

**THIRD-PARTY COST-SHARING AGREEMENT  
BETWEEN THE MINISTRY OF FOREIGN AFFAIRS OF  
THE REPUBLIC OF POLAND (THE DONOR) AND  
THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)**

WHEREAS the Donor hereby agrees to contribute funds to UNDP on a cost-sharing basis (hereinafter referred to as "the Contribution") for the implementation of the Project "Promoting entrepreneurship among conflict-affected population in Ukraine" (hereinafter referred to as "the Project"), as described in the Annex 1 hereto, in Ukraine, and submitted to the Donor for information.

WHEREAS UNDP acting as an Implementing Partner is prepared to receive and administer the Contribution for the implementation of the Project,

WHEREAS the Government of Ukraine has been duly informed of the Contribution of the Donor to the Project,

NOW THEREFORE, UNDP and the Donor hereby agree as follows:

**Article I. The Contribution**

1. (a) The Donor shall, in accordance with the schedule of payments set out below, contribute to UNDP the amount of 230 000 USD (two hundred thirty thousand US Dollars). The Contribution shall be deposited to:

Bank	Bank of America
Address	730 15th Street, N.W. 7th Floor Washington, DC 10005 United States of America UNDP Representative in Ukraine (USD)
Account	Account
Account	
Number	3752174579
SWIFT Code	BOFAUS3N
ABA Number	111000012
Fed Wire	026009593

**Schedule of payments**

Before 31.12.2015

**Amount**

[230,000.00 USD]

(b) The Donor will inform UNDP when the Contribution is paid via an e-mail message with remittance information to [contributions@undp.org](mailto:contributions@undp.org), [finance.ua@undp.org](mailto:finance.ua@undp.org) providing the following information: donor's name, UNDP country office, Project no. and title, donor reference (if available). This information should also be included in the bank remittance advice when funds are remitted to UNDP.

2. The above schedule of payments takes into account the requirement that the payments shall be made in advance of the implementation of planned activities. It may be amended to be consistent with the progress of Project delivery.
3. UNDP shall receive and administer the payment in accordance with the rules, regulations, policies and procedures of UNDP.
4. All financial accounts and statements shall be expressed in United States dollars.

### **Article III. Utilization of the Contribution**

1. The implementation of the responsibilities of UNDP acting as Implementing Partner pursuant to this Agreement and the Project document shall be dependent on receipt by UNDP of the Contribution in accordance with the schedule of payment as set out in Article I, paragraph 1, above. UNDP shall not start the implementation of the activities prior to receiving the Contribution or tranche of the Contribution (whichever is applicable).
2. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to the Donor on a timely basis a supplementary estimate showing the further financing that will be necessary. The Donor does not have any obligation to make available to UNDP the additional funds required.
3. If the payments referred to in Article I, paragraph 1, above are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph 2 above is not forthcoming from the Donor or other sources, the assistance to be provided to the Project under this Agreement may be reduced, suspended or terminated by UNDP.
4. Any interest income attributable to the Contribution shall be credited to UNDP Account, retained by UNDP and shall be utilized in accordance with established UNDP procedures.

### **Article III. Administration and reporting**

1. Project management and expenditures shall be governed by the rules, regulations, policies and procedures of UNDP and, where applicable, the rules, regulations, policies and procedures of the Implementing Partner.
2. UNDP shall provide to the Donor the following reports in accordance with UNDP accounting and reporting procedures.
  - 2.1 For agreements of more than one year:
    - (a) From the country office an annual status report of Project progress for the duration of this Agreement, as well as the latest available approved budget.
    - (b) From the country office within six months after the date of completion or termination of this Agreement, a final report summarizing Project activities and impact of activities as well as provisional financial data.

3. If special circumstances so warrant, UNDP may provide more frequent reporting at the expense of the Donor. The nature and frequency of this reporting shall be detailed in an annex to this Agreement.

#### **Article IV. Administrative and support services**

1. In accordance with the decisions, policies and procedures of UNDP's Executive Board reflected in its Policy on Cost Recovery from Other Resources, the Contribution shall be subject to cost recovery for indirect costs incurred by UNDP headquarters and country office structures in providing General Management Support (GMS) services. To cover these GMS costs, the Contribution shall be charged a fee equal to 8%. Furthermore, as long as they are unequivocally linked to the Project, all direct costs of implementation, including the costs of Implementing Partner, will be identified in the Project budget against a relevant budget line and borne by the Project accordingly.

2. The aggregate of the amounts budgeted for the Project, together with the estimated costs of reimbursement of related support services, shall not exceed the total resources available to the Project under this Agreement as well as funds which may be available to the Project for Project costs and for support costs under other sources of financing.

