

SUSTAINABLE LOCAL DEVELOPMENT IN RURAL AREAS OF CHERNIVTSI AND ODESA OBLASTS

Country / Region: *Ukraine*

Planned project execution period: *1 December 2016 – 31 May 2018*

Applicant:

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Legal status, year of founding: International organization, 1965
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Local Project Partner: *N/A*

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Financing (Euro)

Project budget (total)	Requested grant ADC	Contribution in cash by the applicant	Contribution(s) from third parties (if any)
100%	100%	0%	0%
EUR 500,000.00	EUR 500,000.00		An estimated EUR 79,340.00 will be contributed from the existing CBA III (EU/UNDP funded) project during the period December 2016 - September 2017), to be used for the activities outlined in this document.

Abbreviations and Acronyms

ADA – Austrian Development Agency
ADC – Austrian Development Cooperation
ASC – Agricultural service cooperative
ATC – Amalgamated Territorial Community (Hromada)
BSO – Business support organizations
BSP – Body of self-organization of population
CBA – Community-Based Approach to Local Development
CO – Community organization
CSO – Civil society organization
IDP – Internally displaced person
LDF – Local development forum
MoU – Memorandum of understanding
NGO – Non-government organization
OCC – Oblast coordination council
OIU – Oblast Implementation Unit
PMU – Project Management Unit
RIU – Regional Implementation Unit
RRC – Rayon resource centres

1. Summary

The project's expected impact is: Well-being of the most disadvantaged population groups in two oblasts of Ukraine (Chernivtsi and Odesa) improved and their living standards raised.

The project outcome is: Sustainable and inclusive socio-economic development at the local level promoted by strengthening participatory local governance and encouraging community-based initiatives in two oblasts of Ukraine (Chernivtsi and Odesa).

The project aims to achieve two outputs:

Output 1: The capacity of local communities, local authorities and universities in applying community led development, participatory governance and service delivery is strengthened;

Output 2: Small farm and non-farm business development is promoted in rural and semi-urban areas rural and urban areas.

The direct target group will consist of approximately 22,000 people residing in at least 18 localities. They will be reached through initiatives including 18 community organizations, 2 agricultural service cooperatives and 2 larger initiatives (one per Oblast) targeting non-farm related business entities (provision of services, capacity development and small grants). Indicatively, 50 percent of beneficiaries will be women, 30 percent – elderly people, and 20 percent – children and youth. Indirect beneficiaries will include 120,000 residents of selected villages, small towns and rayon's in two Oblasts (Odessa and Chernivtsi). The project will work with both newly Amalgamated Territorial Communities (ATCs) and with local communities that have not yet voluntarily amalgamated.

The project envisages implementation of the following components and activities:

Component 1: Promotion of a community-based and inclusive approach to local development

Activity 1.1. Selection of disadvantaged local areas and establishment of partnership with local government bodies

Activity 1.2. Strengthening of community resource centres

Activity 1.3. Selection of target communities

Activity 1.4. Formation of community organizations

Activity 1.5. Training of CO-management team and local/regional authorities

Activity 1.6. Micro-projects design, implementation and hand-over

Component 2: Support to small economic initiatives

Activity 2.1. Strengthening the capacity of cooperatives and local enterprises

Activity 2.2. Selection and capacity development of business development organizations

Activity 2.3. Provision of small grants for economic development

Activity 2.4. Commissioning, handover and sustainability arrangements

The project will be built on and integrated into the existing “Community-Based Approach to Local Development” Programme, (CBA) financed by the EU and UNDP. The project will also draw from lessons and networks established under the CBA and other UNDP development projects and programs. Through the replication of social mobilization techniques, it will empower citizens of rural and semi-urban areas to assert themselves as drivers of local development in the new setting of decentralized governance, in particular in the newly Amalgamated Territorial Communities (Hromada’s). During project implementation, human rights and gender mainstreaming will be fully integrated into the planning cycle, monitoring and evaluation and project communications. Gender mainstreaming is indicated in the indicators with specific measurable targets.

2. Background / context

2.1. Analysis of the relevant national and sectoral policies

The two target regions, Chernivtsi and Odesa, are among the poorest in Ukraine, specifically in their rural areas. In both regions, the main cities occupy a dominant role in the regional economy as well as administrative and cultural centers. The situation is compounded by the fact that a number of remote, rural areas of these two oblasts are home to small but territorially concentrated ethno-linguistic minorities, which often coincide with the most marginalized and disadvantaged geographic areas. Ukraine does not have a functioning regional development policy of redistribution for gaps in living standards and income. However, some of the structures and mechanisms of regional development policy that were developed in recent years have been fundamentally affected by the ongoing decentralization reforms. These reforms have so far focused on territorial administrative amalgamation and fiscal decentralization. The basic set-up for regional development is that the Ministry of Regional Development, Housing and Construction manages a Regional Development Fund. This fund is then disbursed through projects included in Regional Development Strategies by Oblast and Rayon administrations, as well as the emerging institutions of local self-government.

Oblasts function under a system of central-government led administration and a regionally elected Oblast Council. Odessa Oblast is divided into 26 rayons which have a centrally appointed state administration and parallel elected rayon councils. Chernivtsi has 11 rayons. At the outset of the ongoing decentralization reforms, Odessa had 19 city councils, 32 settlement councils, and 439 village councils. Chernivtsi had 11 city councils, 8 settlement councils and 252 village councils. Due to the small size and lack of financial resources, village councils were not capable to function as effective local self-government or as promoters of local development, and were therefore in practice administered by rayon administrations.

Decentralization reform is currently one of the highest priorities for the Government of Ukraine. One of the first acts of the post-Maidan government was to re-launch decentralization reforms. On 1 April 2014, the Cabinet of Ministers adopted the Concept of the Reform for Local Governance and Territorial Organization

of Power, which lays down the core principles, main reform elements and a broad timeline (in two phases) for the proposed reforms. The main modifications to the current local governance system are:

(i) a re-drawing of local administrative units (territorial-administrative reform) through the establishment of Amalgamated Territorial Communities (Hromada's); (ii) a redistribution of roles and responsibilities between levels of local governments and with the deconcentrated state administration (leaving the latter mostly with a regulatory and oversight role); (iii) broader fiscal and financial management powers to local governments. The Concept also foresees reinforcing participatory and social accountability mechanisms in local governance.

Decentralization reform since 2015 has resulted so far in the creation of 10 (of a prospective 24) ATCs (Hromada's) in Chernivtsi oblast and 8 (of a prospective 24) ATCs in Odesa oblast. The amalgamation process is on-going, so more ATCs are expected to be created in the future. In areas not yet amalgamated, the old structures continue to function. Fiscal decentralization has led to an increase of budgetary resources of local communities, but also additional responsibilities. Considerable bottlenecks exist in terms of administrative capacity to meet the additional demands local governments face because of decentralization.

The proposed project's outcome and outputs are consistent with national needs and priorities and integrate feedback obtained through the engagement of relevant, target groups. The proposed project and its methodology is fully aligned with one of the most significant reforms in Ukraine - decentralization reform – and complements the efforts of the Government of Ukraine to consolidate territorial units and to operationalize public service provisions under the new fiscal conditions. Sectoral reforms are underway at the same time, in particular in the areas of education (through the creation of hub schools), health services, administrative services, agriculture and energy efficiency.

This proposed project goes in line with the strategic priorities identified by Ukraine in the framework of the 2030 Agenda for Sustainable Development including the Sustainable Development Goals (SDGs), the Convention on Elimination of All Forms of Discrimination against Women and other UN human rights instruments, as well as Ukraine's Human Rights Strategy and National Action Plan adopted in 2015.

The absence of performance-based budgeting in Ukraine is a limiting factor to the consistency of public policy in the medium-term perspective. An integral system for medium-term strategic planning is still not in place; and as a result, budget programs are not consistent with the country's development priorities. Therefore, the implementation of medium term budget planning becomes critical in order to ensure sustainability and effectiveness of the PFM system, which represents the basis for fiscal stability and sustainable economic development.

