affected eastern Ukraine (Donetsk, Luhansk, Zaporizhzhia, Kharkiv, Sicheslavsk (formerly Dnipropetrovsk)) oblasts documenting and disseminating knowledge and experience is crucial to the success of the Project's implementation. The following table presents the Project's knowledge dissemination strategy:

Knowledge product	Dissemination frequency	Means of dissemination	Target recipients
Fact sheets on Project's key results	Once every 6 months	- Project dedicated web pages on UNDP website, Facebook	Public at large Donors Local businesses Local authorities
		- Paper version to be handed out at Project's events	Events' participants
Success stories (on information and communication platform creation, on new business start-ups, on business development successes, on clusters and value chains formation)	Once a quarter	- Project dedicated web pages on UNDP website, Facebook	Public at large Donors Local businesses Local authorities
		- Paper version to be handed out at Project's events	Events' participants
Results of consultations or research	After consultations / research	- Project dedicated web pages on UNDP website, Facebook	Public at large Donors Local businesses Local authorities
Business networking and business promotion	Ongoing basis	- Project dedicated web pages on UNDP website, Facebook	Public at large Donors Local businesses Local authorities
Training and workshops materials	Ongoing basis	To be stored (for downloads purposes) on the Project dedicated web pages on UNDP website	Public at large Donors Local businesses Local authorities

As an integral part of the overall UNDP Country Programme, the project will also closely interrelate and benefit from the knowledge acquired in other parts of the programme, in particular in the areas of decentralization, public administration reform, civil society development, human rights and rule of law, energy and environment and sustainable development.

IV. PROJECT MANAGEMENT

IV.1 Cost Efficiency and Effectiveness

Being fully integrated into the RPP portfolio, the Project will be implemented in a cost efficient and effective manner.

From a cost efficiency point of view:

- the Project will share office premises already established in Mariupol, Donetsk oblast, the largest city on the Azov sea coastline.
- it will be able to use office's cars (among which armored vehicles), thus avoiding any significant acquisition and disposal costs, whilst responding to UN transportation security requirements
- all procurement procedures will be conducted, as required by UNDP procurement regulations, on the basis of the lowest cost proposal.

From an effectiveness point of view:

- the Project will have immediate access to the UNDP knowledge base as well as to UNDP's partners (government and civil society) at territorial, regional and national levels
- through office sharing, it will be able to easily and regularly cooperate and coordinate activities with other projects
- at territorial and regional levels, it will benefit from the presence of resource centers set up through previous projects (for instance the EU funded Community Based Approach to Local Development Project). These centers will be called upon to host capacity building and information/public awareness events as well as to facilitate Project's consultants work and consultations on the ground
- in order to ensure the Project's implementation efficiency, clear criteria will be defined, at the very start of the Project, for target groups' "graduation" from the Project's capacity building and support cycle.

IV.2 Project Management

The Project will be managed by an existing team of specialists within the RPP, described in section III, already working on MSME sector development in the context of the EU Support to the East Project implementation (in Donetsk and Luhansk oblasts). The Project team will ensure the Project's overall implementation, its 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 for ensuring synergies between similar projects within UNDP and/or across the UN system. UNDP and FAO Country Offices support will be provided on an on-going basis to the Project.

V. RESULTS FRAMEWORK

Intended Outcome as stated in the UNDAF/Country Programme Results and Resource Framework: 4.1. By 2022, all women and men, especially young people, equally benefit from an enabling environment that includes labour market, access to decent jobs and economic opportunities							
Outcome indicators as stated in the Country Programme Results and Resources Framework: 1.1.1. The share of the added value (by cost of production) in small and medium enterprises, % of total added value (by cost of production) (8.6.2. (UA)) 1.1.5. Employment rate of population aged 15-70, disaggregated by sex and age (8.3.1 (G))							
National SDG targets: 8 – Decent work and economic growth Target 8.1. - Ensure a steady GDP growth by modernizing production, developing innovation, increasing export potential and exporting products with high value added Target 8.3. - Increase employment Target 8.6. - Create institutional and financial capacities for the self-realization of the potential of the economically active population and the development of the creative economy							
Applicable Output(s) from the UNDP Strategic Plan: 1.1.2. Marginalised groups, particularly the poor, women, people with disabilities and displaced are empowered to gain universal access to basic services and financial and non-financial assets to build productive capacities and benefit from sustainable livelihoods and jobs							
Project title and Atlas Project Number: Support to entrepreneurship and employment development along the Azov Sea coastline in Donetsk and Zaporizhzhia regions							
EXPECTED PROJECT OUTCOMES AND OUTPUTS	INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)		DATA COLLECTION METHODS & RISKS
			Value	Year	Year 1	Year 2	
Outcome 1 - MSMEs sector in these coastal areas grows, generating the creation of new jobs	1.1. Number of new MSMEs in target regions operating sustainably at Project's end (broken down by sector)	Local administration's reports Project's reports and records	0	2019	-	Not less than 100 (60 Zaporizhzhia oblast, 40 Donetsk oblast)	Data collected on the basis of local administrations and Project's records. Limited collection risks
<i>Output 1.1</i> – Improved access to relevant business information, skills development and support	1.1.1. Number of business people trained, informed and advised by the Project (broken down between agriculture and non-agriculture businesses)	Project's records, local administration's records and sites	0	2019	At least 250 (at least 125 women)	Cumulatively, at least 500 (at least 250 women)	Data collected on the basis of local administrations and Project's records. Limited collection risks
	1.1.2. Percent of surveyed business people, having received training and advice from the Project, claiming (and showing evidence of) skills improvement (broken down between agriculture and non-agriculture businesses)	Enterprise survey results	0%	2019	At least 70% (women and men)	At least 80% (women and men)	Data collected on the basis of the results of project organised Enterprises survey. Limited collection risks