#### **Article V. Evaluation**

All UNDP Programmes and Projects are evaluated in accordance with UNDP Evaluation Policy. UNDP and the Government of Ukraine in consultation with other stakeholders will jointly agree on the purpose, use, timing, financing mechanisms and terms of reference for evaluating a Project including an evaluation of its Contribution to an outcome which is listed in the Evaluation Plan. UNDP shall commission the evaluation, and the evaluation exercise shall be carried out by external independent evaluators.

#### **Article VI. Equipment**

Ownership of equipment, supplies and other properties financed from the Contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.

#### **Article VII. Auditing**

The Contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules, policies and procedures of UNDP. Should the annual Audit Report of the UN Board of Auditors to its governing body contain observations relevant to the Contribution, such information shall be made available to the Donor by the country office.

### **Article VIII. Completion of the Agreement**

1. UNDP shall notify the Donor when all activities relating to the Project have been completed in accordance with the Annex 1.
2. Notwithstanding the completion of the Project, UNDP shall continue to hold unutilized funds from the Contribution until all commitments and liabilities incurred in implementation of the Project have been satisfied and Project activities brought to an orderly conclusion.
3. If the unutilized funds prove insufficient to meet such commitments and liabilities, UNDP shall notify the Donor and consult with the Donor on the manner in which such commitments and liabilities may be satisfied.
4. In cases where the Project is completed in accordance with the project document any funds that remain unexpended after all commitments and liabilities have been satisfied shall be returned by UNDP to the Donor.

### **Article IX. Termination of the Agreement**

1. This Agreement may be terminated by UNDP or by the Donor after consultations between the Donor, UNDP and the programme country Government, and provided that the funds from the Contribution already received are, together with other funds available to the Project, sufficient to meet all commitments and liabilities incurred in the implementation of the Project. This Agreement shall cease to be in force 30 (thirty) days after either of the Parties have given notice in writing to the other Party of its decision to terminate this Agreement.
2. Notwithstanding termination of all or part of this Agreement, UNDP shall continue to hold unutilized funds until all commitments and liabilities incurred in the implementation of all or the part of the Project have been satisfied and Project activities brought to an orderly conclusion.
3. In cases where this Agreement is terminated before Project completion any funds that remain unexpended after all commitments and liabilities have been satisfied shall be returned by UNDP to the Donor.

### **Article X: Notice**

Any notice or correspondence between UNDP and the Donor will be addressed as follows:

- (a) To the Donor: Zuzanna Kierzkowska, Director of the Department of Development Cooperation

Address: Ministry of Foreign Affairs of the Republic of Poland  
al. J. Ch. Szucha 23, 00-580 Warsaw

- (b) Upon receipt of funds, UNDP shall send an electronic receipt to the Donor email address provided below as confirmation that the remitted funds have been received by UNDP

Donor email address: [dwr.sekretariat@msz.gov.pl](mailto:dwr.sekretariat@msz.gov.pl)

Attention: Zuzanna Kierzkowska, Director of the Department of Development Cooperation

(c) To UNDP: Inita Pauloviča, Deputy Resident Representative in Ukraine

Address: United Nations Development Programme  
1 KlovskyUzviz  
Kyiv, 01021, Ukraine

**Article XI. Amendment of the Agreement**

This Agreement may be amended through an exchange of letters between the Donor and UNDP. The letters exchanged to this effect shall become an integral part of this Agreement.

**Article XII. Entry Into Force and Duration**

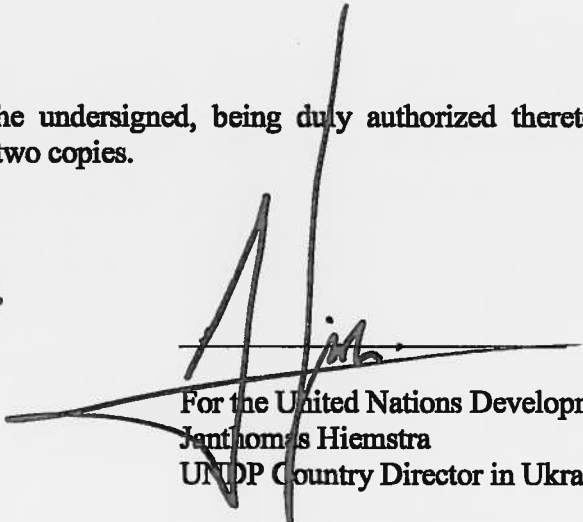
This Agreement shall enter into force upon the signature of this Agreement by the parties hereto, on the date of the last signature. The Agreement will remain in force between the Donor and UNDP until 31 December 2016.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in the English language in two copies.