2.2. Characteristics of the intervention environment

The conflict and instability over the past two years have aggravated wider problems in Ukraine's economy and society, in particular in the peripheral regions and disadvantaged rural areas across the country. The conflict has effectively disrupted the country's traditional economic ties as well. National GDP has dropped dramatically in 2014 and 2015, and is only slowly recovering in 2016, albeit with a noted increase in inequality between rural and urban areas as well as income levels. Inflation has also been high and has increased the pressures on low-income households. Rising utility tariffs have been a particular concern as natural gas transitions to market price. Meanwhile, government spending on health, education and social protection has dropped substantially in real terms since 2014. Together, this has led to falling per capita income, increasing socio-economic inequality, rising poverty, and deteriorating trust and social cohesion.

The negative effects and slow path of recovery are obvious both in rural and urban areas across Ukraine. The complex interaction between the various conflicts, the armed confrontation in the east, internal political competition and the conflict over national identity, poses an immense challenge for Ukraine's government and society. The Odessa region is considered a particular flashpoint given its historically close relations with

Russia, its ethnolinguistic diversity, its significant urban-rural divide, and its proximity to another frozen conflict in the region – Transnistria. Chernivtsi is the second poorest (after Luhansk) and one of the smallest regions in Ukraine. New challenges have emerged – not least of which the deepening of the economic crisis and depleting resources which could potentially affect social cohesion and increase tensions between communities as a result of fatigue and increased competitions for resources. Although the government has initiated 18 reforms since 2014, (including constitutional, electoral, judicial, security and defence) as well as reforms dealing with decentralization and social policy, they have not adequately addressed Ukraine's international and national commitments. Specifically in relation to women's rights, these and other reforms have not yet trickled down to the local level and improved living standards for common people, especially in disadvantaged areas.

Poverty levels in rural areas of Ukraine are on average 1.7 times higher than in urban areas. At the same time, the rural population constitutes 31% of the total population. More than 20 years of agrarian transformation has not resulted in the improvement of rural well-being. Unemployment and poverty are widespread. Transport and social infrastructure (social services, health, education, etc.) are in a dilapidated state. The situation with respect to natural resources and the environment continues to deteriorate. The mortality rate in rural areas is up to 40% higher than in cities on average. Family disruption, poor care for children, high levels of alcohol and drug addiction and social misconduct are common in rural areas.

The recession has already caused a reduction in jobs and a growth in unemployment from 7.7% at the end of 2013 to 9.4% for the first half of 2016. In 2016, unemployment remains at 7.5% for women and 11.1% for men between the ages of 15 and 70. Female participation in the labour market is 55.7% compared to 61.4% for men. The gender wage gap is 26% and reaches 30% in some economic activities. System barriers lead to horizontal and vertical occupational gender segregation in the labour market, with women concentrated at lower remuneration levels. The loss of jobs was aggravated by the conflict in the East of the country.

Ukraine suffers from a host of other environmental problems, with an outdated and highly polluting industrial sector, limited protected natural areas and other challenges related to environmental sustainability. This is in particular the case for fragile environments like the Danube Delta and Black Sea littoral (Odesa Oblast) and the Carpathian forests (Chernivtsi). The situation with environmental safety has been deteriorating in rural areas. There is still a large gap between the quality of housing and utility services in villages located in suburban and recreational areas and remote rural areas (e.g. only 31.5% of the rural housing stock is connected to centralized water supply systems). There is a lack of policy frameworks and mechanisms to ensure a reversal of environmental degradation, climate change mitigation and adaptation, prevention and response to natural and man-made disasters.

Ukraine is a signatory of all major human rights conventions, and has been a member of the Council of Europe for 20 years. Fundamental rights are enshrined in its constitution and laws, thus entitling Ukrainian citizens to a series of protections and services. However, implementation has been poor due to dysfunctional institutional frameworks, a lack of accountability and corruption as a major crosscutting problem. In terms of equality, in many respects the challenges to the realization of human rights are greater in rural areas than in urban areas. This is reflected in higher unemployment, poverty, lower quality of services, and higher costs of service provision in rural areas. The level of wages in agriculture remains one of the lowest in the national economy (69 percent of the national average).

Although access to the basic services in urban areas is higher than in rural areas, municipal communities are also facing many social and environmental challenges and lack capacities and models to actively participate in the local development process.

2.3. Harmonization

Since 2008, UNDP has gathered significant experience during the past decade in implementing the "Community-Based Approach to Local Development" Programme (CBA). UNDP's main partners in this regard have been the Ministry of Regional Development, the Oblasts Administrations and Oblast Councils, Rayon

Administrations and Rayon Councils, as well as city councils and village councils, as well as their respective local government associations. Since 2015, the newly created Amalgamated Territorial Communities (Hromada's) have joined these partnerships. The CBA program has been a long-term and comprehensive capacity development initiative to promote sustainable local development in Ukraine. The programme has supported participatory governance and community-led initiatives to improve living conditions of people in rural and urban areas throughout the country. The CBA program has a specific focus on rehabilitation of social and communal infrastructure in the priority areas of health, environment, water management, improved management of housing sector, energy efficiency and local economic development.

The CBA program is designed to address general issues of public participation in the decision-making process and the socio-economic development of vulnerable rural communities. At the same time, the program complements the new multi-donor assistance programmes for decentralization reforms, which aim to support ATCs, and provide capacity building for the new structures at all levels.

Since the voluntary amalgamation process has created a two-track system of local governance for the transitional period, until the completion of the process there will be areas included in ATCs and others that fall under the previous system of local governance. As ATCs not only benefit from additional revenues resulting from fiscal decentralization (in particular income tax shares) but also receive considerable assistance from international donor-funded programmes (in particular U-LEAD). It is therefore necessary to ensure an institutional system for coordination of all decentralization elements, to be implemented at different speeds. This will ensure coherence and facilitate coordination while mitigating the risk of further deepening the inequality gaps between communities. UNDP has established close cooperation with the U-LEAD program (GIZ and SIDA), as well as the EU Delegation in Kyiv, to see how it can best collaborate in the coming years to ensure that EU support to local administrative reforms and service delivery and its support to community development through the CBA program are fully aligned.¹

UNDP fully participates in national level coordination mechanisms and maintains close relations with all other relevant assistance providers. At the regional level, coordination will be conducted with full participation of Oblast authorities, and involving the Regional Development Agencies, as well as the regional offices for reform/regional centres for local self-government. In all Oblasts, UNDP maintains a long-standing presence at the Oblast level through a pair of experienced Community Development Officers embedded in the Oblast Administration.

The proposed project activities will be carried out on the basis of partnerships that assume the willingness and commitment of the engaged partners (local, rayon and oblast authorities, local communities, educational institutions and NGOs/CBOs/business support organizations²) for cost sharing, joint decision-making and playing a functional role in process implementation. All initiatives of local communities are identified by community members because of joint planning and prioritization, based on inclusive discussion and good understanding of community needs. Local authorities, community organizations and the business community collectively discuss and endorse initiatives through Local Development Forums, ensuring transparency and inclusiveness of the decision-making process and a fair distribution of local resources for local level community initiatives.

As a part of the planning and implementation process, target communities are developing sustainability plans in close collaboration with local government bodies, indicating the means and approaches to ensure

¹ The US-funded DOBRE programme will not be implemented in Odesa and Chernivtsi.

² Ukrainian law offers several possibilities for the establishment of 'community organizations' in the sense of the CBA project. Most community organizations chose the form of 'Bodies of Self-Organization of Population'. For economic development initiatives, the format of 'Cooperative' is common, with slightly different legal frameworks for production, service or consumer-oriented cooperatives. Another form, primarily used in urban areas, is the 'Association of Co-owners of Multi-storey Buildings'. The legal option of setting up a Non-governmental Organisation (NGO) is also used but more rarely.

that community projects remain operational in the medium-term perspective. The existing CBA program is based on the concept of shared responsibilities and co-financing of local development investments. Since 2008, 71.3 million USD have been mobilized in total on micro-project financing, with the EU/UNDP contributing 38m USD (approx. 50% of total financing). The rest was financed by contributions from local communities and from local authorities (Oblast Councils, Rayon Councils and Village Councils). Although the protracted economic crisis has slowed down the implementation of regional-level government programs to support community initiatives, regional governments continue to replicate UNDP's community-based local development approach on the basis of their own resources. It is expected that the newly increased financial resources available to local governments, in particular to ATCs, will increase the co-financing share of local authorities significantly.