	1.1.3. Project supported on-line information platform is operating and used	Platform's usage statistics Enterprise survey results	0	2019	1 platform operating, used by no less than 200 business people	1 platform operating, hosted by local institution, used by no less than 400 business people	Data collected on the basis of local administrations records as well as on the results of project organised Enterprises survey. Limited collection risks
	1.1.4. Evidence of operational and sustainable extension services network covering the Project target areas	Local administration's records Project's records Enterprises survey results	No	2019	Network operating	Network operating and sustainable	Data collected on the basis of local administrations records, as well as on the results of Project organised Enterprises survey and Project's records. Limited collection risks.
<i>Output 1.2 – Improved access to business financing</i>	1.2.1. Number of new and/or existing entrepreneurs having obtained and benefited from a Project's grant (for start-up or development purposes) (broken down by sector)	Grants administrator's records	0	2019	No less than 100 business people (no less than 50 business women)	-	Data collected on the basis of Grant Scheme Administrator's records. Limited collection risks
Outcome 2. MSMEs successfully integrate new or existing markets, providing them with improved perspectives for sustainable business operations and long-term business development	2.1. Percent of overall production volumes sold by MSMEs in the target oblasts (broken down by sector)	SSSU	27.6% Donetsk oblast 43.1% Zaporizhzhia oblast	2018		At least 29% Donetsk oblast At least 45% Zaporizhzhia oblast	Data collected from the SSSU site. Risks limited to data publication dates of the State Service.
	2.2. Number of MSMEs in active clusters, business groups in the region (broken down by sector)	Local administration records, Project records	tbd	2019		tbd	Data collected on the basis of local administrations and Project's records. Limited collection risks
<i>Output 2.1 – Improved access to new or existing markets</i>	2.1.1. Number of MSMEs' activities promoted at national/international levels through Project supported exhibitions, fairs and other networking events (broken down by sector)	Project records	0	2019	No less than 50 (of which no less than 25 women owned businesses)	Cumulatively, no less than 100 (of which no less than 50 women owned businesses)	Data collected on the basis of Project's records. Limited collection risks
	2.1.2. Percent of average marketing costs incurred by Project supported MSMEs in target areas (broken down by sector)	Enterprise survey	tbd	2019	tbd	tbd	Data collected on the basis of the results of project organised Enterprises survey. Limited collection risks

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	Partners (if joint)	Cost (if any)
Track results progress	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.	Yearly	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		
Monitor and Manage Risks and Assumptions	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. Monitor assumptions to ensure that Project's planned activities are always relevant to the Project's context	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. Assumptions are reviewed by project management and Project's responses (new activities) to wrong assumptions are designed and submitted to Project Board for approval		
Learn	Knowledge, good practices and lessons learnt will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the Project.	Annually	Relevant lessons are captured by the project team and used to inform management decisions.		

Annual Project Quality Assurance	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.		
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	Annually	Performance data, risks, strengths and weaknesses, lessons learnt and quality will be discussed by the project board and used to make course corrections.		
Project Report	A detailed annual 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.	Annually			
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold annual 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. At Project's end, the Project Board will hold an end-of project review to capture lessons learnt (based on challenges, success and failures) and discuss opportunities for scaling up project results and lessons learnt with relevant audiences.	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	Cost and Source of Funding
The Project evaluation will be carried out in the context of the RPP evaluation						

VII. MULTI-YEAR WORK PLAN

cf. Annex 2

VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

VIII.1 Implementation modality

This project will be implemented under Recovery and Peacebuilding Programme (RPP) of UNDP using Direct Implementation Modality (DIM). Details of the Project implementation modality are provided below (VIII.2 and VIII.3).