  
\_\_\_\_\_

For the Donor:  
Konrad Pawlik  
Undersecretary of State  
Ministry of Foreign Affairs  
Republic of Poland

Date:

  
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For the United Nations Development Programme:  
Jantjoms Hiemstra  
UNDP Country Director in Ukraine

Date:



## Promoting Entrepreneurship among Conflict-affected population in Ukraine

### PROJECT CONCEPT

#### 1. Situation Analysis

##### 1.1. National context

The armed conflict in the East of Ukraine has not only devastated the social and economic life in Donetsk and Luhansk oblasts but also affected the social fabric and economy of the country leading to appearance of new vulnerable groups. The military actions forced over two million of people to flee from their hometowns to the safer regions of Ukraine and neighboring countries.

As of mid-August 2015, the Ministry of Social Policy has reported about 1.4 million internally displaced persons (IDPs) in Ukraine. The actual number of IDPs is thought to be much higher than the registered one – up to 1.8 million people (according to UNHCR estimates). People continue to flee despite two ceasefires (in September 2014 and February 2015). Most IDPs from eastern Ukraine have left their homes due to security concerns (intensive violent hostilities, shooting, shelling) and/or the humanitarian impact of the conflict (lack of water, food, medicine) and the breakdown in public services. The largest number of IDPs is hosted in the regions immediately surrounding the conflict-affected area: almost half of all IDPs have settled in relatively peaceful areas of Donetsk and Luhansk oblasts under government control, close to their homes. Significant numbers of IDPs have also moved to the first line neighboring oblasts – Kharkiv, Zaporizhzhya and Dnipropetrovsk (for a map overviewing the IDPs allocation as of August 2015, see Fig. 1, UN OCHA data)<sup>1</sup>.

The registered IDP population includes 34% children and 35% women, while men constitute about 20%, elderly and disabled people are about 11%. The IDPs are living either with host families, including relatives/friends, or in rented houses, or accommodated in collective centers. Many of these collective centers have inadequate conditions, including scarce heating and sanitation systems. Most IDPs fled with limited personal belongings and resources. Many are unable to withdraw deposits from banks, because of blocked bank accounts in the conflict zones. They also face difficulties in finding jobs, as their experience and qualifications (coal-miners, metallurgy workers, etc.) often do not match with labour market in the relocated areas. Thus, IDPs are in great need of employment and income generating activities to meet their daily needs.

Enterprise closures are among major concerns: 19 out of 23 major enterprises in Luhansk oblast are not operating, while half of the enterprises in Donetsk oblast are experiencing job cuts and partial employment. The virtual collapse of production and output resulted in large-scale job losses. Preliminary figures show that reduction in net employment in Donetsk from February 2014 until February 2015 has been around 40%, and 70% in Luhansk. These reductions amount to a total of about 952,200 jobs (micro enterprises not included) in the Donbas region alone. Small and medium-size enterprises (SMEs) also reduced (or in fact stopped) their economic activities by 70-80%, leading to a similar rate of job loss.

In addition to the direct damage to businesses and housing, transport to and from the region has been disrupted, which also has affected the economy and living standards. Unemployment is expected to