The proposed project will apply the same "CBA methodology", which foresees a leading role of local representatives in bringing community members together for joint planning and implementation of community-led initiatives. Co-funding between the project, beneficiary communities and the relevant local authority is one of the corner stone principles of the methodology to be followed. The strengthening of the training and capacity development component of the project is also foreseen.

UNDP supports the government to integrate transparency, accountability and a culture of integrity into the delivery of services. The suggested initiative envisages equipping community residents with knowledge of the standard procedures, timeframes and responsible authorities: all to make sure that citizen-clients can defend their rights in interaction with administrative service providers. In addition to this, UNDP will continue its work on popularizing ideas of citizen participation and civic oversight in local-level decision-making. The approaches will be linked with other ongoing efforts of preventing corruption at the local level as per existing programmes.

Accordingly, the project will maintain mechanisms to enable community members and civil society groups to be involved in the oversight of the conduct of government across all areas that will be covered by the programme and will promote accountability and transparency in the public sector by promoting citizen participation in monitoring and evaluation of public services. The CBA methodology, although not specifically designed to be an anti-corruption tool, contributes to reducing corruption risks by increasing financial literacy among communities, provide transparency to planning processes and different phases of project implementation and engages communities, which have to provide a degree of co-financing, as actively interested in ensuring integrity and minimize losses through corruption.

UNDP expects local governments to serve as the platform for inclusive representation and participation, poverty reduction, economic development, reducing inequalities and strengthening social cohesion for sustainable human development. It is expected to provide ample space for local influence and perspectives, the implementation of development policies through effective citizen engagement, utilization of local potential and resources, and establishment of a sustainable dialogue between central and local decision-makers. It is further expected that local implementation initiatives would be moderated to reflect a response to local needs of all groups, including the marginalized to expand their choices and improve their quality of life. Local governance and local development thus remains UNDP's main vehicle to provide resilience and achieve sustainable human development in local spaces.

3. Intervention Design

3.1. Target group, beneficiaries and local partners

The total direct beneficiaries will constitute 39,000 people. The direct target group under Component 1 will consist of approximately 22,000 people residing in at least 18 local communities. Under Component 2 the estimated number of direct beneficiaries will consist of 17 000 people from at least 14 communities where non-farm related business initiatives will be implemented (7 in each oblast) and 2 agricultural service cooperatives.

Indicatively, 50 percent of beneficiaries will be women, 30 percent – the elderly, and 20 percent – children and youth. The focus of the project will be on poor communities residing in rural area and small towns. Both direct and indirect beneficiaries will include at least 10% of vulnerable population groups, such as people with disabilities, families with many children, orphans, lonely elderly people, internal displaced people, ethnic minorities, etc. Indirect beneficiaries will include 130,000 residents of selected villages, small towns and rayon's in two Oblasts (Odesa and Chernivtsi). The project will work to the extent possible with newly Amalgamated Territorial Communities and will leverage the new opportunities resulting from the decentralization reform. Non-amalgamated communities will also remain part of the potential target group.

	Odesa oblast	Chernivtsi oblast	Total
Direct Beneficiaries	22,000	17,000	39,000
Component 1. Promotion of a community-based and inclusive approach to local development	12,000	10,000	22,000
- <i>Women</i>	6,600	5,500	12,100
- <i>Men</i>	5,400	4,500	9,900
Component 2. Support to small economic initiatives	10,000	7,000	17,000
Agricultural service cooperatives	3,000	2,000	5,000
- <i>Women</i>	1,500	1,000	2,500
- <i>Men</i>	1,500	1,000	2,500
Non-farm business entities	7,000	5,000	12,000
- <i>Women</i>	3,500	2,500	6,000
- <i>Men</i>	3,500	2,500	6,000
Indirect Beneficiaries	70,000	60,000	130,000
- <i>Women</i>	38,500	33,000	71,500
- <i>Men</i>	31,500	27,000	58,500

The project will work with the following partners:

- At the local level: community organizations, NGOs (specifically women groups), village councils, city councils, and Business Support Organizations (BSOs);
- At the ATC level (where applicable): with newly established ATC Councils and their executive bodies;
- At rayon level: rayon councils and rayon state administrations, NGOs (specifically women groups), BSOs;
- At regional level: Oblast authorities (Oblast state administrations and Oblast councils), NGOs (specifically women groups), BSOs; Ukrainian Association of Local and Regional Authorities of Ukraine; Association of Cities of Ukraine; Association of Small Towns of Ukraine; Association of Village and Settlement Councils.
- Importantly, to ensure sustainability, the project will build on and continue partnerships with previously engaged partners, such as two regional universities/training institutions in Chernivtsi and Odesa Oblasts in order to integrate community-based approaches to sustainable local development in relevant subject curricula and teaching programmes, as well as relevant research projects.

3.2. Problem analysis and analysis of local potentials

Rural areas of Odesa and Chernivtsi are among the most disadvantaged and economically depressed parts of the country. The potential for the erosion of social cohesion is further exacerbated by the ethnic diversity

of the respective populations, and the presence of linguistic and/or religious minorities. The vulnerability of the population in rural areas of these regions is a result of protracted economic stagnation, out-migration and brain-drain, ecological neglect and political marginalization. The recently begun decentralization reform is aimed at countering some of these negative effects of socio-economic depression and related erosion of social cohesion. However, on their own, institutional reforms are not likely to reverse a trend that affected the target group for decades. Pro-active, pro-poor and participatory approaches are necessary to provide incentives for collective action, which is a model proven to work over eight years of applying community-led local development approaches in all regions of Ukraine.

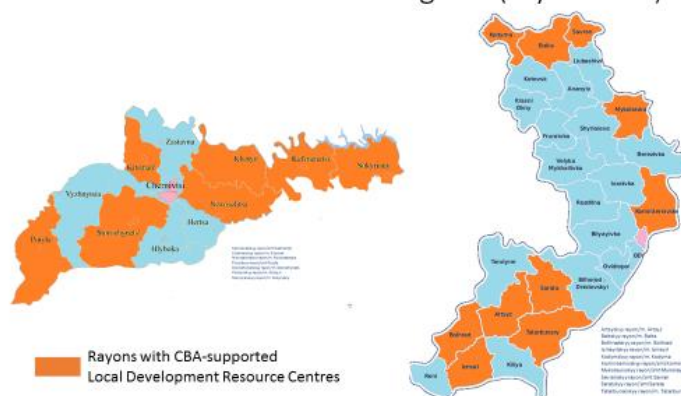
In the context of the ongoing decentralization reforms, a number of Amalgamated Territorial Communities (ATCs) have already been formed (see above), but several hundreds of villages have yet to go through this voluntary process. All newly formed ATCs are expected to undertake efforts to provide for sustainable development under the new fiscal conditions. The long-awaited reform is however challenged by a lack of public trust, proper participatory mechanisms, and largely neglects issues such as gender equality and human rights. At the same time, newly amalgamated communities pose an unprecedented opportunity to demonstrate the benefits of the transfer of resources and power from national governments to local administrations, thus putting local citizens closer to the decisions that affect their everyday lives.

The protracted economic crisis and the armed conflict has deepened the existing gender gaps, and negatively affected gender equality and human rights - disproportionately increasing gender discrimination, women's poverty and risks of gender-based violence. Gender inequality in economic opportunities as well as discrimination in recruitment and at work have limited women's access to employment, income and career promotion.

The slow progress in the realization of economic, social and cultural rights, combined with the crisis and various conflicts, has resulted in growing patterns of complex vulnerability in Ukraine. The root causes influencing the realization of human rights in Ukraine are common across all categories of fundamental rights. They include poverty, widespread corruption, system inefficiencies, political instability and conflict, and the dire state of the economy.

Government capacity to respond to the situation exists, but it is limited by bureaucratic challenges, the economic crisis and the political and military turmoil of the conflict in the east. In Kyiv and the main larger cities, Ukraine has a strong and active civil society, but local civil society organisations and NGOs are much weaker in remote rural regions than in the capital and other large agglomerations. This applies also to Odesa and Chernivtsi regions. In Odesa, most civic organizations are concentrated in Odesa city metropolitan area, and Chernivtsi had the absolutely lowest number of registered NGOs of all oblasts in 2015. Addressing these shortcomings requires system-wide actions from the government and a coordinated support by the development partners, both at the central and at the local level.

