



Project Document

Sustainable Integration and Recovery in North Ossetia-Alania

Brief Description

This project aims to support integration of displaced people and improvement of life level in the region through enhancement of local employment opportunities , development of sustainable livelihoods, enhancement capacity of local authorities and NGOs involved in economic and social recovery. Special attention is given to the most vulnerable groups, i.e. women, single headed female households, elderly and invalids.

Signature Page

Country: Russian Federation

Expected Outcome: Enhanced environment for gradual social and economic development of the region, enhanced level of well-being of the most vulnerable population.

Expected Outputs: Increased opportunities to build sustainable livelihoods through enhanced employment opportunities

Enhanced capacity to strengthen recovery and social cohesion of the local NGOs and authorities involved in economic and social recovery

Implementing Agent: UNDP in the Russian Federation

Associated Partners: Government of the Republic of North Ossetia-Alania

UNDP Country Programme period: 2004 – 2007, 2008-2010

Project Title: “Sustainable Integration and Recovery in North Ossetia-Alania”

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○ UNTFHS USD 1 883 999.63

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STRUCTURE

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1. EXECUTIVE SUMMARY

The Republic of North Ossetia – Alania is one of republics of the Russian Federation. It is situated in the south of Russia on the northern slopes of the Great Caucasus range covering a total area of 8,000 square kilometers. The Republican GDP per capita is under the average of the Russian Federation and social inequities are noted. Existing economic situation and migration have translated into unemployment among locals and migrants, as local workers became redundant and migrants could not be absorbed by local job markets. Though unemployment affects both local residents and the displaced, the numbers are generally much higher among migrants. According to research, discussion with the government and partners, it is the small and micro-enterprises as well as private farmers, particularly within the informal sector, that are expected to effectively absorb many of the jobless thus providing for a natural means of producing the human security that can result in broader social stability.

Administrative barriers influence development of entrepreneurship in the region. Although the “one stop shop” concept of registering a business is established, private and public sector respondents state that business registration can be difficult. Additional problems arise for would be entrepreneurs at the conceptual level. As most have had little or no prior experience with market economies, the majority lacks skills to formulate business concepts or develop business plans.

In the larger context of the North Caucasus region’s the need for the UN to undertake substantive efforts going beyond emergency relief to improve human security is underscored; particularly, in North Ossetia - Alania.

The present project to strengthen economic recovery and integration processes in North Ossetia builds on the recommendations arising from the multi-agency headquarters mission report (UNDP, UNHCR, SDC & DRC, June 2004), the “High-level Dialogue on Human Security in the North Caucasus (April 2005),” other consultative events, in addition to researches, surveys and assessment missions carried out in the republic between October 2004 and December 2006. It emphasizes the need for a comprehensive approach to integration and recovery in North Ossetia and addresses sustainability through capacity-building of key government authorities to enhance their approaches to socio-economic recovery, development of sustainable livelihoods and permanent shelter for the displaced.

The nature of transition assistance substantiates a strategically-integrated, multi-agency approach as the most effective one to guide the impending shift from relief towards recovery. This approach is also considered the most effective to address the array of technical support needs of government administrators and other duty bearers. UNDP is well positioned in the North Caucasus to develop and carry forward a process that effectively integrates recovery initiatives into humanitarian assistance, ensuring that social protection does not take a back seat to economic empowerment. Drawing on their complementary strengths and experience in protection and poverty reduction UNDP will work within partnerships that support government capacities to manage integration of the displaced population-refugees, forced migrants, and to do so within a framework that also enhances the resilience of other low income groups. UN-supported recovery initiatives will be used strategically- to consolidate peace by broadening social capital.

The UN Country Team believes that successful activities to address human security in North Ossetia could be applied elsewhere in the North Caucasus as the situation permits, helping to stabilize the region. This would extend the potential impact of funds provided by the Trust Fund for Human Security and will enable the area and its partners to more fully engage in ongoing recovery and development.

2. INTRODUCTION

Support from the Trust Fund for Human Security is solicited to enable a concerted, multi-agency response that will address the social and economic recovery needs of vulnerable displaced persons and grassroots residing in North Ossetia-Alania. Not only does this project meet the criteria for the human security approach, but the republic has been excluded by major international donors in their funding in response to the inter-agency appeals for the North Caucasus. It should be mentioned that the reason for that was that the whole approach for humanitarian support in the North Caucasus was from Chechnya side. The situation in the North Ossetia-Alania was quite different. Despite the fact that it had to absorb the displaced persons from Georgia/South Ossetia and observe an increase of one-sixth of its population, the level of humanitarian support to the republic was much lower compared to the international assistance given to the other republics in the region.

2.1. Background on the Republic of North Ossetia-Alania

In 1992, the Republic of North Ossetia had a conflict with its western neighbor, the Republic of Ingushetia, which claimed, and still claims today, half of the Prigorodny district on the right bank of the Terek River. A peace agreement has yet to be reached. Nevertheless, the ethnic Ingush IDPs are returning to Prigorodny, either to their former places of residence or other places in case return to the place of residence is impossible for different reasons. According to the Inter-Regional Department of the Federal Migration Services based in the North Caucasus, 4,525 families/24,020 persons in total returned to Prigorodny since 1994.

North Ossetia-Alania has diverse and rich natural and human resources. It has developed industrial infrastructure and has vast possibilities in the area of agriculture. The mountainous republic also has big tourism potential. Despite its vast natural resources and cultural richness, the republic is lagging behind many other Russian regions in terms of economic development. This situation has been compounded by the need to facilitate the return of Ingush IDPs and integration of the displaced from South Ossetia/Georgia.

Gains towards development of viable market economies have not occurred in the North Ossetia-Alania to the same degree as has been the case in other regions of the Russian Federation.

During the Soviet era, North Ossetia's economy was fuelled mainly by military industry as factories produced defense industry electronic components. Upon the collapse of the Soviet Union the factories closed, leaving thousands without livelihoods. Most of the remaining factories that currently operate are processing agriculture products but not efficiently. The inefficiency of the remaining collective farms and lack of mechanisms for directing agricultural inputs from the private sector producers to viable markets means that food processing plants cannot get sufficient raw products and, as a result, produce far below their capacities.

2.2 Human security context and situation analysis

2.2.1 Human Security Context

The human security approach seeks to respond to the broader social, economic and political causes of instability, assuming that societies may turn to violence or support extremist groups as a function of how they view their own status, their future prospects, and the actions of those in power. Thus, the full range of factors that affect people's wellbeing are addressed; including, not just physical safety, but also the sense of security that comes from having enough to eat, a place to live, employment, access to health care, and educational opportunities. The dual goals of protecting people and empowering them to begin to solve their own problems receive equal importance. Components of a human security approach can also include policies to guarantee that human rights are observed, that corruption is minimized, and that economic and social programs are implemented to advance development and build human capital.

As per the 2002 Census results, the Republic's population totaled 710,275 persons. The average population density is 88.8 persons per square kilometer – one of the highest in the country. The number of urban population amounts to 464,875 (65.5%), with 245,400 persons (34.5%) residing in rural areas. There are 200,191 households with 690,806 persons, of which 143,397 (with 447,884 persons) are in urban, and 56,794 (with 242,922 persons) in rural areas. The economically active population amounts to 400,000 persons. The government's statistics indicate that 2005 official unemployment stood at 2.6%. The Ossetian population of North Ossetia is predominantly Christian with a Muslim minority, speaking Ossetian and Russian.

According to the 2002 Census, Ossetians make up 62.7% of the Republic's population. Other groups include Russians (23.2%), Ingush (3.0%), Armenians (2.4%), Kumyks (1.8%), Georgians (1.5%), Ukrainians (0.7%), Chechens (0.5%), and a host of smaller groups, each accounting for less than 0.5% of the total population. 3,283 persons (0.5%) did not indicate their ethnicity during the Census.

	census 1926	census 1939	census 1959	census 1970	census 1979	census 1989	census 2002
Ossetians	128,321 (84.2%)	165,616 (50.3%)	215,463 (47.8%)	269,326 (48.7%)	299,022 (50.5%)	334,876 (53.0%)	445,310 (62.7%)
Russians	10,063 (6.6%)	122,614 (37.2%)	178,654 (39.6%)	202,367 (36.6%)	200,692 (33.9%)	189,159 (29.9%)	164,734 (23.2%)
Ingush	23 (0.1%)	6,106 (1.9%)	6,071 (1.3%)	18,387 (3.3%)	23,663 (4.0%)	32,783 (5.2%)	21,442 (3.0%)
Ukrainians	10,301 (6.8%)	7,063 (2.1%)	9,362 (2.1%)	9,250 (1.7%)	10,574 (1.8%)	10,088 (1.6%)	5,198 (0.7%)
Others	3,727 (2.4%)	27,806 (8.4%)	41,031 (9.1%)	53,251 (9.6%)	58,051 (9.8%)	65,522 (10.4%)	73,591 (10.4%)

"Displaced persons" (refugees, ex-refugees and Forced Migrants)

According to the authorities of the North Ossetia-Alania, approximately 110,000 persons arrived in North Ossetia-Alania as a consequence of the Georgian-South Ossetian conflict in 1991-1992. The vast majority of the refugees are ethnic Ossets, thus have family links in North Ossetia (where Ossets represent the majority). Upon arrival to the NO-A, most of the refugees were accommodated with their friends and relatives and the remaining caseload in the public buildings throughout the Republic, many of the buildings in very precarious condition ("collective centers"¹). Due to the sub-standard living conditions and limited resources of both authorities and hosting families, many refugee families had no choice but to return to the Georgia's breakaway region of the South Ossetia during the first post-conflict years. Furthermore, as the refugee status granting started only in 1993, it was only 55,000 refugees who obtained the status at the start of the process.