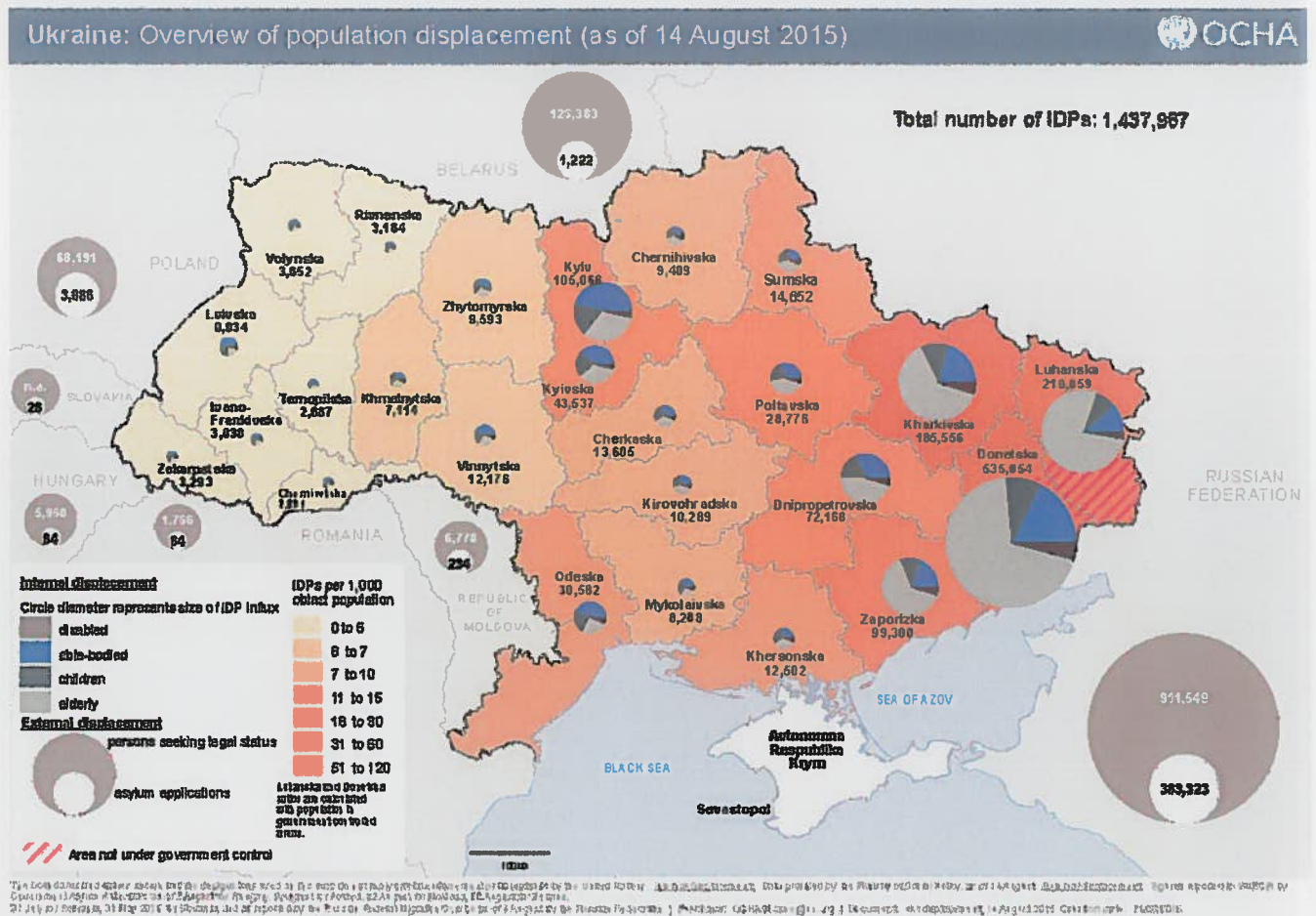
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<sup>1</sup> <https://www.humanitarianresponse.info/operations/ukraine>



additionally increase, and income generating opportunities contract for post-conflict communities in the Donbas. Moreover, many IDPs are expected to return to the region when the armed conflict stops which will amplify needs for employment opportunities.

Figure 1.



In the context of widespread disruption of economic activity, loss of means of living and employment opportunities, as well as a deteriorating macro-economic environment, an urgent support is required to reduce the vulnerability of the conflict-affected population (including IDPs, but also the numerous host communities) through employment and income generating opportunities that are fundamental factors of the post-conflict solution. For communities and individuals, job creation and regular income generation are essential means for survival and recovery. They are also keys to reaching out to young people and reintegrating ex-combatants and returnees. In short, generating employment is crucial to re-building peace.

The Analytical report compiled by the National Institute of Strategic Studies in support of the President's annual message to the Parliament "On Internal and External Situation in Ukraine in 2015" concludes among others that the best way to provide social protection for IDPs is to ensure decent employment. However, current employability of IDPs through employment service centers is insignificant due to a weak labor market, uncertainties about IDPs' period of stay in their new places of location, and also because of significantly lower job offers compared to the IDPs' previous wage and work qualification levels. Up to now the government State Employment Service and the Ministry of Social Policy have not been able to establish a functional cooperation with the IDPs, local communities and businesses to provide a realistic alternative to the current situation.

## **1.2. Key challenges**

Promoting job creation is a challenge even in an otherwise favourable environment, and far more so in the post-conflict one. Conflict destroys infrastructure, stalls private investment and exports, damages the social fabric, destroys jobs and drives down wages. Post-conflict situations are also often characterized by the burden of uncertainty and insecurity. The “conflict economy” deviates public and private assets from their legitimate social and economic use, giving rise to illicit marketeering and contracts.

That way, IDPs from the Donbas are often stigmatized and struggle against discrimination. It is extremely difficult for IDPs to find jobs as many employers believe that they are not interested in a long term employment. IDPs are usually offered jobs with low wages or informal work at below-market rates. In addition, as a result of a series of negative articles in the media, local residents have begun to change their attitude toward IDPs.

Moreover, when displaced persons can no longer rely on known ways of generating income, they have difficulty to adjust to new markets, learn new skills and integrate fully with surrounding communities. This triggers a large number of protection risks, which may seriously affect many aspects of an individual's life and the life of the host community, if not addressed immediately. This is where the early response and economic recovery measures work. On the other hand, however, prolonged humanitarian assistance will make it more difficult to become self-reliant later-on.