CBA Local Development Resource Centres
Odesa and Chernivtsi Regions (rayon level)



3.3. Strategic Approach & Methodology

The overall perspective of this intervention is to promote sustainable socio-economic development at the local level by strengthening participatory governance and encouraging community-based initiatives in disadvantaged areas of Chernivtsi and Odesa oblasts. It will build on the experience of eight years of implementation of the “Community-Based Approach to Local Development (CBA)” Project and other UNDP successful area-based development projects in different parts of Ukraine. The EU-funded CBA Project commenced in 2007 and was succeeded by Phase II (June 2011 – June 2015), which slightly modified the priority areas of investments, and the current Phase III (May 2014 - September 2017). During the first two phases, improved health services, access to clean water and waste management, learning environment and public safety were achieved through the participatory implementation of community projects. It implied the renovation of 1,323 schools/kindergartens, 599 health posts, 110 water supply facilities, 17 environmental micro-projects, 16 agricultural service cooperatives, and 556 energy-saving street lighting installations. More than 2,600 local development initiatives were carried out. It is estimated that 2.6 million people in over 2,000 villages and communities have benefitted from projects under the CBA programme during phase I and II. Phase III of the project (May 2014 – September 2017) continues to support traditional areas such as energy efficiency, health, environment and water management in rural areas, but also included an urban development component supporting small cities with a population between 10,000 -150,000 in 12 oblasts. At least 800 rural community micro-projects have been implemented to improve communal services and economic development in rural areas, including at least 300 projects on energy saving and renewable sources of energy. CBA has further promoted small farm and non-farm businesses in rural areas, assisting the creation of at least 48 multi-functional non-profit agricultural service cooperatives.

However, the most important result was laying the foundations for the ‘community-based development’ methodology all over the country through partnerships with central and regional authorities as well as local governments, and the mobilization of hundreds of communities all over the country. Through the replication of proven social mobilization techniques, it empowers citizens of villages and cities to assert themselves as drivers of local development. The community-based approach has been chosen as the most appropriate approach to achieve the identified project objectives because it ensures civic participation and co-operation not only between the members of the concerned communities but also between them and the local authorities.

The methodology of social mobilization employs established standards and checklists for assessing community participation, decision-making and leadership. It ensures the inclusion of all segments of the community with a particular focus on the most vulnerable (people with disabilities, families with many children, orphans, lonely elderly people, internal displaced people, ethnic minorities, etc.). Sustainability is ensured based on the local ownership of the development process. The social mobilization process is a multi-stage process of building local knowledge and capacity needed to improve the living standards and forms an integral in developing everyday practices of democratic self-governance.

The new project will follow a human rights-based approach to programming under which processes and planned activities will be anchored in a system of rights and corresponding obligations enshrined both in international conventions and national legislation. Human rights considerations will be incorporated into the project activities by respect to the rights of civil servants and community representatives: the right to privacy, right to protection of personal data. Participation in the implementation of project activities of right holders and duty bearers will be ensured. The project will remain focus on vulnerable categories (people with disabilities, families with many children, orphans, lonely elderly people, internal displaced people, ethnic minorities, etc.).

The project will ensure gender mainstreaming in all its components, providing opportunities for equal participation of men and women in capacity development (mainstreaming gender in the training programmes and

observing 70:30 balance throughout training programmes) and economic empowerment activities. Traditionally, the majority of community organizations participating in CBA are led by women and consist of a majority of women members. This trend is expected to continue.

The project is an 18-months initiative, which is to be implemented from December 2016 until May 2018, and presupposes the following components: a) promoting community-based approach to local governance (Output 1); b) support to small economic initiatives (Output 2).

The suggested project goes in line with the strategic priorities identified by Ukraine in the framework of 2030 Agenda for Sustainable Development with its set of Sustainable Development Goals (SDGs),

A detailed risk mitigation strategy is included in Chapter 4.6. (Risk Assessment).

3.4. Database for analysis and design

The baseline for the project rests on previous UNDP intervention through its CBA project, as well as data available from national and international data sources (more details as per Annex 4 – List of reference documents).

Chernivtsi Oblast (Chernivetska oblast)

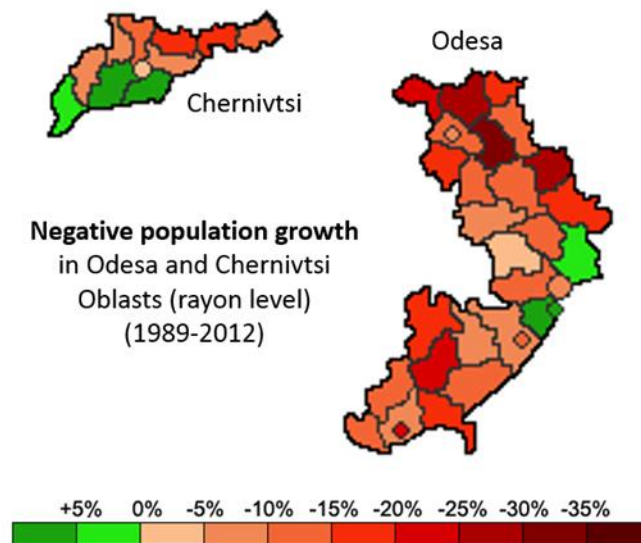
Chernivetska oblast, with an area of little more than 8,000 square kilometres is one of the smallest oblasts in Ukraine, situated along the Romanian and Moldovan border in the south-west. Its total population is almost 909,000 people (46% of which are men and 54% are women)³. The oblast has the second lowest Gross Regional Product per capita in all Ukraine (after Luhansk), at 16,552 UAH less than half of the national average, and a relatively high rate of unemployment – 10.5%⁴. Among the main contributing factors are the disadvantageous geography of the territory (in particular the Carpathian Mountains), the remoteness of state facilities such as Employment Centers for many rural dwellers, and the closeness to the border with the EU/Romania (people of working ages migrate to the neighboring country for work). Sixty four (64) settlements of the region have been designated as mountainous areas. The largest industrial center of the region is Chernivtsi city, which accounts for over 60 percent of the total volume of non-agricultural products. Sokyryany rayon provides another 12.4% of industrial production. Budget revenues in Chernivtsi region are marked by territorial imbalances between the regional center and other administrative-territorial units, with the city accounting for almost 1.5 times the sum of own revenues of other areas over the past years.

Out of 11 rayon's in the oblast, 9 have been participating in the CBA-III Project. 32 community organizations and 4 agricultural service cooperatives have been established. Almost 58,300 men and women have benefited from the implementation of community and cooperative initiatives during 2014-2016 alone (which constitutes about 6.4% of the total oblast population and 11.2% of the rural area population⁵). Approximately 3,682 local residents (of them 1,466 men and 2,216 women) became members of the community organizations, and 155 members (of them 85 men and 70 women) created agricultural cooperatives.