The number of people with refugee status in North Ossetia gradually decreased by now, mainly due to the fact that most of them applied for and were granted Russian Federation citizenship. When refugees managed to acquire Russian citizenship, which demonstrated their intention to integrate in North Ossetia-Alania rather than repatriate to their previous residence in South Ossetia/Georgia, many of them applied for and were granted forced migrant status in accordance with the Federal Law on *Forced Migrants*.² In this context, the "forced migrant" status protects refugees who got naturalized, but remained in dire need of assistance, i.e. shelter, employment etc. Due to the afore mentioned, the ratio between the refugees and forced migrants shifted over the years in favor of the second group. It is estimated that of all those who fled to North Ossetia-Alania from South Ossetia and other parts of Georgia, about 50,000 persons have acquired Russian citizenship over the past years. Of those, 15,654 still hold forced migrant status as of 1 December 2006, indicating that they remain in the situation of displacement and are still in need of assistance in order to be fully integrated into the society. (Chart 1)

Chart 1: Refugees and Forced Migrants in North Ossetia

(as of 1 December 2006)

Country/Place of Origin	TOTAL	Refugees	Forced Migrants
Georgia	15 748	94	15 654
of the above, from Abkhazia	81	0	81
of the above, from South	288	0	288
Ossetia			
Chechnya	617	0	617
Ingushetia	6	0	6

¹ Collective Centers are buildings to which the displaced persons moved in upon arrival in North Ossetia-Alania, either spontaneously or based on suggestions by the authorities. Although their intention was to stay there temporarily, families who could not develop their housing solutions still reside in the centers. Many of the buildings were originally designed and used for public purposes such as university dormitories, kindergartens, military accommodations, tourists' hostels and farms. Fifteen years after the displacement, many owners of those buildings wish to retrieve the structures and use them for their own purposes, thus pressurize the displaced persons to leave the buildings.

² The Federal Law on Forced Migrants defines the forced migrant, among other, as "a citizen of the ex-USSR, who permanently resided on the territory of the Republic, which was a member of the USSR, who was granted the status of the refugee but lost this status in connection with his acquisition of the citizenship of the Russian Federation in the face of the existence of the circumstances, which prevented the given person during the period of validity of his status of the refugee from settling on the territory of the RF.

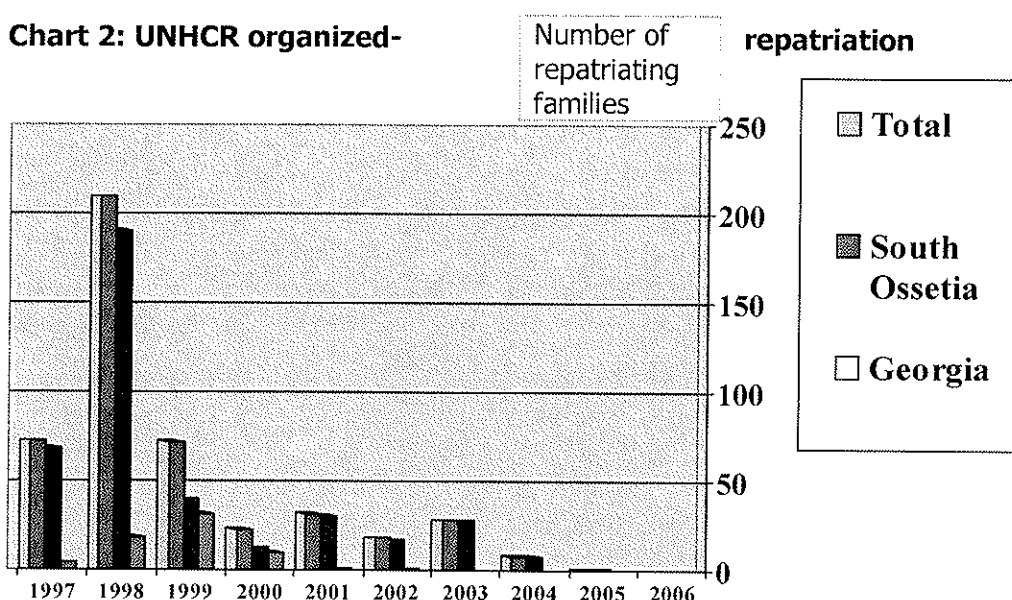
Former USSR Republics	1 469	2	1 467
TOTAL	17 840	98	17 740

(Source: Department of Federal Migration Services in North Ossetia)

Many of the refugees repatriated to their places of origin by their own means before UNHCR started its voluntary repatriation program in 1997. UNHCR directly facilitated the voluntary repatriation of 465 families (67 families to Georgia proper, 398 to South Ossetia). In South Ossetia and Georgia proper, UNHCR provided the returnees with material assistance, including shelter and shelter kits, on the funding of EU/OSCE. The shelter program also benefited some of those who returned by their own means.

Although the UNHCR repatriation program is widely known to the refugee population in North Ossetia, it has been observed that the interest in repatriation among the refugees has been declining over the years. Only eight families (24 persons) returned to South Ossetia in 2004 through the program and one family (three persons) in 2005. In 2006, no family approached UNHCR to request repatriation. (**Chart 2**)

Chart 2: UNHCR organized-



It is further confirmed through UNHCR's daily field monitoring of refugees/forced migrants that almost all of them clearly plan to integrate/stay in North Ossetia-Alania, despite that they are aware that their shelter conditions and financial outlook in North Ossetia are not necessarily favorable. UNHCR constantly hears from them that returning to South Ossetia/Georgia is not considered as an option even if their property is returned or reconstructed. Such intension was confirmed in March 2006, when a draft law of Georgia on property restitution was discussed in a conference in Vladikavkaz. Forced migrants who left their properties in Georgia continue to express their clear preference for compensation over restitution.

2.2.2 Situation analysis

Investments in recovery-oriented development are particularly important to invent market mechanisms, support SME, particularly in the rural area and develop institutional capacities of the local economy actors. . The present project will address some of the major barriers to investment into the socio-economic development in the North Ossetia-Alania:

1. Access to micro-credit and associated advice to aspiring and existing entrepreneurs

- The small and micro-enterprise, particularly within the informal sector, can effectively absorb many of the jobless. Barriers have been repeatedly highlighted as obstructing entrepreneurship:
 - Newness of market economy concepts and culture
 - Difficulty of business registration procedures
 - Layers of administrative authority
 - Lack of awareness of business law
 - Complexity of tax laws
 - Few accessible support mechanisms
 - Local culture and social pressures

- Lack of access to credit has repeatedly been pointed out as one of the primary barrier to entrepreneurship and job creation. While micro-credit is available through banks, practice shows that at most banks "micro-credit" is in fact small consumer loans. Moreover, persons who cannot produce 3 times the value of the requested loan in collateral, or who do not have two co-signers with collateral and well-paid jobs, do not qualify. Currently outside the banking sector there is only one credit-cooperative, established in mid-2006 with support from UNDP, providing micro-credits.

- Ownership of land, in itself, is not always a barrier to land-use. Integrating families allotted land plots for housing usually receive sufficient land to keep a kitchen garden. Additionally, they may be eligible to apply to their local administration for use of larger, agricultural plots. However, ownership does, in fact often impact such families' ability to gain agricultural inputs, as they have no collateral to put up for credit. Thus, many families with land-use rights do not in fact work their land, citing lack of access to seeds, fertilizers, farm equipment, markets, or processing facilities, as reasons for not engaging in larger-scale agricultural activity.

- Corruption is considered to be a significant problem hampering development of businesses and job creation as well as creating barriers to investment in the region. For instance, during the survey conducted by UNDP, many entrepreneurs reported corruption among bank personnel providing loans to small businesses. In North Ossetia bribes were from 10 to 30% of the loan amount. UNDP has support projects to sensitize government officials to the need for a change management. Consultations within the republican government have confirmed their interest in institution-building support to improve public-sector management and enhance the attractiveness of the region to investors thus contributing also to job creation.

2. Access to permanent shelter

- Provision of shelter assistance will help the displaced persons currently living in very precarious conditions in temporary accommodation to develop their shelter solutions and

to establish a basis for their sustainable socio-economic integration in the local community.