While the early economic recovery response now implemented in the Eastern Ukraine aims at increasing the income earning opportunities through public and temporary works, the main challenge for the post-conflict employment policy is to effect the transition from aid supported employment generation to sustainable, unsubsidized private (and public) sector job growth.

Therefore the project's aim is to contribute to the local economic recovery efforts in the Eastern Ukraine by promoting and supporting self-employment (entrepreneurship) initiatives among the conflict-affected population through advocacy, skills training and initial assistance to business setup.

Thus employment, self-employment and the associated sustainable regular income generating occupations are critical for overcoming the present economic and social breakdown and provide chances for an inclusive social and economic recovery.

## **1.3. Possible assistance mechanisms and available experience**

Ever since inclusion of Crimean Tatars in Crimea, in the course of which UNDP Ukraine was providing a successful technical assistance, internal displacement is a new phenomenon in Ukraine. Otherwise, the last rapid and large-scale population displacement and resettlement was related to Chernobyl disaster (1986) consequences. Although circumstances were different at that time when about 91200 people were resettled in Ukraine from the 30 km zone surrounding the Chernobyl Nuclear Power Plant, the available experience of rapid response can provide guidance to respond to the challenges of IDPs, both in the emergency phase and in the longer-term. Also a vast experience of overcoming stigma in Chernobyl-affected communities is available and can be replicated to help IDPs start take control of their lives and play an active role in finding durable solutions, as the displacement is likely to become long-term.

### **Polish-Ukrainian development cooperation**

There is a wealth of development assistance experience within UNDP-led programmes and project alone, including the Polish-UNDP Ukraine projects of economic and social rehabilitation of the Chernobyl affected territories. For instance, the "Mainstreaming environment in the local strategies in Chernobyl affected areas" (2012-2013), funded by the Government of the Republic of Poland, successfully supported the sustainable development of Chernobyl affected territories through improved awareness, effective planning and managing for the social and economic recovery of the area. Within the recent initiative on "Improving local capacity to promote and sustain entrepreneurship and SMEs development in Chernobyl affected territories by transferring best practices and experience of using smart instruments for boosting business", the required capacity-building of SMEs and micro-business development was implemented by UNDP in Ukraine in collaboration with the Polish Agency for Enterprise Development. It focused on local government training towards achieving that development, and it was instrumental for establishing local information and assistance centers. That experience is presently under extension to



other Chernobyl affected territories, and it is ready to be applied in the territories of Ukraine presently challenged by the war-related IDPs problems.

Considering the new and urgently needed assistance related to the conflict-affected population in Ukraine, including quick response to IDPs' needs in resources, employment and self-employment opportunities, Polish support and expertise engagement in the recovery of living standards among the affected communities through promoting entrepreneurship and business skills development would, no doubt, significantly contribute to effective "normalization" of living conditions and employment opportunities of for those displaced in Ukraine by forces beyond their control.

### **Current Donbas recovery efforts**

UNDP in Ukraine is now supporting the Government of Ukraine with integration of IDPs and recovery of the Donbas region. Support that UNDP in Ukraine currently provides to the conflict-affected population builds on the Rapid Economic Assessment of the Donetsk and Luhansk regions conducted by UNDP in October-November 2014, as well as on findings and recommendations of the Ukraine Recovery and Peace Building Assessment (RPA) conducted by EU, UN and the World Bank. The RPA's economic recovery component, in particular, suggests assistance in 5 major areas: (i) employment; (ii) productive capacities and means of living; (iii) local economic planning; (iv) SMEs and private sector development; and (v) financial services.

Based on the identified primary economic and social recovery needs, UNDP in Ukraine has recently launched 2 projects on the "Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine" (\$6.3 million) and "Economic and Social Recovery of Donbas Region" (\$5 million) funded by the Government of Japan and aimed at improving living conditions of internally displaced persons and local populations of Donetsk and Luhansk oblasts by creating employment and income generation opportunities and enhance the employability and resilience of affected population.

It is expected that the proposed project initiative will be integrated into the existing projects, but will allow expansion to new IDPs locations, to benefit from the established implementation and administration arrangements and developed partnership framework.

## **2. Project Strategy**

### **2.1. Project objective**

Socio-economic recovery and reintegration of conflict-affected communities and individuals is intimately linked to the capacity of local economies to create and sustain jobs and incomes. The earlier those interventions take place, the easier it will be for displaced persons to regain their self-esteem and their ability of self-reliance. Close cooperation between the recovery initiatives and interventions, including cross-sector cooperation between provided psycho-social and means of living support services, shall be also maintained to ensure effective assistance to the conflict-affected population.