³ State Statistic Service, Chernivtsi Department, http://www.cv.ukrstat.gov.ua/publiy/2015/migr/zb/412_1.pdf

⁴ Source – State Statistic Service http://www.ukrstat.gov.ua/operativ/operativ2015/rp/rp_reg/reg_u/rbn_2015_u.htm

⁵ The Social Economic Situation of Chernivtsi oblast in 2015. Statistics Department in Chernivtsi oblast http://www.cv.ukrstat.gov.ua/povidom_arhiv/2015/PUBLIK_12.pdf



Odesa Region (Odeska oblast)

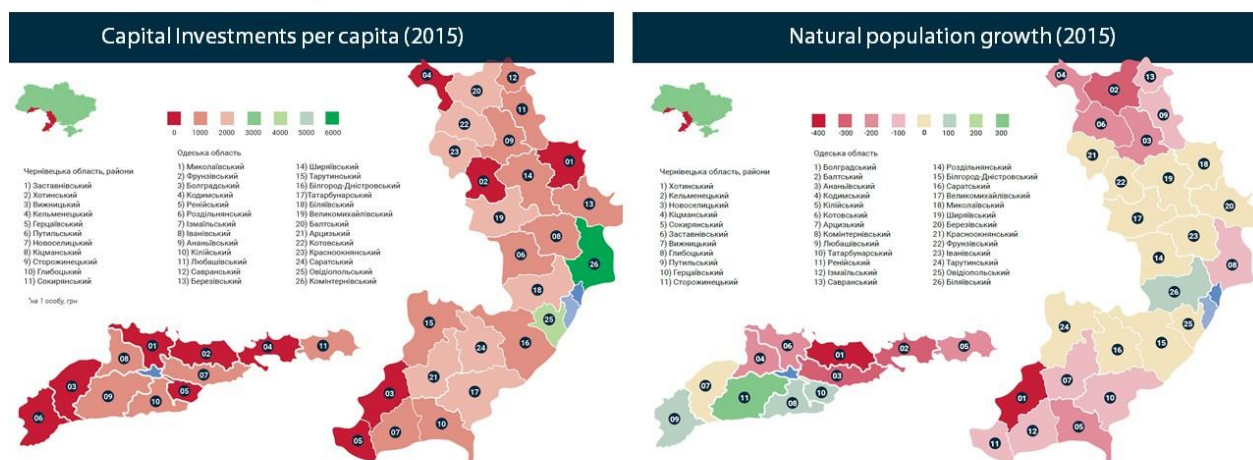
Odeska oblast is Ukraine’s largest with 33,310 square kilometres (roughly the same area as Moldova), and is situated in the southern part of Ukraine along the Black Sea coast and the Moldovan border. Its total population is 2.4 million⁶ (46% are men and 54% are women), making it the sixth most populous region in Ukraine. The per capita Gross Regional Product at 31,268 UAH is lower than the national average, with rural areas significantly lower than Odesa city, where most economic activity is concentrated. The official unemployment rate of Odeska oblast is 6.7%, whilst the non-official data tends to be much higher. Women constitute 64.9% of all unemployed in Odesa.

The most depressed rayon’s of the oblast are those bordering Moldova – Frunzivskiyi and Krasnooknianskiyi. The most developed are those situated around Odesa city – Kotovskiyi, Baltskiyi, and Kodymskiyi. Of the 26 rayon’s in Odeska oblast, 10 rayon’s participated in third phase of the CBA Project. According to studies on regional development of the Odesa region, there are three economic nodes, especially in and around Odesa the metropolitan area, a center in the north of the Oblast (Kotovsk, Balta, Kodyma) and another in the south-west (Reni, Izmail, Kilia, Vilko). Large areas between these nodes are characterized as areas of depression - Frunzivskyy, Berezovsky, Shyryayevskyy, Ivanovo, Krasnooknyanskyy, Nicholas, Tatarbunary, Saratsky, Tarutinskij, Bolgradskiy i Artsyz areas. They rank low across a range of indicators, including the level of social infrastructure, low purchasing power, low population growth, low investment, capital and housing.

There are 32 community organizations in Odeska oblast. There are 3,358 COs members, including 1,059 men and 2,326 women and 3 agricultural cooperatives (81 people are members of cooperatives, including 56 male and 25 female).

⁶ State Statistic Service, ‘Gender and Age Distribution of the Population of Ukraine’ http://database.ukrcensus.gov.ua/PXWEB2007/ukr/publ_new1/2016/resident_2016.pdf

Depressed and disadvantaged areas of Odesa and Chernivtsi Oblasts



Map source: Institute for Social & Economic Studies (ISES)

4. Intervention logic

4.1. Impact

The project's expected impact is:

Well-being of the most disadvantaged population groups in two oblasts of Ukraine (Chernivtsi and Odesa) improved and their living standards raised.

4.2. Outcome

The project outcome is:

Sustainable and inclusive socio-economic development at the local level promoted by strengthening participatory local governance and encouraging community-based initiatives in two oblasts of Ukraine (Chernivtsi and Odesa).

4.3. Outputs

The project aims to achieve two outputs:

Output 1: The capacity of local communities, local authorities and universities in applying community led development, participatory governance and service delivery is strengthened;

Output 2: Small farm and non-farm business development is promoted in rural and urban areas.

4.4. Inputs / Activities

The project will be implemented through the following activities grouped in two components.

Component 1. Promotion of a community-based and inclusive approach to local development

This component of the project aims at the following tangible results:

- Increased public capacity and incentives for active monitoring of local development-related decision-making structures and procedures at local level;
- Enhanced advocacy and lobbying skills and capacity among (community-based) civil society organizations and local authorities;
- Institutionalized dialogue between relevant stakeholders with a view to ensuring sustainable social, economic and environmental development at the local level;

Activity 1.1. Selection of disadvantaged local areas and establishment of partnerships with local government bodies

In each oblast, up to 9 villages and small towns (i.e. settlement) councils will be selected to participate in the project. Interested village and small town councils or councils of respective ATCs will provide information, reflecting its respective socio-economic situation and quality of public services. The applications of the potential village and small town councils (or ATC Councils) received from each oblast will be analysed and ranked by the project based on such criteria as the level of socio-economic development and access to basic public services, commitment of the village, small town council (or ATC Council) to cooperate and past performance, if relevant. The status of ATCs vs. non-amalgamated communities will also be taken into consideration during the selection process.

Upon review of the ranking by the project, the list of partner communities will be approved by the selection committee comprising of representatives of oblast authorities and the project. The committee will be headed by a representative of the regional government. The results of the selection will be announced in each rayon by the rayon authorities. The procedure will be adjusted to the gradual introduction of ATCs and their new responsibilities in local development and service delivery as required.

Orientation meetings will be conducted in each selected village and small town council jointly by the rayon (and/or ATC) authorities, regional authorities and the project. Deputies of village/small town councils (and/or ATC Councils), representatives of communal service entities, CSOs, businesses and pro-active citizens will also participate. Focus will be placed on the project implementation methodology, terms of partnership with village/small town councils (ATC Councils) and the selection criteria for local communities.

Following the seminar, a bilateral MoU will be signed between UNDP and the village/town council (or ATC Council as applicable), on occasion witnessed by the Austrian Development Cooperation. The responsibilities of the village council/ATC Council as project partners will include: support to the project implementation, provision of financial resources, i.e. cost sharing for micro-projects (as possible) and ownership over the micro-projects assets as applicable.

Activity 1.2. Strengthening of community resource centres

To ensure effective implementation of the project at the rayon/ATC level, rayon community resource centres (RRCs), that were established under the CBA Programme in the past, will be maintained and further strengthened. The main functions of RRCs are to support the process of community development at the specific territory, inform about opportunities open for local communities, coordinate different projects and programmes aimed at the community development, facilitate resource mobilization for community development, provide support to solve various problems of community development. RRCs will be adjusted to administrative territorial reform as required. Similarly, the established Regional Implementation Units (RIUs) will be expanded to serve as local development resource centres for the project at the regional level with necessary technical support provided. They will also coordinate with the new Local Self-Government Support Centres and Regional Development Agencies as required. The partner authorities will be motivated to increasingly use the resource centres and ensure their formal status. The increasing role of ATCs will be reflected in the arrangements and process flow/s of the resources centre network.

Activity 1.3. Selection of target communities

With the support of village and small town council or ATC officials, and based on the information and data provided under activity 1.1., the project will prepare or update socio-economic profiles of villages/small towns (or ATCs). This will include descriptions of communities located on the territory, basic infrastructure problems as well as issues of local economic development within the priority areas of interventions. A ranking of communities in term of hardships and disadvantages, but also in terms of potential for sustainable growth, will be done. Assistance by other development partners will also be taken into account. A community selection committee comprising of village/small town council (or ATC) head, rayon focal person and the project staff will review the ranking of the communities and select one of the communities to be supported along with one in reserve. This will be done after Activity 1.1.

Activity 1.4. Formation of community organizations

After the first dialogue, community members will take some time to reach consensus on the matter described. Upon reaching consensus, they will form a community organization to ensure a successful implementation of community initiatives. Community organizations can take different legal forms which include Bodies of Self-Organization of Population (housing/street committees, micro rayon/settlement committee)⁷ or Public Organizations (NGOs)⁸ or Cooperatives.⁹ If community organizations already exist, they will be involved and supported further for implementation of community initiatives.