- Nearly 16,000 displaced persons from the Georgia-South Ossetia conflict still hold the legal status of forced migrants due to their socio-economic situation, however express their wish to permanently stay and integrate in North Ossetia-Alania. Most of the displaced living in so called private accommodation often occupies abandon or very old houses in the remote areas of the republic, not suitable for living and without basic utilities. Even the modest rent required for some of those premises regularly presents a challenge since most of them lack any employment. The main source of income for the vast majority of the displaced families is seasonal jobs for which they are paid in goods and, very often, with long delays.

3. Basic Public and Social Services

- (Re)Integrating families from South Ossetia/Georgia and Prigorodny region have put an additional strain on the republic's already scarce resources. Further, it has placed additional stress on aging and dilapidated water systems, schools and health posts. Many villages have not been able to maintain, upgrade or extend the access of public utilities and public services systems since Soviet times. Where newcomers have settled spontaneously on the edges of existing villages, there have been no capacities to extend gas and water pipes to accommodate the new portion of the village.

4. Governance and Public Sector Management

- Planning activities undertaken by UNDP, UNHCR and other agencies have been approached with a view to providing models of more inclusive, participatory decision-making:
 - ensuring government participation and ownership
 - ensuring that information development is shared, transparent and mutual
 - ensuring that planning is based on careful analysis
 - striving for decisions to be made consistent with supporting a strategy
- Access to basic information and statistics on productive sectors, demographics and land use has comprised a significant and ongoing barrier to recovery planning in the North Ossetia-Alania.
- Capacity development in public sector management, including improvement of information flows between levels of government, and budgeting is needed to more effective public spending in priority areas.

5. Social Fabric

Years of social instability, migration, and humanitarian assistance, falling upon the collapse of the Soviet social welfare system have stunted communities' capacities to develop self-reliance, including skills for community development and co-existence.

2.3 Priorities of the national authorities and the UN country team

International interest in supporting a transition towards economic recovery in the North Caucasus formally commenced in June 2004, with a multi-agency headquarters mission led by UNDP and including the Danish Refugee Council (DRC), the Swiss Agency for Development and

Cooperation (SDC) and UNHCR. The mission assessed the general conduciveness of conditions for initiating recovery-oriented activities and provided recommendations on how best to address the human security needs of refugees, IDPs and their host communities. Recommendations furthermore addressed capacity requirements of government and NGOs to substantively engage in integration and longer-term recovery interventions.

The most salient outcome of the High Level Dialogue on Human Security in April 2005 was an understanding by the Government and NGO partners of the human security concept and the incorporation of the concept into all aspects of the North Caucasus planning by the UN Country Team. This is clearly reflected in the "Inter-Agency Transitional Workplan for the North Caucasus".

The present project builds on the recommendations arising from the headquarters mission report, the Dialogue on Human Security, other consultative events, in addition to the researches, surveys and assessment missions carried out to examine key aspects of the socio-economic situation in North Ossetia-Alania. It emphasizes the need for a comprehensive approach to integration and recovery in North Ossetia and addresses sustainability through capacity-building of key government authorities to enhance their approaches to socio-economic recovery and development of sustainable livelihoods.

Up-to-date assistance in North Ossetia-Alania has consisted primarily of humanitarian relief. Support in favor of socio-economic recovery would enable ensuring transition from emergency relief to recovery and development. It would also enhance the integration through reconciliation, poverty reduction and up-stream capacity building. Consequently, North Ossetia would be rendered less vulnerable to future crises. Some of the priority areas of humanitarian and recovery activity to be found in the Sector Response Plans of the Inter-Agency Transitional Workplan for the North Caucasus are:

- micro-credit and poverty-reduction assistance;
- sustainable solutions for the displaced populations, including housing and employment;
- strengthening institutional capacity in the areas of governance and public sector reform.

The UN Country Team believes that successful best practices to address human security in North Ossetia-Alania could be applied elsewhere in the North Caucasus as the situation permits, helping to stabilize the region. This would extend the potential impact of funds provided by the Trust Fund for Human Security in a region and will enable the area and its partners to begin a reorientation beyond emergency relief.

3. RATIONALE FOR FUNDING FROM THE UNTFHS

As in the North Caucasus as a whole, both the protection and empowerment elements of the human security approach are quite relevant to North Ossetia–Alania. This republic is recovering from the consequences of two violent conflicts, Georgian-Osset and Ingush-Osset, making the sustainable integration of displaced a key to both protecting the victims and preventing further conflict. In addition to UNDP's continuing effort to tie the population to peace through economic interests, and UNHCR's continuing legal work to secure the rights of the displaced, the shelter component of this project is integral to the protection of the displaced, since housing is a prerequisite for social inclusion and creation of livelihoods. Empowerment entails not only acquiring

rights but also securing sustainable livelihoods, which is the focus of the other components of the project.

4.1 Application of the Human Security Approach

The true sources of vulnerability in a population result from insufficient attention to the psychological and social bases of community stability. In this context the national authorities in Russia, republican authorities in North-Ossetia-Alania and the UN country team in Russia aim to explore the underlying conditions and factors that support constructive coping mechanisms in North Ossetia-Alania. These complex situations are best explained by a composite model of human security. For a society to be resilient, a core bundle of basic resources is required (material, psychological and social) which together ensure a minimum level of economic development, survival and self-reliance. These core inputs establish a floor from which human development efforts can then push off. If no such floor exists, development gains will be short lived and illusory, and the potential for conflict will be high.

The present project and its activities have been selected along the following parameters:

- a) Providing concrete and sustainable benefits to people and communities threatened in their survival, livelihood and dignity

The project, in line with the 2007 Inter-Agency Transitional Workplan for the North Caucasus, is supporting the gradual shift from a purely 'humanitarian' to an increasingly 'recovery-oriented' assistance role in the region by providing concrete and sustainable opportunities for dignified livelihoods to the target population. This is done by provision of trainings to beneficiaries to empower them to help themselves through institutional mechanisms that are tailored to meet the needs of the beneficiaries and that will provide sustainable benefits to the target population on a long term basis as the institutions will become financially independent within a period of one year.

- b) Promoting partnerships with civil society groups, NGOs and other local entities and encouraging implementing these activities

Civil society has managed to survive and grow in North Ossetia despite the conflicts and problems that characterize the region. Cooperation between international organizations and civil society groups is close as the majority of UN's activities have been carried out by local NGOs. In virtually every area of UN involvement in North Ossetia-Alania, NGOs and community-based organizations contribute enormously to the implementation and success of projects. Partnership with the UN and the local and international NGOs effectively supplement government activities and serve as a channel for enhanced international involvement in solving the problems of North Ossetia. In the framework of the present project this partnership approach is further promoted and applied through joint implementation of activities and local contribution to the project activities (mostly in-kind).

- c) Advancing integrated approaches that preferably involve more than one organization in planning and implementation

The project at hand advances integrated approaches through involvement of all the stakeholders in the process. Beneficiaries, local authorities and organizations, entrepreneurs, displaced, were involved through analysis of missions, surveys, assessments and research, meetings and discussions. There were also many direct meetings and discussions with the beneficiaries on different components of the project (agriculture, business education etc). The present project proposal was developed by UNDP and UNHCR in cooperation with ILO, FAO and the local government following this consultative process and joint planning. This partnership and

participatory approach was instrumental in defining the objectives and activities of the project that is designed to complement the efforts of the local governments.

- d) Addressing a broad range of interconnected issues that take into account multi-sectoral demands of human security

Collaboration between UN and other international agencies in North Ossetia resulted in an Inter-Agency Agreement on Cooperation outlining the vision, roles and responsibilities of all agencies and the terms of their future cooperation under an integrated programmatic approach to address a wide range of interconnected issues. Additionally, an operations-level working group was formed and conducts monthly coordination meetings as well as workshops to address the multi-sectoral demands of human security in North Ossetia. Within the framework of this project, the agencies will continue to steer a multi-agency response towards increased support of recovery and integration-oriented activities in North Ossetia as opposed to implementation of assistance limited to humanitarian sector.

Target people and situations

The North Ossetia-Alania ranks as one of the two most lagging behind areas in the Russian Federation. Official unemployment rates in the republic are among the highest in Russia, at more than 3.5 times the national average. The North Ossetia-Alania ranks among the lowest according to the Human Development Index (HDI), with the high infant mortality and tuberculosis rates, and the low per capita purchasing power for personal cash incomes in the Federation³.

As already specified, the North Ossetia-Alania still hosts significant population of persons displaced from regional conflicts or as a result of the dissolution of the USSR. Among other, this project aims at empowering this most vulnerable stratum of the population, especially in this delicate phase of transition from relief to recovery and full integration activities. Wherever possible, special attention will be given to the most vulnerable groups, i.e. women, single headed female households, elderly and invalids.

4.2 The multi-sectoral approach

The nature of transition assistance substantiates a strategically-integrated, multi-agency approach as the most effective one to guide the impending shift from relief towards recovery. UNHCR and UNDP are well positioned in the North Caucasus to develop and carry forward a process that effectively integrates recovery initiatives into humanitarian assistance, ensuring that social protection does not take a back seat to economic empowerment. Drawing on their complementary strengths and experience in protection and poverty reduction in crisis-prone and conflict-affected areas, UNHCR and UNDP will work within partnerships that support government capacities to manage integration of the displaced, and within a framework that also enhances the resilience of communities.