Project implementation will be governed by provisions of the present Project Document, its annexes and UNDP Programme & Operations Policy & Procedures (POPP). Governance of the Project will be supported through annual work planning as well as reporting and monitoring the delivery of results and impact on the basis of the results framework. The annual work plans as well as progress reporting will be the responsibility of the Project management in close consultation with UNDP. The work plan will be implemented upon its endorsement by the RPP Programme Board.

VIII.2 Governance and management set-up

The Programme Board

The RPP Board is the governing body of the project and with RPP's management team reporting directly to the board on delivery. A designated RPP Programme Manager, supervising dedicated programme component leads, will be responsible for the components financed under this agreement. Major procurements, grants and financing arrangements are launched and implemented by the RPP management team directly.

RPP Board consists of representatives of UNDP in Ukraine, participating donors and representatives of Recovery and Peacebuilding Programme beneficiaries/implementing partners.

Board's membership includes the following components:

- Executive (role represented by UNDP in partnership with FAO), that holds the project ownership and chairs the group
- Senior Supplier (role represented by development partner, the DMFA, who provide financial and/or technical support for the Project) that provides guidance regarding the technical and financial feasibility of the Project;
- Senior Beneficiary (role represented by **Regional Administrations of Donetsk and Zaporizhzhia Oblasts**). The Senior Beneficiary may also include Central Authorities when/if required – the Ministry of Economic Development & Trade, the Ministry for the Development of Communities and Territories of Ukraine, the SME Development Office. The Senior Beneficiary ensures the realisation of the Project benefits from the perspective of Project beneficiaries.
- In the context of this Project's implementation, the RPP Board will hold meetings on an annual basis, or more frequently if deemed necessary. Senior representatives of the Project Beneficiary, Suppliers and Executive must attend the meeting. Relevant documents will be sent to each Board members at least one week before the meeting takes place. RPP Board will monitor the overall programme's progress; decide on strategic decisions to ensure the continued coherence between implementation and goals and objectives; approve annual work plans and budgets; and review project delivery.

The RPP Board will approve the visibility, advocacy and communication plans with the intention that such activities are coordinated with senior management of participating donors and implementing partners.

Amendments to the budget, including use of contingencies, will be subject to the approval of the RPP Board.

In addition to RPP Board meetings, UNDP will organize periodical meetings and/or field visits with its international partners/donors on the Project to discuss, in a less formal set-up, results achieved, constraints met, solutions identified, etc.

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

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

Consultation and coordination

Consultations on all issues addressed by the RPP (and this Project) and coordination of all activities addressing these issues in the region are carried out as follows:

- *within the UN*: under the RPP, four UN Agencies namely UNDP, UN Women, FAO and UNFPA, are jointly implementing all their recovery activities in the two Eastern oblasts for all their joint as well as individual donors. All aspects of the UN RPP are planned and coordinated under the direction of one Board; the programme has one workplan and implementation budget, is managed by one Programme Manager and is implemented by one mixed Programme Team, maximizing the programmatic and operational comparative advantages of the different Agencies
- *with national and regional authorities*: the RPP represents all its projects (including this Project and the EU Support to the East of Ukraine) on the coordination platforms at national and regional levels
- *with local authorities*: the RPP is decentralized and an area-based approach of projects implementation is applied;
- *with other projects*: A detailed description of the Project's coordination modalities with *other projects* operating in similar thematic fields and/or in the same geographical regions is provided in Section II.3.

VIII.3 Monitoring, evaluation and reporting

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

The project deliverables will be monitored on an on-going basis and will be reported on an annual basis. Based on a regular tracking of the Project's indicators at outputs and incomes levels, annual 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 Results Framework, as well as key lessons learnt and risks and constraints management.

The Project team leader and the responsible UNDP Programme Manager will bear responsibility for the timely submission and quality of the semi-annual and annual reporting

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

IX. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Ukraine and UNDP, signed on 18 June 1993. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner.”

This project will be implemented by UNDP (“Implementing Partner”) in partnership with FAO, in accordance with its financial regulations, rules, practices and procedures. The UNDP financial governance provides the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition. Audits will be conducted in accordance with UNDP’s audit policy to manage financial risk.

X. 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. This provision must be included in all sub-contracts or sub-agreements entered into under this Project 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. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
6. 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 Project 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, then in force at the time of signature of the Project Document, 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 an integral part of this Project Document and are available online at 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 Project 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 Project 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 Project 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 the Project Document.

Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

- h. Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this Project 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 Project Document.

XI. ANNEXES

- 1. Detailed Risks Analysis (Risks Log).**
- 2. Multi-Year Work Plan**
- 3. The Business Grants mechanism**