**Project objective:** As a part of the broader economic recovery package, the project aims to contribute to sustainable recovery of living standards among the conflict-affected population by promoting entrepreneurship, supporting business skills development and providing grants for starting micro-enterprise.

**Location and Target Groups:** Interventions that focus only on supporting sustainable standards of living for IDPs may create tension with host population and negatively affect the ability of displaced persons to find durable solutions. On the other hand, welfare interventions addressed to the host communities, when they face similar constraints, can contribute to peaceful coexistence and ensure that the social and economic assistance strategies addressed to internally displaced persons will be sustainable. Therefore the main target groups will be both, IDPs and the IDPs hosting communities in 5 oblasts (parts of Luhansk and Donetsk oblasts that are under the Government control, as well as Kharkiv, Zaporizhzhia, and Dnipropetrovsk oblasts of Ukraine).

**Project duration:** 15 months (October 2015 – December 2016)

## **2.2. Project Components**

The Project has three inter-related components:

- 1) Supporting microenterprise business skills development in conflict-affected population.
- 2) Provision of seed grants for small-scale, start-up businesses.
- 3) Promoting entrepreneurship through targeted advocacy and social mobilization.

### **Component 1: Supporting microenterprise business skills development in conflict-affected population.**

To make the transition to self-employment, the conflict-affected individuals may need fundamental business skills to succeed in their new business ventures. The project component 1 will therefore deal with the business development training intended to transfer basic business and financial skills to help participants who wished to start a new business, including:

**Activity 1.1.** Business development training packages (business plan, marketing strategy, business management, etc.) based on business opportunities identified in the feasibility studies.

**Activity 1.2.** Organizing a series of enterprise development trainings for those who are running or willing to run businesses. These trainings will be managed in cooperation with Public Employment Service and business associations. The trainings will be targeted to provide participants with the skills that would subsequently enable them to develop new businesses and pursue their future financial independence.

**Activity 1.3:** Provide legal services to facilitate business/enterprise registration and running.

It is envisaged that the provided trainings and services will:

- Allow conflict-affected individuals decide to start, renew or extend the business;
- Strengthen business organization and management skills;
- Provide information on starting a business (registration, accounting, legal procedures);
- Provide information and support in the development of business start-up proposals (business plan) to seek small grants support that will be made available under the project Component 2.

### **Component 2: Provision of seed grants for small-scale, start-up businesses**

As business skills development cannot take place in a "vacuum", the trainings will be connected to small-scale finance access. This is required to expand the project beyond delivering trainings and include crucial element (finance) that would enable the affected population to enter the market and launch their new careers by starting a micro-enterprise. This project component is also designed to allow the participants 'graduating' from the training and have access to a start-up grant to facilitate links between the skills acquired and self-reliance.

In order to encourage and support the design and implementation of business ideas, the component will deal with the following key activities:

**Activity 2.1.** Develop the grant mechanism criteria and made a call for applications.

**Activity 2.2.** Assess the business plans developed and submitted by the potential entrepreneurs and make recommendations for financial support, legal support or specific training needs, etc.

**Activity 2.3.** Provide small grants (up to 5,000 USD) to start and/or expand micro or small businesses/enterprises and also facilitate their linking to financial institutions for further financial support.

It is envisaged that the business projects within this small grants programme may be dealing with the such types of business activities as (the list is approximate/non-exhaustive and shall be finalized upon the activity start):

- Procurement of equipment necessary to start production activities;
- Procurement of tools to start providing services;
- Hiring additional staff and expanding business;
- Renting office or site for production/service provision;

- Purchasing of inputs for production/services provision;
- Purchasing of franchise under commercial concession (franchising) agreement with respective equipment;
- Training; etc.

### **Component 3: Promoting entrepreneurship through targeted advocacy and social mobilization**

Mobilizing the community and building relationships prior to launching comprehensive business development training are essential to ensure inclusive recovery process. Conflict-affected communities such as IDPs are often skeptical about starting new activities and the project staff will have to convince them about existing or future opportunities. Under this component more informed and purposeful communication with stakeholders will be facilitated, including through dialog establishment, campaigning, practical case studies, video motivating, "success stories" etc. Activities under this project component will include:

Activity 3.1. Research and initial communication needs analysis.

Activity 3.2. Partnership building/campaign strategy design and implementation.

Activity 3.3. Polish experience sharing and production of motivating materials and public service announcements related to business setup.

This component shall contribute to creating the essential conditions and favourable opinion within the affected communities to facilitate sustainable livelihoods creation.

### **2.3. Project Budget**

The project budget is estimated at 230,000 USD (Component 1 – 70,000 USD; Component 2 – 150,000 USD; Component 3 – 10,000 USD) including UNDP General Management Costs at 8% of the project budget.