The framework of the project is specifically an integrated, multi-agency approach to link top-down protection with bottom-up empowerment measures, mobilizing communities and civil society groups to implement concrete and sustainable activities to improve livelihoods and enhance coexistence. This multi-agency project will create viable economic opportunities, improved governance of economic support services, in addition to more and better-targeted

⁹ UNDP, Human Development Report, Russian Federation 2002/2003

housing opportunities. It will institutionalize an equitable, community-based development approach, and ameliorate conditions which might otherwise perpetuate economic imbalance and social instability.

4.3 Justification of need for funding

The first republic in the North Caucasus able to plan and implement development programs which fully meet the criteria for Human Security is the North Ossetia-Alania. Most humanitarian agencies are just beginning to transition from humanitarian activities to development and therefore have focused their programs and funds on Ingushetia and Chechnya. It is expected with the successful start up and implementation of this programs both international development agencies and private investment companies will see this project as a catalyst for future development funding in North Ossetia-Alania.

4. CONTEXT

4.1. Past, current and planned activities

UNDP – established its presence in North Ossetia-Alania in November 2004. In 2005 notable progress was made with regards to steering a multi-agency response towards increased support to recovery and integration-oriented activities in the North Caucasus and shifting the balance from purely humanitarian towards more recovery oriented activities. With a view to gathering information, key to elaboration of a 3 year, longer-term reintegration and recovery programme in North Ossetia-Alania, UNDP, in collaboration with other UN agencies, conducted surveys of local areas and potential beneficiary populations. Access to credit and related support services to aspiring and existing small and medium entrepreneurs were found to be at the top of the priorities of the population as well as the local government. Solving the issue was found to be the key in fighting the unemployment. Particularly the young suffer from unemployment and according to unofficial sources the youth unemployment rate is estimated to reach up to 70% and is particularly high among the young men. In view of the findings UNDP undertook the following activities in 2005-2006:

- Economic growth and poverty alleviation: labour intensive projects, generating activities, investment promotion, Client Universe study on micro-credit in North Ossetia and Ingushetia and workshop etc.
- Rural development: Agricultural Extension Service Centre (republican), cattle artificial insemination stations, milk cooperatives, honey cooperatives, cultivated pastures, awareness building around avian influenza
- Good governance: trainings - regional economic growth, local self governance, implementing public admin reform
- Peace and tolerance: art exhibition for local artists held in Moscow

All projects within the North Caucasus Program and thus, in North Ossetia, have an institutional character (capacity building, creations of microfinance, good governances and others).

In 2007 the above activities continued and new projects were developed in the areas of:

- Business training and education
- Access to credit
- Building linkages within educational facilities and the labour market in order to ensure better employability and entrepreneurial skills of graduates
- Getting the republic on track with globalisation

- Public private partnerships
- Municipal development
- Community based development
- Enhancing opportunities for alternative employment in the rural areas.

4.2. National and local government commitments

The Russian Federation government's priorities, defined in a number of President's and other high official's speeches, state the need for strong support for economic and social development as the key elements for stabilizing the situation in North Ossetia-Alania. Job creation, SME support, good governance are the most appropriate and effective means for economic growth. This position of the federal Government towards the development in North Ossetia-Alania was initially formulated early in 2004 and confirmed later during meetings and discussions with the representatives of the Ministry of Foreign Affairs and other Federal Ministries. This Federal position is fully supported by the republican government in the North Ossetia-Alania.

As regards the integration of the displaced persons, authorities at all levels continue expressing strong commitment to resolving housing problem of the displaced as the most vulnerable stratum of the population. The Government of North Ossetia-Alania already demonstrated its commitment through provision of construction plots and, in some cases, primary infrastructure for the integration projects of UNHCR, SDC and DRC. UNHCR's counterparts in the North Ossetia-Alania Government stated on several occasions that the same level of support will be provided for the implementation of this project also. Furthermore, it is expected that the Government will benefit from the experience gained through participation in this integration programme and would be able to develop a more complete strategy for resolving the housing problem of displaced and local vulnerable families.

4.3. Project identification and formulation

A "High Level Dialogue on Human Security in the North Caucasus," convened in April 2005 in Moscow⁴ has had a strong impact on all UN agencies and NGO planning and activities in the North Caucasus., The Dialogue enabled an examination of the human security context in the North Caucasus, including the regional socio-economic components of instability. Among the six key areas identified as requiring solutions, preferably through a "human security approach," were socio-economic development, economic empowerment, and, refugees and IDPs.⁵ A multi-stakeholder workshop in August 2005 brought together authorities from the Federal and Republican levels with representatives from bi-, multi-lateral and non-governmental organizations to consolidate thinking on economic recovery in the North Caucasus by identifying the essential pillars of a comprehensive, strategic framework.

The Dialogue was very timely, because it took place in the initial period of the transition from humanitarian operations to recovery and development. It provided the basis for recovery work, based on the Human Security approach.

In North Ossetia-Alania, within the framework of the present project human security approach and stability are guaranty for sustainable economic development. Where the private sector is

⁵ Jointly chaired by Mrs. Sadako Ogata, Human Security Advisory Board, President, JICA and Mr. Vladimir P. Lykin, Commissioner, Human Rights Commission of the Russian Federation

⁶ "A Human Security Approach to the North Caucasus: An Informal Note prepared for a High Level Dialogue on Human Security in the North Caucasus." Moscow, 26 April 2005.

seen as the best front to combat poverty, through targeting job creation and long-term economic growth.

4.4. Beneficiaries

4.4.1. Intended Beneficiaries

Direct beneficiaries in North Ossetia will consist of displaced persons and their low income local neighbors residing within the recovery implementation areas, who meet the criteria to participate in particular projects or programmes. Among others, such criteria can apply:

- Presence on the beneficiary list of humanitarian agencies working in the Republic
- Low-income households
- Willingness to start-up their own business and to develop respective skills
- Ownership of cattle-keeping facilities and capacity to maintain the livestock (for cattle revolving fund)
- Involvement in farming and/or membership in the agricultural credit cooperative
- Unresolved housing issue for displaced persons incl. willingness to construct their own houses

Beneficiaries	Resp. org.	Total	Direct	Indirect
1.1 Increased capacity to design and implemented coordinated long-term strategies for socio-economic recovery	UNDP	250	50	200
1.2 Increase in activities planned, implemented and financed at the local (district and/or municipal level)	UNDP	2 150	450	1 700
1.3 Increased mainstreaming of social cohesion and peace-building as a cross-sectoral thematic within NGO activities	UNDP	1 300	100	1 200
2.1 Increased access to micro-credit, approx. 600 people per year with the average loan size of US\$5000	UNDP	9 000	1 800	7 200
2.2 Increased access to business advisory services approx. 1,000 entrepreneurs trained and/or consulted per year	UNDP	15 000	3 000	12 000
2.3 Increased access to a favorable growth environment for small entrepreneurs at the Business Incubator contributes to the creation of new jobs, at least 10 tenants per year	UNDP	750	150	600
2.4 Increased attractiveness of rural employment opportunities as awareness is built by the Agriculture Extension Service network	UNDP	5 750	1 550	4 200

Indirect beneficiaries will include residents of the North Ossetia-Alania who may benefit from strengthened local economies, improved local services, etc. Other beneficiaries include:

- Government officials and decision-makers
- Local administrations

- Entrepreneurs and SMEs
- NGOs and associations
- Displaced, vulnerable persons, particularly women and the youth
- Local population of the republic both rural and urban; those employed through some of the envisaged activities

4.4.2. Selection Criteria

Competitive bidding and tender procedure in order to obtain best value for money will be applied to the selection of all implementing partners. Consultants, specialists in their field, will be recruited to help implementing partners: micro-credit organization(s), business advisory service centre, business incubator etc. in the selection of beneficiaries

For selection of implementing partners for the realization of micro-credit activities, performance-based funding criteria will be used to fund 1-2 micro-credit organizations:

- Within the framework of the present project UNDP will apply performance-based contracts with agreed performance targets (including donor exit strategy)
- Core indicators to track performance will be used (see below)
- Regular financial reporting, harmonized with those needed by management and governing bodies, other funders, and supervisors
- Renewal or continuation of support is tied to achievement of meaningful and clear performance targets
- UNDP will exit from institutions that do not perform as agreed, either by discontinuing subsequent tranches of support or requiring reimbursement (when feasible)
- UNDP will respect its responsibilities as a donor as under the contract (e.g., predictable funding patterns, timely disbursement, prompt responses to reports)

Minimum indicators for project monitoring in order to measure performance of micro-credit institutions and ensure that they fund in five core areas:

1. Outreach: How many clients are being served? Number of active clients or accounts
2. Depth of outreach: How poor are the clients? Average outstanding balance per client or account as a proportion of GNI per capita
3. Portfolio quality: How well is the financial institution collecting its loans? Portfolio at Risk > 30 days (PAR) and Write-off ratio or Annual Loan-loss Rate
4. Financial sustainability (profitability): Is the financial institution profitable enough to maintain and expand its services without continued injections of subsidized donor funds?
 - for unsubsidized institutions: Return on Assets or Return on Equity
 - for subsidized institutions: Adjusted Return on Assets or Financial Self-Sufficiency
5. Efficiency: Is the financial institution providing services at the lowest possible cost to clients? Cost per client or Operating expense ratio

UNHCR will apply lessons learned and best practices from the past integration/housing projects in selecting beneficiaries for this project. Special attention will be given to the selection of a significant percentage of the most vulnerable individuals among the displaced persons community, i.e. women, single headed households, elderly and disabled. Besides vulnerability,

during the selection process priority will be also given to individuals living in very unsafe and sub-standard conditions, primarily in collective centers. Furthermore, low or no income, size of the families and the possession of Russian Federation legal documents will be criteria used during the selection process.