The establishment of a community organization will require:

- Participation: indicative 50% or more of the households are represented in the CO, without excluding low income households or vulnerable groups. In case of large villages or settlements, participation will be ensured through formation of informal COs at street level and then forming an association of all informal COs;
- Formation of a CO-management team: 3-9 pro-active members will be selected on a consensus basis to serve as a chairperson, a secretary, a treasurer and representatives of each street/interest as applicable;
- Gender balance: At least 50% of the members and the CO-management team will be women;
- Accountability: The CO-members will be accountable for all the decisions made by the CO and the CO-management team will be accountable to the General Assembly of the CO;
- Commitment: CO-members will be ready to pay a membership fee, a community development fee and other fees as needed to carry out activities for the improvement of living conditions. (The fees might be nominal due to the socio-economic realities of the target groups. In case of poorest communities or vulnerable groups symbolic amount will be required a well.) The CO-management team will be committed to serve the community for several years;
- Transparency: CO-members will agree to meet regularly and take decisions and implement community initiatives in a transparent manner.

Activity 1.5. Training of CO-management team and local/regional authorities

A series of trainings/study tours will be organized for officials of partner village/small town councils (ATC Councils), rayon authorities, oblast authorities and the CO-management team. The training modules will be tailored to the needs of existing and new partners and focused on such areas as decentralization and local governance reform, sustainable local development, community-based approach to local development, strategic planning, participatory and inclusive planning processes, innovative technologies for energy saving, micro-project implementation, account keeping, marketing, audit, taxation, reporting, sustainable service delivery and other relevant subjects.

⁷ The Law of Ukraine On Bodies of Self-Organization of Population.

⁸ The Law of Ukraine On Associations of Citizens.

⁹ The Law of Ukraine On Cooperatives.

Training on standard procedures, timeframes, financial accountability and transparency, as well as on responsible authorities will be provided for CO-management teams and local / regional authorities to ensure accountable public services delivery.

An awareness raising campaign will be conducted, at each level of intervention, on the potential of forming a community organization, cooperative and/or BSO. Various capacity development tools will be utilized to strengthen capacity of the CO/ASC/BSO and its members, including capacity-development for implementation of micro-projects. The project will utilize outsourcing and leverage existing networks to provide training support to CO/ASC/BSO. The project will facilitate linkages of CO/ASC/BSO with village/city councils or ATC Councils, rayon authorities and relevant private firms (e.g. dairy plant, fruit/vegetable processing plants, logistic companies, etc.). Such linkages will enable the ASC/BSO to gain additional capacity for mobilizing organizational, financial and technical support in the future.

Activity 1.6. Micro-projects design, implementation and hand-over

1.6.1. Prioritization of needs

The list of needs and opportunities identified at community level will be debated at the CO level to establish their intensity, technical/social/economic/environmental feasibility, sustainability and equity (including gender and vulnerability implications) and are then prioritized according to the level of their importance. The issue of utmost priority for the CO will be selected for implementation. The selected projects will be innovative, running cost or standard needs in communities will not be the target of the funding.

The RRC will facilitate a planning workshop at the relevant council level with the participation of local authorities, COs, local level economic development agencies, CSOs, project representatives, BSOs and representatives of the private sector such as business associations. Community development plans of the COs and plans of other stakeholders on the territory of the council will be presented, debated and approved. This workshop will serve as a forum to match the demand and supply of resources to implement prioritized plans. Local authorities and COs will indicate their commitment to provide resources for the implementation of the prioritized plans.

In case the available resources of village/small town or ATC councils cannot meet the financial needs for implementation of the local plans, the village/small town councils will take a justifiable lead to present the community plans for discussion at the local development forum (LDF) and get them incorporated into a rayon or ATC/regional plan for adequate financial support in the future. In order to introduce participatory decision-making practices at municipality, rayon and regional a support structures have to be developed. At the rayon level (or ATC as appropriate), the LDF serves as a platform for the dialogue between local communities and rayon authorities. At the regional level, an oblast coordination council (OCC) fulfils this function.

Aggregated social/economic/environmental plans of all COs will be presented at one of the LDF meetings. The plans will be reviewed and agreed upon during the meeting. The rayon (or ATC) authorities incorporate the approved plans in their own plan for current/next year funding.

1.6.2. Development of detailed technical proposals

A CO, with the help of personnel of technical departments of rayon state administration/ATC, private firms/consultants, RRC and RIU, will prepare a project's technical documentation following all requirements, such as:

- The necessary technical analysis and design will be done with the full involvement of the beneficiaries. Aspects to be ensured are that feasibility (CO should be able to implement), sustainability (beneficiaries should be able to maintain), equity (at least 80% of the CO-members benefit and low income and vulnerable households are not left out), productivity (the project directly or indirectly contributes to increase in households income/reduction in household expenditure) and environmental soundness are fully met.
- The project budget will be prepared only when the design is endorsed by the CO by consensus;

- Cash and in-kind community contributions will be clearly stated and the additional support required from outside agencies will be identified in the proposal;
- Operation, maintenance and sustainability mechanism will be part of the proposal;
- Technical departments of rayon's/city/ATC councils will approve the documents if they meet formal requirements;
- The technical document/s will be approved by the concerned approving agency (e.g. investment group) of the government.

With the technical documents in hand, the CO will prepare a grant proposal. The developed proposals of community projects will be agreed at the CO level and with relevant local authorities.

1.6.3. Mobilization of resources

The developed proposals of community projects will be reviewed and agreed upon at the meetings of LDFs. Representatives of village councils, ATC Councils, rayon authorities, COs, businesses, the project and others present in the meeting commit an amount that they could make available to expedite the proposed micro-project. Once the needed resources are mobilized, the local authorities will issue a commitment letter of support to the project.

The project will offer resources (grants) to COs for the implementation of micro-projects on support to social facilities (schools, kindergartens, etc.). Up to **50% of the cost will be contributed by the project** (limited to **6,500 EURO** per initiative), up to 45% - by local budgets and a minimum of 5% - by a beneficiary CO.

1.6.4. Approval of micro-project proposals, grant provision and micro-project implementation

The micro-project proposals submitted by COs through the Oblast Implementation Units (OIUs) (the OIU consist of local UNDP project staff). After review by the OIU (who facilitated the whole process up to this stage, the micro project will be further reviewed by engineers and other relevant specialists of the project at central level. On recommendation, the project selection committee will then appraise the micro project. The micro-projects that meet the formal criteria will be approved by the project manager. The COs that have received grant funding previously and wish to apply under the current project will have to prove the existence of a maintenance mechanism for already completed micro-projects and will have to act as a demonstration site for other communities.

The project will release its share to the bank account of the COs which also will contain the amount contributed by the COs. The share of local budget contributions and that from private sponsors will be received by COs mostly in form of parallel funding.

1.6.5. Book-keeping, monitoring and reporting

The CO management team will maintain transparent books of all transactions (cash or kind) related to the micro-project implementation. It will also present progress reports to the CO members on a regular basis. The CO will conduct a public audit upon completion of the works and reports to the PMU for every tranche utilized by using the reporting template provided by the project.

1.6.6. Handover of completed micro-projects and ensuring sustainability

Completed micro-projects will be handed over to the respective local authorities (village/town councils, ATCs, rayon authorities) or to the COs, as applicable. Through a MoU, the local authority will entrust the CO to participate in the operation and maintenance of the micro-project.

Upon completion of a micro-project, the CO management team will present the final progress report to the CO General Assembly meeting. The CO members will audit the physical and financial transactions and the quantity and quality of the works done under the micro-project. Upon finding it satisfactory, the CO members will grant public clearance for the micro-project. The clearance will be reflected in the minutes of the CO meeting signed by the CO members. A summary of the progress report will be displayed to the public on a

visible information board. The CO will submit the final progress report along with a copy of the public clearance to the PMU for its records.

The partner authorities (village/ town councils, ATCs, rayon state administrations, etc.) will ensure that different micro-project components satisfy standard technical specifications. Upon finding the result satisfactory, the project will be handed over to the respective authorities to incorporate in its inventory and to make arrangements for operation and maintenance.