### **3. Expected Polish contribution and partnership arrangements**

The outstanding experience of Poland in supporting the SMEs' development as well as self-employment has become one of the foundation stones of the country's economic growth. This experience accumulated by the Polish central and local level authorities is the one that Ukraine desperately lacks now both in promoting entrepreneurship among the conflict-affected communities as well as in increasing the quality of the whole system of entrepreneurship support nationwide. The Polish Agency for Enterprise Development (PARP) as a central authority coordinating the system of entrepreneurship support is thus the ideal partner to provide the required expertise in startups support and stimulation of entrepreneurial attitudes and market mentality in given communities.

Based on successful experience of joint Polish – UNDP Ukraine initiatives and aiming to maximize the output from the planned activities, it's deemed effective to exercise the following partnership arrangements:

- Within the project framework UNDP Ukraine will secure national advice, local capacity-building and technical support, whilst PARP will provide expert assistance in business setup support and entrepreneurship advocacy in 2016.
- The Government of Poland through the Ministry of Foreign Affairs (as the Donor) is expected to contribute funds to UNDP in Ukraine on a cost-sharing basis for the implementation of the described above technical assistance project.
- In cooperation with UNDP in Ukraine, PARP will develop and submit to the Ministry of Foreign Affairs of Poland the complimentary project concept to support the necessary training, advisory and advocacy activities.

## Annex 1. Results and Resources Framework

UNDAF Outcome(s):	Partnership Framework Thematic Area 1 "Sustainable Economic growth and poverty reduction"- Outcome 1: New economic opportunities created particularly in the small and medium business sector as a result of enabling improvements in the business and investment environment, improved skills and better utilization of Ukraine's scientific and innovation potential <i>Outcome indicators: Share of small and medium enterprise in GDP; Number of businesses winding down within the first year of operation and number of years required; Share of women entrepreneurs, percentage</i>		
Expected CP Outcome(s) (Those linked to the project and extracted from the CP)	Outcome 2: Reduction of poverty in rural areas through socio-economic development activities <i>Outcome indicator: Number of jobs created in rural areas including in the agricultural sector per year.</i>		
Expected Output(s): (Those that will result from the project)	Durable solutions of economic issues of IDPs implemented		
INTENDED OUTPUTS	OUTPUT TARGETS	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES
<p><b>Output 1:</b> Durable solutions of economic issues of IDPs implemented</p> <p><u>Indicator 1:</u> Number of IDPs provided with new professions/skills through training programmes <u>Baseline:</u> 0</p> <p><u>Indicator 2.1:</u> Number of small and medium-sized businesses/enterprises started-up, re-started, or extended their business activities <u>Baseline:</u> 0</p> <p><u>Indicator 2.2:</u> Number of jobs created within new businesses (incl. self-employed, micro, small and</p>	<p>Year 2015-2016</p> <p><u>Target 1:</u> At least 200 IDPs provided with new professions/skills through training programmes</p> <p><u>Target 2.1:</u> At least 30 small and medium-sized businesses/enterprises started-up, re-started, or extended their business activities</p> <p><u>Target 2.2:</u> At least 100 jobs created within new businesses (incl.</p>	<p><b>Activity 1. Supporting microenterprise business skills development in conflict-affected population</b></p> <p>1.1. Preparation of business development training packages based on business opportunities identified in the feasibility studies.</p> <p>1.2. Organizing a series of enterprise development trainings for those who are running or willing to run businesses. These trainings will be managed in cooperation with Public Employment Service and business associations. The trainings will be targeted to provide participants with the skills that would subsequently enable them to develop new businesses and pursue their future financial independence.</p> <p>1.3. Provide legal services to facilitate business/enterprise registration and running.</p> <p><b>Activity 2. Provision of seed grants for small-scale, start-up businesses</b></p> <p>2.1. Engage the grant mechanism administrating entity (NGO) to assist in managing the seed grants mechanism.</p> <p>2.2. Develop the grant mechanism criteria and made a call for applications.</p>	<p>UNDP</p>
			<p><b>TOTAL UNDP-led BUDGET:</b> \$230,000</p> <p><b>Activity 1 – sub-total \$ 70,000</b></p> <p>71400-Contractual Service-Individuals: 20,000</p> <p>72100-Contractual Services-Companies: \$ 20,000</p> <p>71600- Travel: \$ 7,815</p> <p>75100-Facilities &amp; Administration: \$ 5,185</p> <p>75700-Training, Workshop &amp;Conference: \$ 17,000</p> <p><b>Activity 2 – sub-total \$ 150,000</b></p> <p>72100-Contractual Services-</p>