4.4.3. Gender considerations

All projects within the North Caucasus Program and thus, in North Ossetia, are aimed to support both men and women. However, the project seeks to meet the specific needs of women and to strategically enhance women's capacity in leadership, decision-making and empowerment. Through the recognition of and focus on women's strengths rather than solely focusing on their weaknesses, the entire community will be afforded better protection.

Given the gaps in gender awareness both at the policy and practice level, the following actions will be undertaken in order to promote women's empowerment in the context of human security:

Policy level:

- Establishment of effective accountability mechanisms for gender equality through more consistent documentation and dissemination of experiences and collection of data disaggregated by sex to influence policy formulation and operational activities in e.g. micro-credit organization, business advisory centre, business incubator, agricultural extension service centre etc.
- Recognize the leadership and innovative role that women are taking in conflict resolution and peace-building and support and incorporate these efforts in conflict prevention and recover activities

Practice level:

- Create an enabling environment that support women's empowerment
- Facilitate capacity development and improve awareness to ensure more effective use of mechanisms provided within the present project
- Ensure women's participation and full gender mainstreaming in all activities
- Ensure that all reporting gives specific attention to gender aggregated data and gender equality

5. PROJECT DETAILS

5.1. Goal statement and project objectives

The broader Human Security Goal:

To strengthen capacities for social resilience and integration in North Caucasus through strategic support to economic and social recovery in North Ossetia.

Goals	Objectives
1. To enhance capacity to strengthen recovery and social cohesion of the local NGOs and authorities involved in economic and social recovery and	1.1 Increased access to capacity strengthening activities 1.2 Increase in activities planned, implemented and financed at the local (district and/or municipal) level 1.3 Increased mainstreaming of social cohesion and peace-

integration: Ministry of Economic, Ministry of industry, Ministry of Agriculture and the Employment Services	building as a cross-sectoral thematic within NGO activities, hereunder activities of employers organizations and trade unions
2. To increase opportunities to build sustainable livelihoods through enhanced employment opportunities	<p>2.1 Increased access to micro-credit, approx. 600 people per year with the average loan size of US\$5000</p> <p>2.2 Increased access to business advisory services approx. 1.000 entrepreneurs trained and/or consulted per year</p> <p>2.3 Increased access to a favorable growth environment for small entrepreneurs at the Business Incubator contributes to the creation of new jobs, at least 10 tenants per year</p> <p>2.4 Increased attractiveness of rural employment opportunities as awareness is built by the Agriculture Extension Service Centre network</p>

5.2. Outputs and activities by objective

Goals	Objectives	Outputs	Activities	Est. Resources by Goal (US\$)
1. To enhance capacity to strengthen recovery and social cohesion of the local NGOs and authorities involved in economic and social recovery and	1.1 Increased capacity to design and implement coordinated longer-term strategies for socio-economic recovery	1.1.1 Organization of a study tour	<ul style="list-style-type: none"> Review longer-term strategies successfully designed and implemented in Russia and the CIS 	287500
		1.1.2 Organization of a workshop	<ul style="list-style-type: none"> Analyze longer-term strategies used in Russia and the CIS to strengthen recovery and social cohesion Review the lessons learnt of the study tour Make projections for the republic based on the lessons learned 	
		1.1.3 Increase in number of joint and/or co-funded activities	<ul style="list-style-type: none"> Recruitment of a consultant to provide an assessment of the current mechanisms of joint planning and co-funding and to make 	

<p>integration: Ministry of Economic, Ministry of industry, Ministry of Agriculture and the Employment Services</p>			<p>recommendations</p> <ul style="list-style-type: none"> • Operational support to the government unit on monitoring and evaluation of the humanitarian and development activities • Recruitment of a consultant to provide an analysis the project results and impact • Organization of a workshop to review the project and the analysis provided by the consultant • Ensuring employers organizations and trade unions participation in the joint and co-funded activities 	
	<p>1.2 Increase in activities planned, implemented and financed at the local (district and/or municipal) level</p>	<p>1.2.1 Assessment on existing practices in district planning and budgeting</p>	<ul style="list-style-type: none"> • Recruitment of a consultant • Build knowledge on best practices on decentralized, district and participative planning 	
		<p>1.2.2 Workshop for district heads on transparent planning and budgeting</p>	<ul style="list-style-type: none"> • Access and influence decision-makers at central level, a factor decisive for decentralization • Introduce innovations in integrated planning 	
		<p>1.2.3 Conduction of community meetings using the Participatory Rural Appraisal</p>	<ul style="list-style-type: none"> • Setting up and operational support to community initiative groups to monitor the application of mechanisms developed 	
	<p>1.3 Increased mainstreaming of social</p>	<p>1.3.1 Local NGOs have improved capacities and resources for supporting communities to strengthen co-existence</p>	<ul style="list-style-type: none"> • Support cultural exchange projects – music and art • Support local efforts of children playing theatre • Support organization of art exhibition of local painters • Summer language camp for youth 	

	cohesion and peace-building as a cross-sectoral thematic within NGO activities	1.3.2 Increased capacity to mainstream conflict prevention in recovery work 1.3.3 Employer organizations and trade unions develop policies to use their potential to secure better integration of the target group in the local labor market	<ul style="list-style-type: none"> Recruitment of a confidence-building Expert Organization of a one-week training and workshop 	
2. To increase opportunities to build sustainable livelihoods through enhanced employment opportunities	2.1 Increased access to micro-credit, approx. 600 people per year with the average loan size of US\$ 5000	2.1.1 Consultancy to support establishment of (1-2) MCI(s)	<ul style="list-style-type: none"> Finalization of all legal documents and working guidelines 	966500
		2.1.2 Provision of training and capacity building	<ul style="list-style-type: none"> Delinquency management & sustainable interest rates Financial analysis HR management Impact assessment and market research Loan portfolio management Operational risk management Training for Loan Officers 	
		2.1.3 Lending capital granted	<ul style="list-style-type: none"> Awarding of performance-based contracts 	
		2.1.4 Administrative and operational support to the MCI	<ul style="list-style-type: none"> Manager (x2) Loan Officer (x8) Accountant (x2) Admin Support (x2) Cashier/register (x2) Driver (x2) 	

<p>2.2 Increased access to business advisory services approx. 1.000 entrepreneurs trained and/or consulted per year</p>	<p>2.2.1 Support to the establishment an organization that will become a Business Advisory Centre (BAC)</p>	<ul style="list-style-type: none"> • Selection of an (one) organization that will become a Business Advisory Centre
	<p>2.2.2 Training of Business Counselors and provision of relevant supporting materials, conduction of studies and drafting of tools</p>	<ul style="list-style-type: none"> • Organization of a training of potential Business Counselors • Employment of most promising graduates as Business Counselors at the BAC • Capacity Building: trainings, study tours, workshops to selected Counselors • Organizing training of potential SIYB trainers, training of existing and potential entrepreneurs, rapid market assessments, SIYB materials adaptation and publication
	<p>2.2.3 Provision of administrative and operational support</p>	<ul style="list-style-type: none"> • Administrative support, office equipment and utilities • Recruitment of an International Consultant / Business Advisor • BAC Manager/Business Counselor • Business Counselors (3) • Admin. Assistant/Interpreter • Short-term Consultants • Outreach activities
	<p>2.2.4 Organization of job fairs and study tours</p>	<ul style="list-style-type: none"> • Study tours to visit innovative SME's in Russia and & or CIS • In order to boost employment, job fairs will be organized in each district to spread awareness among the local population on entrepreneurship as a means

			of self-employment
2.3 Increased access to a favorable growth environment for small entrepreneurs at the Business Incubator contributes to the creation of new jobs, at least 10 tenants per year	2.3.1 Promotion of small and micro enterprise as livelihoods strategy through creation of a favorable growth environment in a Business Incubator		<ul style="list-style-type: none"> • Provision of an integrated package of services: premises, training, networking, introduction of ICT in business processes etc.
	2.3.2. Enhanced national ownership in sustaining livelihoods and enhancing employment opportunities		<ul style="list-style-type: none"> • Ministry of Economy and Ministry Industry will provide in-kind contribution: • free-of-charge premises of the incubator • Government focal person (2 hours a week) • furniture and equipment; • logistical support • communication costs
	2.3.3 Provision of technical and operational support		<ul style="list-style-type: none"> • Recruitment of a consultant • Support to the establishment of an internal policy for the Incubator, tenants' selection and graduation criteria etc. • Operational support • National personnel cost • Trainings and workshops