Component 2. Support to small economic initiatives

Component 2 will focus on activities to promote economic development in rural and urban areas and contribute to inclusive and sustainable growth. Economic initiatives will require more intensive preparatory activities and will focus more on the promotion of organized community cooperatives and other types of associations or entrepreneurship that may provide for income generation and employment creation, in order to improve the quality of life and self-reliance of people.

Under this component, two areas of activities will be supported - farm and non-farm sectors. Support to the development of cooperatives, capacity-development activities and small grants will be provided to communities willing to establish cooperatives within the farm sector with the target of one cooperative in each selected oblast (promotion of organic agriculture, introduction of sustainable agriculture through “green and smart technologies”, innovative land cultivation, green-houses development, input supply, etc.).

The priority areas of intervention within non-farm activities will be identified in each target community during the participatory planning with involvement of a broad range of the stakeholders (community representatives, local governments, private sector, academia, NGOs and BSOs). This will include but is not limited to food processing, logistics (transportation, storage, and other value chain related services), extension services, small crafts, rural tourism, construction, services, trade, etc. While the non-farm activity will not be expected to resolve the local economic issues on its own, the promotion of diversification of activities may be an important component of poverty alleviation in rural and small town communities. Diversification of economic activities will render communities more resilient and will help generate additional income, which will subsequently translate into stronger local budgets in the course of decentralization. Additional employment will also reduce the burden on social welfare systems.

Two established national service providing organizations (NGOs, BSOs) will be selected on a competitive basis (one in each oblast) to ensure re-granting for small business initiatives (outsourcing is needed to allocate financial resources to business entities. According to rules and regulations, UNDP cannot provide direct grants to business entities, only to non-profit organizations). The support will be closely coordinated and aligned with government services, including those provided by the State Employment Service and/or Regional Development Agencies. In order to understand the specific economic needs and potential areas of intervention in the non-farm sector can be used to leverage the untapped economic potential of the communities, a needs analysis of the potential communities will be conducted. This will be followed by the selection of sub-grantees and provisions of grants with an indicative value of **3,000 – 5,000 EURO** each (indicative 5–7 initiatives per oblast). Women and vulnerable groups will benefit from the grants. Capacity development activities alongside with quality assurance with monitoring and evaluation of the sub-grantees will be ensured by both service-providing organizations in each oblast under the overall quality assurance of UNDP.

Activity 2.1. Strengthening the capacity of agricultural cooperatives and local enterprises

Community mobilization will be carried out in the target communities. The population will be sensitized through community dialogues and other tools of awareness. Target households (low income households) that are willing to undertake additional economic activities will be identified through simple household surveys. The target households will be mobilized to form multi-functional non-profit Agricultural Service Coop-

eratives (ASC) or establish local enterprises under the current legislative framework and registration procedures. The project will support ASC/local enterprise members in developing the appropriate statute and internal rules, with forming a management board and executive body and will facilitate the process of registration.

Previously developed capacity development programmes will be tailored and utilized to strengthen capacity of the ASC/local enterprise and its members. Training will be organized for board and/or executive members in such areas as institutional management, financial management, planning, account keeping, marketing, audit, taxation, and reporting. Aspirant ASC/local enterprise members will be trained in such areas as business development, skills/apprenticeship to expand their existing activity or run new businesses of their interest. The project will facilitate linkages of ASCs/local enterprises with village/town councils, ATCs, rayon authority and private companies.

A sustainability mechanism will be put in place by ASC to ensure proper operation and maintenance of the resulting object/service system. It will include service charge paid by the beneficiary members to cover such cost as depreciation, operation, maintenance and risk.

Activity 2.2. Selection and capacity development of business development organizations

The project will support the provision of business development and extension services to local enterprises through supporting local Business Support Organizations/business associations, which will roll out targeted trainings and consultancy to local businesses with a special focus on non-farm economic activities. Two established national service providing organizations (NGOs, BSOs) will be selected on a competitive basis (one in each oblast) to ensure capacity-building and re-granting for small business initiatives.

The partner organizations will receive grants for provision of services and development of business advocacy at the local and regional level, and will be supported by the project (through the NGOs, BSOs) with capacity development and related services.

Activity 2.3. Provision of small grants for economic development

The project will assist ASCs/local enterprises in identifying economic activities that would enhance employment/income to the target households directly or indirectly, with a focus on disadvantaged communities and specific target groups (such as women, youth, etc.).

The sub-granting organizations will be selected through a call for proposals, and subsequent evaluation of proposals in terms of expected effects for non-agricultural business promotion in the target communities/areas. The proposals will be assessed against a set of criteria which will include the following: focus of the proposal on the poorest and most vulnerable population groups, contribution to the empowerment of women and vulnerable groups, environmental sustainability, etc. The evaluation committee will consist of local stakeholders, representatives of the private sector and UNDP representatives. ADA will have a monitoring role and has the right to object awards on the basis of justified concerns.

The service-providing organizations will ensure capacity-development activities alongside with quality assurance with monitoring and evaluation of the sub-grantees under the overall supervision and quality assurance of UNDP.

Co-financing of the project from other sources will not be a necessary condition. However, preference will be given to projects that provided co-funding (indicative at least 10% of the total budget) to the project.

Co-financing from local government sources will not be a necessary condition, but will be encouraged. Support from local authorities and other sponsors may be in the form of parallel funding or direct funding as per the situation. If necessary, local authorities (village/town or ATC council, rayon authority, regional authority) and other donors may opt to join the selected grantees in the capacity of associated member to provide funding from their budget.

Activity 2.4. Commissioning, handover and sustainability arrangements

Public audit and commissioning of the micro-project will be conducted by the ASC/service providing organization to ensure clearance of the task from the general members and local authorities. During the Public audit session, a general meeting of the ASC is called. In this meeting, the Functional Group presents an overall report on the micro-project followed by a report of the micro-project monitoring committee on the quantitative output, quality of work done and quality of financial management. Upon being satisfied, the general meeting makes public announcement on satisfactory completion of the micro-project. The resulting object (if applicable) will be included in the inventory of the ASC/service providing organization or handed over to the balance of concerned local authority (if applicable).

A sustainability mechanism will be put in place by ASC/service providing organization to ensure proper operation and maintenance of the resulting object/service delivery system. It will include service charge paid by the beneficiary members to cover such cost as depreciation, operation, maintenance and risk (if applicable). The community will take responsibility to maintain the resulting output and reap benefit from it on a sustained basis. It will be done through regular and systematic exchange of experiences and lessons-learned.

4.5. Indicators

The below indicators will be used periodically to measure progress and achievement, to keep the project on track and to provide early warning signals of problems in progress. The number of direct and indirect beneficiaries reached as at the end of each reporting period will be reflected in progress reports. The indicators will also be used to assess the impact of the project. Both quantitative and qualitative indicators were selected based on the nature of the particular aspects of the intended results. The indicators as per the attached log frame are also gender specific.