		<ul style="list-style-type: none"> • Outreach activities 	
<p>2.4 Increased attractiveness of rural employment opportunities as awareness is built by the Agriculture Extension Service Centre network</p>	<p>2.4.1 Support to the set-up and establishment of 4 inter-District Agriculture Extension Services provided</p>	<ul style="list-style-type: none"> • Selection and establishment of 4 inter-District Agriculture Extension Services established • Technical and operational support • Provision of trainings and study tours in agri-business, trade and marketing 	
	<p>2.4.2 Technical support provided on rural cooperatives</p>	<p>Recruitment of an consultant, expert on rural cooperatives help support the development of rural cooperatives</p>	
	<p>2.4.3 The rural population is able to benefit from the new opportunities offered by micro-credit schemes and other business support mechanisms</p>	<ul style="list-style-type: none"> • Collection and dissemination of market information e.g. up-coming opportunities to access micro-credit, training, information on best practices, expertise etc. for different target groups in the rural area 	
	<p>2.4.4 Successful revolving livestock project expanded</p>	<ul style="list-style-type: none"> • Revolving livestock project in Pravoberezhny district • Revolving livestock project in Irafsky district 	
	<p>2.4.5 Job fairs organized in each district</p>	<ul style="list-style-type: none"> • In order to boost employment, job fairs will be organized in each district to spread awareness among the local population on farming as a means of self-employment 	

5.3. Performance indicators

Expected results/outcomes (by objectives)	Resp. org.	Performance indicators	Baseline situation	Means of verification
1.1 Increased access to capacity strengthening activities	UNDP	<ul style="list-style-type: none"> • Number of study tours • Number of workshops conducted • Number of persons participated • Number of high government officials among participants • Number of office equipment provided 	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Interim project progress report (narrative and financial) • Final project progress report (narrative and financial) • Field visit monitoring report • Workshop report • Seminar report
1.2 Increase in activities planned, implemented and financed at the local (district and/or municipal level)	UNDP	<ul style="list-style-type: none"> • Number of survey/analysis conducted • Number of consultants recruited • Number of workshops conducted • Number of persons participated • Number of community meetings conducted • Number of communities benefited 	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Community meetings report • Interim and final project progress report (narrative and financial) • Survey/analysis report • Workshop report • Field visit monitoring report
1.3 Increased mainstreaming of social cohesion and peace-building as a cross-sectoral thematic within NGO activities	UNDP	<ul style="list-style-type: none"> • Number of meetings conducted with participation of UN agencies and NGOs • Number of projects implemented • Number of communities benefited • Number of experts recruited • Number of trainings and workshops conducted 	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Interim and final project progress report (narrative and financial) • Workshop/seminar report • Field visit monitoring report

<p>2.1 Increased access to micro-credit, approx. 600 people per year with the average loan size of USD\$5000</p>	<p>UNDP</p>	<ul style="list-style-type: none"> • Non-collateral group lending scheme is successfully run by competent project staff • Proper financial reporting system for the micro-credit fund introduced to ensure transparency and accountability • Number of leasing credits provided • Number of new applicants • Number of private companies interested in providing leasing services 	<ul style="list-style-type: none"> • Official unemployment rate 2.5 %, unofficial rate up to 70% • Republican GDP per capita US\$ 768 (2002) • GDP growth rate 14.3% (2002) • Household income level 	<ul style="list-style-type: none"> • External monitoring and evaluation report • Quarterly finance reports • Steering Committee meetings minutes • Steering Committee Meetings records • External Evaluation report • The register of leasing transactions
<p>2.2 Increased access to business advisory services approx. 1,000 entrepreneurs trained and/or consulted per year</p>	<p>UNDP</p>	<ul style="list-style-type: none"> • Number of consultations and trainings provided on a one-on-one basis for free and subsequently at an affordable price with measurable results in the field of: • Accounts Receivable Collection • Onsite one-on-one training • Bookkeeping: accounting and troubleshooting • Business and financial management: budgeting, financial projections, asset purchasing, contract negotiations, etc. • Business Workshops: workshops covering topics in the areas of finance, marketing, and business planning as well as customized workshops 	<ul style="list-style-type: none"> • Official unemployment rate 2.5 %, unofficial rate up to 70% • Republican GDP per capita US\$ 768 (2002) • GDP growth rate 14.3% (2002) 	<ul style="list-style-type: none"> • The Business Advisory Centers records • Monitoring reports • Media monitoring reports

		<ul style="list-style-type: none"> • Number of certified trainers, who in turn train entrepreneurs, have received training • Weekly workshops on various topics conducted for target population • Number of successful business plans developed for local entrepreneurs 		
2.3 Increased access to a favorable growth environment for small entrepreneurs at the Business Incubator contributes to the creation of new jobs, at least 10 tenants per year	UNDP	<ul style="list-style-type: none"> • Number of initiatives supported by incubators that are complementing public and private support schemes run by the government, the city, chambers of commerce, banks and others • Incubator managers are entrepreneurial and committed to successfully support start-up businesses • Number of partnerships established with specialized organizations, institutions and commercial organizations • Number of graduating tenants 	<ul style="list-style-type: none"> • Official unemployment rate 2.5 %, unofficial rate up to 70% • Republican GDP per capita US\$ 768 (2002) • GDP growth rate 14.3% (2002) 	<ul style="list-style-type: none"> • Incubator books • Client survey • External evaluation report • Media monitoring • Steering Committee meeting records
2.4 Increased attractiveness of rural employment opportunities as awareness is built by the Agriculture Extension Service Center	UNDP	<ul style="list-style-type: none"> • Number of District Agriculture Extension Services selected and supported • Number of trainings and study tours conducted • Number of consultants recruited • Number of revolving 	<ul style="list-style-type: none"> • Official unemployment rate 2.5 %, unofficial rate up to 70% • Republican GDP per capita 	<ul style="list-style-type: none"> • Interim narrative project progress reports • Interim financial project progress reports • Final project progress reports (narrative and financial)

network		livestock projects initiated • Number of job fairs organized	US\$ 768 (2002) • GDP growth rate 14.3% (2002)	• Field visit monitoring reports
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5.4. External factors and risk analysis

Project risks have been identified that may have a negative influence on the project or even lead to its termination. These risks are more of an organizational than a financial nature. The Upgrading Financial Services starts with cooperation of existing institutions that consider each other as market partners with the aim to realize synergetic commercial and cost efficiencies. During the timeframe of this project, large investments are unlikely. Any budget should only be allocated to finance Technical Assistance for institutional strengthening.

The partnership may not evolve in concrete changes in the financial services offered by the partnering banks; the constituting partners will remain independent as they are now within their own legal framework and supervision by authorities.

Additionally, the Government must show a commitment to integrating the most vulnerable population in North-Ossetia- Alania by providing financial support towards this project as well as allocation of land plots to the most vulnerable beneficiaries providing both a durable solution and a chance for these families to integrate into communities after 15 years of displacement.

What would be most harmful, in terms of not reaching the project goals, would be that the growth of the local economy in North Ossetia-Alania does not improve. This would be very disappointing, but would not cause a breach of trust in the financial sector.

6. IMPLEMENTATION AND PARTNERSHIP STRATEGY

The project proposal at hand was developed by UNHCR and UNDP in cooperation with ILO and FAO. Local governments, communities, as well as local and International NGOs were consulted in defining the main areas of activity and goals for the proposed project.

Together with the Government of North Ossetia-Alania UNDP has established a Working Group. During regular meetings government development plans are discussed and priority areas for UNDP intervention identified. In these meetings complementarily with government own activities and strategic targeting of resources is sought. In addition to regular members, on a needs basis, specialists are invited to participate in the meetings. The activities within the proposed project are in line with the government priorities and activities. The set of goals for the proposed project is based on undertaken surveys, researches and analysis as well as discussion with the government counterparts and is strongly supported by the government. Many subprojects are based on the co-funding modality with other UN Agencies and NGOs and the Government of North Ossetia-Alania.

UNHCR chairs Subgroups which have been established previously and include UNHCR, SDC, DRC, UNDP and government counterparts, looking at broader integration activities for the most vulnerable populations. Meetings are held on a regular basis, particularly with the Head of the

External Affairs Committee and representatives of the republican branch of the Federal Migration Services. Besides regular coordination issues and information exchange, those meetings also allow for better planning of future strategies and programmes for resolving complex issues facing the displaced persons' community.

The present project will be implemented according to the UNDP Direct Execution (DEX) modality whereby:

- UNDP takes on role of executing agent
- UNDP ensures effective programme and project delivery
- UNDP is responsible for formulation and management:
 - Establishment of administrative procedures and operations systems (effective, efficient and transparent)
 - Perform annual audit
 - Establish project financial management system (accountability)

Applying the DEX modality does not imply leaving the government out of picture:

- Wide consultations will take place with stakeholders
- Government involvement at central, regional and local levels to the extent possible
- Steering Committee mandatory in projects over \$500k

In terms of Procurement, all UNDP rules and procedures apply:

- Competitive, transparency and best value for money
- Procurement for activities foreseen and budgeted in project document
- Programme manager responsible for proper use and maintenance
- Inventory

UNHCR will implement its part of the project in close coordination with the Government of the North Ossetia-Alania and regional/local authorities. It is expected that the Government supports the project, among other, through provision of construction plots with the necessary primary infrastructure. The Government support is also envisaged in the selection of beneficiaries, primarily through its linking with the Government-led process for closure of collective centers.

The direct project implementation will be done through UNHCR international and local Implementing Partners and other shelter agencies operating in the NO-A, primarily the Danish Refugee Council, for the construction of houses and the Children Fund North Ossetia-Alania, for the selection of beneficiaries for both shelter and QIPs projects. Multi-year engagement and institutional knowledge of the above mentioned agencies should largely contribute to the successful implementation of the project.

Besides "traditional" UNHCR partners in North Ossetia-Alania, it is expected that UNHCR establishes contacts with a number of new "field" partners, particularly local organizations, thus creating the multiplier effect. Moreover, all partners in the implementation of this project should benefit from their participation through the exposure to the work and standards of international agencies and lessons learnt through that process. The project should also help establish and strengthen links between the republican and local/village authorities, mainly through the joint participation and interaction in assisting in the implementation of this project.

The UN System is well positioned to play a key role in planning for – and implementing – recovery programmes in the North Ossetia-Alania, owing to the following:

- Solid security framework and procedures;
- Consolidated field presence;
- Longstanding and effective humanitarian programme, which has successfully targeted beneficiaries and gained the trust of the affected populations;
- Established contacts with Federal Government, Civil Society and Academic/Research Institutions;
- Effective Cooperation with the Republican Governments;
- Tested Partnerships with local and international NGOs;
- Strong humanitarian coordination mechanism that could be built upon for broader coordination activities

An intensive coordination work was done at the stage of drafting the Transitional Workplan (TWP) 2007 for North Caucasus, chaired by OCHA Russia. The process was closely coordinated with the North Caucasus republican governments and the office of Plenipotentiary Representative of the President of Russia in the South Federal district Mr. Kozak. The process took some months (starting from September 2006) and resulted in the development of TWP 2007, which was presented in December 2006. The document was supported and approved by all participants including Russian authorities, federal as well as republican UN Agencies and NGOs.

The TWP sectoral coordination meetings took place regularly with the participation of local authorities, all UN agencies, international and local NGO's presented in the North Caucasus. These meetings were opportunities for identifying synergies and avoiding overlaps between agencies and other partners. Other regular coordination meetings included the Humanitarian and Development Forum for the North Caucasus (facilitated by OCHA) and the Humanitarian Coordination Group (heads of UN Agencies operating in the North Caucasus). These mechanisms of coordination fostered dialogue and cooperation and enhanced ownership at the national and local level through promoting participatory approaches and solutions to development problems.

An inter-agency project working group, consisting of the field-level heads of UNDP, UNHCR, ILO, FAO, DRC and SDC will meet regularly to collaborate on work planning and project implementation. The cross-cutting nature of development implemented under a human security approach renders particularly efficacious multi-agency cooperation on more than one project component. This is amply exemplified by the Inter-Agency Transitional Workplan for the North Caucasus 2007 where various agencies and organizations cooperate in the key areas to target the root causes of human vulnerability through a broad community-recovery programme.

International and local NGOs have comprised essential implementing partners during years of humanitarian assistance efforts and will continue to be indispensable for ensuring a transition towards recovery. Presently, there are more than 40 national and international NGOs active in the North Caucasus. The year 2005 saw increases in recovery-oriented activities by NGOs, particularly in North Ossetia. NGOs report that there will be larger increases in recovery-oriented activities in 2006. These will overlap with humanitarian activities, but continue to incrementally increase over the next, 3 years.

7. SUSTAINABILITY

Support from UNDP will be temporary in nature, needed initially but decreasing as the capacity of the designated institution is built up. The exit strategy is based on enlightened national strategies aimed at promoting economic development and individual self-reliance. The exit strategy is established individually for each project. Much of the exit strategy will consist of capacity-building measures, relating to systems, procedures, institutions and individuals. The strategy includes the process, the responsibilities and a time frame for the transfer of responsibility for providing the services. With the capacity of the key government institutions and authorities enhanced in terms of socio-economic development, UNDP programme implementation support could be withdrawn gradually with good prospects for the sustainability of key institution-building initiatives. UNDP implementation strategy is based on partnerships with local institutions and empowering Regional authorities at all levels.

UNHCR strongly believes that the close coordination with the Government of NO-A and authorities at lower levels would ensure a sufficient level of sustainability of this project. As previously described, the implementation of this project follows the general integration policy of the Government but also provides the opportunity for Government and other officials and partners to gain deeper knowledge of the overall integration process. Furthermore, best practices and lessons learnt should, at a later stage, be transferred into a more comprehensive Government project for sustainable integration of the displaced persons in the Republic. It is further expected that the overall financial situation in the Republic would significantly improve towards the end of the project implementation thus allowing for the continuation of integration activities without the outside financial assistance or private investment funds based on the success of this project. As regards UNHCR partners at the local level, they should gain broader understanding of the special needs of the most vulnerable strata of displaced, and to a certain extent local, population, i.e. single headed households, women under risk, unaccompanied minors, disabled, etc. and be able to better cater for their needs in the future.

8. PUBLIC AFFAIRS AND COMMUNICATIONS

Promotion of Project Activities

Project activities will be promoted through press releases, interviews with local media, conferencing events and community relations. Where relevant, project sign boards will be used to promote the project activities, as well as the UNTFHS.

9. MONITORING AND EVALUATION PLAN

Project inputs, activities and outputs (please see LogFrame for activity specific indicators) will be subject to regular UNDP monitoring and evaluation procedures with close oversight by the UN Resident Coordinator. UNDP, FAO, ILO and UNHCR at the field level will each produce bi-annual reports on use of funds as well as regular interim reports on progress. Agencies' reports will be shared with UNDP, which will, as the lead coordinating agency, produce comprehensive quarterly progress reports and year-end reports.

The multi-stakeholder, North Ossetia-Alania Economic Recovery Working Group, will be involved in quarterly monitoring of progress against outputs-based work plans and will report directly to UNDP and the Government of North Ossetia - Alania. One of the first tasks of this group will be to assist in the finalization of the performance indicators and benchmarks for the entire project.

Using participatory evaluation strategies, they will regularly assess programmatic relevance and beneficiary satisfaction.

The UNDP Bureau for Crisis Prevention and Recovery will undertake one monitoring visit during each of the three years of implementation. The programme will also be subject to an external evaluation mission during the second year.

10. ADMINISTRATION AND FINANCIAL MANAGEMENT

10.1 Staff/Administration/Project Management

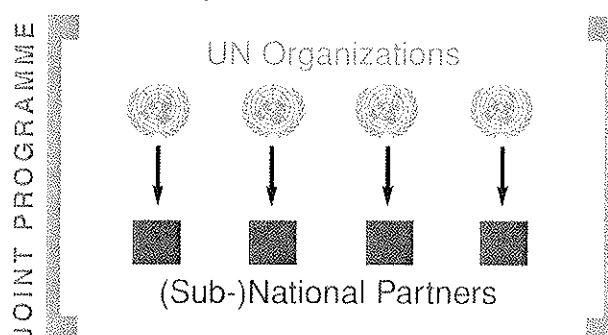
The UNDP North Caucasus Project Manager/Rural Development Expert, located in Vladikavkaz, North Ossetia - Alania, will provide coordination and administrative support for all project components and participating agencies as required. The project's Livelihoods and Capacity components will be under the day-to-day management of UNDP's North Caucasus Recovery Team as well as administrative and support staff consisting of a Programme Assistant, Admin Finance Assistant and a driver. The UNDP North Caucasus Project Manager will take primary responsibility for coordinating working group meetings, reporting and other administrative duties.

10.2 Funding Management Modality

Definition: This fund management option is likely to be the most effective and efficient when interventions by participating UN organizations (UNDP, UNHCR, FAO and ILO) are aimed at common results, but with different national, sub-national and/or international partners. Under this option, each organization manages its own funds. The joint programme document would consist at a minimum of a common work plan agreed by all participating UN organizations, an aggregated/consolidated budget showing the inputs from the various parties involved, the coordination mechanism and signature of participating organizations.

Resource Flow and Management: The following graphic illustrates the fund flow under parallel fund management.

Graphic illustration of fund management for a Joint Programme with Parallel Funding



Reporting: Each participating UN organization will prepare narrative and financial reports in accordance with its policies and procedures, and operational policy guidance. Reporting should be annual and focused on results. Reporting practices and formats should be harmonized to the extent possible. UNDP is responsible for the preparation of an aggregated or a consolidated narrative and financial report for submission to the coordination mechanism. The aggregated/consolidated narrative and financial report should be clearly identified as a compilation of the UN organizations' narrative and financial reporting and be presented "for information purposes" only.