- Annex 1 (Log Frame) is a matrix of indicators that could be used for carrying out results assessment and progress by measuring amongst others;
 - The number of community organizations, Local Development Forums, and Local Development Forums supported/strengthened and number of agreements signed;
 - The Number of community leaders and officials of local/regional authorities trained in various aspects of community-based approach and participatory decision making;
 - Number of community development plans incorporated in the local development plan;
 - Number of community micro-projects implemented to improve the delivery of basic social services and to support economic development in rural areas;
 - Number of community cooperatives/local enterprises grafted/set up and number of micro-projects supported to raise employment and income in rural areas;
 - Number of non-farm business entities supported in each oblast;
 - Number of trainings for non-farm business entities on business skills, reporting and evaluation;
 - Number of trainings for ASCs on business processes, management and governance in each oblast;
- (The list is not complete and should be read together with the log frame – Annex 1)

4.6. Risk Assessment

Description of the risk	Likelihood	Possible impact	Prevention/ and or mitigation measures
Output 1 and 2: Duplication of the activities by other donors	Low	Medium	The project will keep constant exchange of information with other development projects and donors in the selected regions and at central level to ensure no duplication of efforts
Output 1 and 2: Recovery from economic crisis affects the revenue collection of	Medium	Medium	Review co-financing arrangements for micro-grants, if necessary. Decentralization reform provides more financial freedom to the local authorities and communities

budgets at all levels, thus limiting local co-financing possibilities			
Output 1: National and local authorities are not open to adopt the community-based development methodology and/or decentralization process stalls or reverses	Low	High	Intensify and maintain cooperation with national and sub-national authorities. Share success stories of the previous projects, promote direct contacts between communities
Output 1: Council members and officials of local authorities have low capacity to apply/ lack of understanding of the participatory approach within the framework of their policies and procedures	Medium	Medium	The project envisages a comprehensive capacity development campaign aimed at various local stakeholders on participatory approach to local development
Output 2: Low interest of households / land owners to unite in cooperatives and local enterprises	Medium	Medium	Arrange public awareness campaign on the benefits of community cooperatives and local enterprise for economic activities and livelihood of the regions

5. Monitoring and Evaluation

5.1. Monitoring, steering and dissemination of information

In accordance with the Programming Policies and Procedures outlined in the UNDP Rules and Regulations and in line with the donor's requirements, the project will be monitored through the following:

Within the annual cycle

- On a quarterly basis a quality assessment shall record progress towards the completion of key results.
- Atlas is the Enterprise Resource Planning (ERP) system used by UNDP to manage projects, finances, human resources, inventory and procurement. Atlas also forms the basis for UNDP's internal control and accountability framework.
- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the information recorded in Atlas Project Progress Reports (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance using the standard report format available in the Executive Snapshot.
- A project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization and to facilitate the preparation of the Lessons-learned Report at the end of the project.
- A Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually

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

In terms of the reporting to the donor, there will be Semi-annual Narrative Reports prepared in line with ADA requirements and templates, as well as annual financial reports.

With regard to financial reports:

- Annual financial reports (uncertified) will be submitted by the UNDP CO in Ukraine in Euro against the budget structure along with the annual narrative reports.
- Annual financial statements (certified) in USD will be submitted by UNDP HQs in accordance with UN rules and regulations (by 30 June of the following year for the report period ending on 31 December).

5.2. Assessment and Evaluations

The project will undertake regular monitoring and reporting activities as described in section 5.1. The Project will build on the existing M&E system of UNDP and specifically the existing CBA-III project to monitor and assess project progress, issues and challenges as well as effectiveness of intervention.

In addition, the project will arrange the external evaluation with the purpose of assessing the performance of the project in achieving its intended results. It will be organized in accordance with UNDP rules and regulations (see Handbook on Planning, Monitoring and Evaluating for Results, <http://web.undp.org/evaluation/guidance.shtml#handbook>). The terms of reference for the external evaluation will be shared with ADA at the stage of preparation.

6. Implementation

6.1. Preparation of implementation

Although a separate project, this concept envisages the expansion of and building on the existing Community Based Approach to Local Development Programme III project, implemented by UNDP with financial support from EU. Therefore, there is no need for lengthy preparation for implementation such as recruitment, development of methodology, etc. This project will be integrated into the operations of the existing CBA III, quickly and smoothly. The project will be managed and implemented together with the mentioned CBA III Programme that ends in September 2017, while after September 2017, the remainder of the project will be implemented by the indicated staff members as mentioned below. The CBA Programme Final Report will be available to ADA as to the general public, in line with UNDP and EU procedures.

Austrian / ADC visibility will be respected in both oblasts in regards to public events featuring the project, publications/materials that will be produced with project funds etc. ADC visibility guidelines will be applied: <http://www.entwicklung.at/en/media-centre/logos/>

6.2. Organizational structure, processes and management capacities

Project Board: The Project Board (Board) will consist of 3 members (senior managers of UNDP, ADA and Ministry of Regional Development), who will have full authority and responsibility over all aspects of the project, and will ensure that the interests of all parties are protected. The Board will provide overall direction of the project and will make decisions on a consensus basis when guidance is required by the Project Manager. In cases when a consensus cannot be reached by the Project Board members, the final decision will be taken by the UNDP Senior Management.

The Board will be responsible for ensuring the delivery of expected results and will be accountable for the overall success of the Project. It will endorse recommendations for budget and project revisions. It will review the progress of the Project at designated points during the implementation or when requested by the Project Manager. The Project Manager shall seek approval of the Project Board for decisions when project tolerances (i.e. constraints normally in terms of time and budget) have been exceeded.

The Board will approve all major plans, including recommendations for budget revisions, commitment of resources, etc. and will authorize any major deviation from the agreed work plans. Where necessary, it will arbitrate on any conflicts within the project and will negotiate between the project and any other party beyond the scope of the project.

The Project Board will meet on a bi-annual basis or as necessary, and will regularly receive project progress reports and will only be asked for joint decision making at key points during the project implementation. The Project Board can invite representatives from the regions to participate in the discussions. As an option, Project Board meetings can be organized in the regions allowing for the broader participation of the stakeholders including ADA representatives from the Coordination Office in Chisinau if possible.

The roles within the Board will be divided as follows: The Executive (UNDP) will ensure successful production of envisaged outputs. The Executive (a UNDP Senior Manager) will be ultimately responsible for effective and efficient implementation of the project. The Executive will hold the project ownership and will chair Project Board meetings. The Donor (Austria) will provide guidance on the technical feasibility of the project; and Senior Beneficiary (Ministry of Regional Development) will ensure the realization of project benefits from the perspective of project beneficiaries.

The UNDP Deputy Country Director in charge of program implementation will do Project Assurance. He/she will provide objective and independent project oversight and monitoring on behalf of the Board and will ensure the completion of agreed project management milestones.

A Project Manager will be in charge of a daily management of the project on behalf of the Project Board and will act within the scope/constraints laid down by the Project Board. He/she will be responsible for management and decision-making for the project and will ensure the delivery of project results as specified in the project document and according to the required quality standards, time and cost.

The Project Team will support the Project Manager, consisting of professionals in the field of community mobilization, energy and environment cooperatives development engineering monitoring and support staff related with administration and finance.

The Project Management Unit (PMU) will be located in Kyiv (with regular visits to the regions concerned).

The main tasks of the PMU will be:

- Overall management and coordination of Project implementation
- Strategic technical and methodological backstopping of Regional implementation Units
- Final endorsement of community projects for grant award

- Monitoring of implementation and quality assurance
- Communication and reporting to UNDP/EU/Government and Donors

The PMU will consist of:

- International Project Manager (1)
- Community Development Specialists (1)
- Communications and Evaluation Specialist (1)
- Finance Specialist (1)
- Project assistant – Admin (1)
- Project Assistant – Finance (1)
- Driver (1)

Regionally deployed staff will consists of:

- Community development Officers (4)
- Driver (2)

The PMU will carry out its functions through two regional implementation units established with support of regional authorities (in the premises offered by them) under the framework of a memorandum of understanding (MoU). In each regional implementation unit will be two community development officers and one driver.

Short Term Consultants: Services of short-term experts will be utilized for technical backstopping and specific advisory needs to improve effectiveness of specific Project activities.

Project implementation will be governed by provisions of the agreed Project Document (and donor agreement where applicable), UNDP Programme and Operations Policies and Procedures, UNDP Ukraine Standard Operating Procedures, and the project Operational Guidelines and Manuals.

The Project shall be subject to the internal and external auditing procedures laid down in the Financial Rules and Regulations of UNDP.

6.3. Time schedule

The project will be implemented in 18 months. Annex 2 provides the Time schedule.

6.4. Necessary means and costs

The total budget of the Project will be EUR 500,000.00. In addition an estimated EUR 79,340.00 will be contributed from the existing CBA III (EU/UNDP funded) project during the period December 2016 - September 2017), to be used for the activities outlined in this document.

Annexes:

- Annex No. 1) Logframe Matrix
- Annex No. 2) Time schedule
- Annex No. 3a) Summary project budget (project budget relevant for accounting)
- Annex No. 3b) Detailed project budget
- Annex No. 4) List of reference documents
- Annex No. 5) Environmental integration checklist
- Annex No. 6) Gender self-assessment
- Annex No. 7) Social standards assessment