Funding Arrangement: Funding arrangements under this option follow each agency's regulations and rules for individual programming and project processes.

Accounting: UNDP will account for the income received to fund its programme components in accordance with its financial regulations and rules.

Indirect Costs: UNDP will recover indirect costs in accordance with its financial regulations and rules and as documented in the funding agreement signed with the donor.

Interest on funds: Interest will be administered in accordance with the financial regulations and rules of each UN organization and as documented in the funding agreement signed with the donor.

Balance of Funds: The disposition of any balance of funds remaining at the end of programme implementation will be in accordance with the agreements between UNDP, the implementing partners as well as donors where applicable.

Audit: Consistent with current practice, UNDP will be responsible for auditing its own contribution to the programme as part of its existing regulations and rules.

11. LEGAL CONTEXT

The revision to the project document shall be the instrument referred to as such in Article I of the Standard Basic Assistance Agreement (SBAA) between the Government of the Russian Federation and the United Nations Development Programme ratified by the parties in 2000.

The following types of revisions may be made to this Project Document with the signature of the UNDP Resident Representative only, provided he is assured that the other signatories of the Project Document have no objections to the proposed changes:

- Revisions in, or addition of, any of the annexes of the Project Document;
- Revisions which do not involve significant changes in the immediate objectives, outputs or activities of a project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation;

- Mandatory annual revisions which rephrase the delivery of agreed project inputs, or reflect increased expert or other costs due to inflation, or take into account agency expenditure flexibility.

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

Section II Results and Resources Framework

Goal 4: Conflict Prevention and Recovery

Service Line: 4.2. Recovery	
Core Result: Poverty reduction through sustainable and more equitable economic growth Indicator:	
Outcome Indicator as stated in the Country Programme Results and Resources Framework:	
Partnership Strategy: This initiative seeks to maximize coordination and partnership in tackling complex reintegration and recovery issues. Government partners have provided significant input into the overall design and strategy. This includes UNDP support to establishing government, donor and civil society coordinating committees in the republic	
Project Title and Identification Number: Sustainable integration and recovery in North Ossetia-Alania	

Goal 1. To enhance capacity to strengthen recovery and social cohesion of the local NGOs and authorities involved in economic and social recovery and integration. Ministry of Economic, Ministry of Industry, Ministry of Agriculture and the Employment Services.		Year 1	Year 2	Year 3	Total US\$	
Objective 1.1.1 Increased capacity to design and implement longer-term strategies for socio-economic recovery		Agency	Year 1	Year 2	Year 3	Total US\$
Output	Activity					
1.1.1.1	Organization of a study tour	UNDP	20 000	-	-	20 000
Output 1.1.1 sub-total			20 000	-	-	20 000
1.1.2	Organization of a workshop	UNDP	-	15 000	-	15 000
	Review the lessons learnt of the study tour	UNDP	-	-	-	-
	Make projections for the republic based on the lessons learned	UNDP	-	-	-	-
Output 1.1.2 sub-total			-	15 000	-	15 000
1.1.3	Increase in number of joint and/or co-funded activities	UNDP	16 000	-	-	16 000
	Operational support to the government unit on monitoring and evaluation of the humanitarian and development activities	UNDP	10 000	-	-	10 000
	Recruitment of a consultant to provide an analysis the project results and impact	UNDP	-	-	12 000	12 000

	Organization of a workshop to review the project and the analysis provided by the consultant	UNDP	-	-	28 000	28 000
Output 1.1.3 sub-total			26 000	-	40 000	66 000
Objective 1.1 sub-total			46 000	15 000	40 000	101 000

Objective 1.2 Increase in activities planned, implemented and financed at the local (district and/or municipal) level						
Output	Activity	Agency	Year 1	Year 2	Year 3	Total US\$
1.2.1	Assessment on existing practices in district planning and budgeting	UNDP	-	15 000	-	15 000
	Build knowledge on best practices on decentralized, district and participative planning	UNDP	-	-	-	-
Output 1.2.1 sub-total			-	15 000	-	15 000
1.2.2	Workshop for district heads on transparent planning and budgeting	UNDP	-	12 000	-	12 000
	Introduce innovations in integrated planning	UNDP	-	-	-	-
Output 1.2.2 sub-total			-	12 000	-	12 000
1.2.3	Conduction of community meetings using the Participatory Rural Appraisal	UNDP	-	20 000	-	20 000
Output 1.2.3 sub-total			-	20 000	-	20 000
Objective 1.2 sub-total			-	47 000	-	47 000

Objective 1.3 Increased mainstreaming of social cohesion and peace-building as a cross-sectoral thematic within NGO activities						
Output	Activity	Agency	Year 1	Year 2	Year 3	Total US\$
1.3.1	Local NGOs have improved capacities and resources for supporting communities to strengthen co-existence	UNDP	-	25 000	-	25 000
	Support cultural exchange projects – music and art	UNDP	-	15 000	15 000	30 000
	Support organization of art exhibition of local painters	UNDP	-	30 500	-	30 500
	Summer language camp for youth	UNDP	10 000	10 000	10 000	30 000
Output 1.3.1 sub-total			10 000	80 500	25 000	115 500
1.3.2	Increased capacity to mainstream conflict prevention in recovery work	UNDP	14 000	-	-	14 000
	Organization of a one-week training and workshop	UNDP	10 000	-	-	10 000
Output 1.3.2 sub-total			24 000	-	-	24 000
Objective 1.3 sub-total			34 000	80 500	25 000	139 500

Goal 1 Subtotal (Inclusive Programme Support - Costs UNDP 70%) 80 000 140 500 65 000 287 500

Goal 2 To increase opportunities to build sustainable livelihoods through enhanced employment opportunities						
Objective 2.1 Increased access to micro-credit, approx. 600 people per year with the average loan size of US\$5000						
Output	Activity	Agency	Year 1	Year 2	Year 3	Total US\$
2.1.1	Consultancy to support establishment of (1-2) MCI(s)	UNDP	30 000	10 000	-	40 000
Output 2.1.1 sub-total			30 000	10 000	-	40 000

2.1.2 Provision of training and capacity building	Delinquency management & sustainable interest rates	UNDP	6 000	-	-	6 000
	Financial analysis	UNDP	3 000	3 000	-	6 000
	HR management	UNDP	6 000	-	-	6 000
	Impact assessment and market research	UNDP	-	3 000	3 000	6 000
	Loan portfolio management	UNDP	-	3 000	3 000	6 000
	Operational risk management	UNDP	-	6 000	-	6 000
	Training for Loan Officers	UNDP	-	3 000	3 000	6 000
Output 2.1.2 sub-total			15 000	18 000	9 000	42 000
2.1.3 Lending capital granted	Awarding of performance-based contracts	UNDP	100 000	60 000	40 000	200 000
Output 2.1.3 sub-total			100 000	60 000	40 000	200 000
2.1.4 Administrative and operational support to the MCI	Manager (x2)	UNDP	12 000	-	-	12 000
	Loan Officer (x8)	UNDP	40 000	-	-	40 000
	Accountant (x2)	UNDP	10 000	-	-	10 000
	Admin Support (x2)	UNDP	6 000	-	-	6 000
	Cashier/register (x2)	UNDP	6 000	-	-	6 000
	Driver (x2)	UNDP	6 000	-	-	6 000
Output 2.1.4 sub-total			80 000	-	-	80 000
Objective 2.1 sub-total			225 000	88 000	49 000	362 000

Objective 2.2: Increased access to business advisory services approx. 1,000 entrepreneurs trained and/or consulted per year	Activity	Agency	Year 1	Year 2	Year 3	Total US\$
2.2.3 Provision of administrative and operational support	Administrative support, office equipment and utilities	UNDP	27 750	9 250	-	37 000
	Recruitment of an International Consultant / Business Advisor	UNDP	7 500	2 500	-	10 000
	BAC Manager/Business Counselor	UNDP	9 000	3 000	-	12 000
	Business Counselors (3)	UNDP	11 250	3 750	-	15 000
	Admin. Assistant/Interpreter	UNDP	2 250	750	-	3 000
	Short-term Consultants	UNDP	7 000	3 000	-	10 000
	Outreach activities	UNDP	40 000	20 000	10 000	70 000
Output 2.2.3 sub-total			104 750	42 250	10 000	157 000
Objective 2.2 sub-total			104 750	42 250	10 000	157 000

Objective 2.3: Increased access to a favorable growth environment for small entrepreneurs at the Business Incubator contributes to the creation of new jobs, at least 10 tenants per year	Activity	Agency	Year 1	Year 2	Year 3	Total US\$
2.3.1 Promotion of small and micro enterprise as livelihoods strategy through creation of a favorable growth environment in a Business Incubator	Provision of an integrated package of services: premises, training, networking, introduction of ICT in business processes etc.	UNDP	-	-	-	-
Output 2.3.1 sub-total			-	-	-	-