<p>medium-sized enterprises) / within existing businesses that expanded operations  <u>Baseline:</u> 0  <u>Indicator 3:</u> Enhanced capacity of the local government to promote SMEs development (number and nature of advocacy events/activities)  <u>Baseline:</u> 0</p>	<p>self-employed, micro, small and medium-sized enterprises) / within existing businesses that expanded operations  <u>Target 3:</u> Established pro-active business-oriented advocacy, communication and social mobilization (ACSM) mechanism at the local level.</p>	<p>2.3. Assess the business plans developed and submitted by the potential entrepreneurs and make recommendations for financial support, legal support or specific training needs, etc.  2.4. Provide small grants (up to 5,000 USD) to start and/or expand micro or small businesses/enterprises and also facilitate their linking to financial institutions for further financial support.  <b>Activity 3. Promoting entrepreneurship through targeted advocacy and social mobilization</b>  3.1. Conduct research and communication needs analysis.  3.2. Partnership building/campaign strategy design and implementation.  3.3. Polish experience sharing and production of motivating materials and public service announcements related to business setup.</p>	<p>Companies: \$ 135,000  71600- Travel: \$ 3,890  75100-Facilities &amp; Administration: \$ 11,110    <b>Activity 3 – sub-total \$ 10,000</b>  71300–Local Consultants: \$ 5,000  74200–Audio Visual &amp; Print Prod Costs: \$4,260  75100-Facilities &amp; Administration: \$ 740</p>
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## **Annex 2. Management and Administration Arrangements**

Considering the International support to the crisis in Ukraine and the activation of the Cluster system, all projects that are managed and implemented by UNDP shall be coordinated by the Early Recovery and Livelihood Cluster (led by UNDP) and implemented in synergies and coordination with other Clusters.

### **Project oversight and assurance:**

With aim to strengthen the strategic response and address the priorities, the two senior international positions (Technical Advisor for Recovery and Stabilization and Democratic Governance Advisor) were introduced in UNDP CO to provide advisory services and strategic guidance to all projects under the Recovery framework.

Projects Assurance functions for the project initiative will be provided by the UNDP's relevant Programme Officer who would supervise implementation of the project within its domain and expertise.

### **Field project activities:**

The project will operate within the existing Recovery Structure, set by the UNDP in response to the consequences of the conflict in the east of Ukraine. UNDP in Ukraine has aligned its operation to the pressing needs in the eastern regions, by establishing the two field offices (in Kramatorsk and Severodonetsk) in the oblasts that were affected by the conflict.

Moreover, within the recently launched UNDP project "Rapid Response to Social and Economic Issues of Internally Displaced People in Ukraine", 8 branch project offices were established in 8 oblasts, including those 5 (Donetsk, Luhansk, Zaporizhzhia, Kharkiv and Dnipropetrovsk) targeted by the present project initiative. The Regional coordinators operate in the local branch project offices located within the Office of Oblast Administrations. The Regional Coordinators will provide assistance to the Polish-funded project activities to coordinate partnership with the key local stakeholders and beneficiaries.

### **Annex 3. The Mechanism of Grants for small and medium-sized businesses/enterprises to start-up, re-start, or extend business activities**

The grant mechanism is a flexible element of the project. The grants mechanism is designed to complement the entrepreneurship promotion efforts and skills development among IDPs and to support sustainability of the project interventions beyond the project scope/timeframe.

**Scope of the grants mechanism:** It is planned to support low cost business initiatives and undertakings that can generate immediate or fast income for the IDPs. The grants to start-up, re-start, or extend business activities will be provided for production, service and trading businesses. Grant support to agricultural producers and farms might include funding to procure farming equipment, tools, technical assistance, and food processing unit, etc. Support for service-oriented entrepreneurial initiatives might include such activities as car repair workshops, bakeries, computer repair, Internet services, electric and carpentry workshops, etc. Support for trading may include retail, trading of agro-products, goods, etc. The amount of grant funding available for an individual application will be up to US\$ 5,000.

**Eligibility / Applications for grants:** Applications will be invited from the IDPs with a valid registration and local community members from all 5 targeted oblasts (primarily parts of Luhansk and Donetsk oblasts that are under the Government control, as well as Kharkiv, Zaporizhzhia, and Dnipropetrovsk oblasts of Ukraine).

Business initiatives (whether start-up, or business renewal, or expansion) supported through the Grants Mechanism shall match with the following criteria:

- Demonstrate reasonable profit potential and have feasible market indicators;
- Provide minimum 25% co-financing of the total expenses on business establishment, including non-cash contribution in the form of equipment, premises or works on premises arrangement;
- Submit Business plan that may be adjusted as a result of trainings and consultations.

Applications from women will be particularly welcome. Applications may be made solely or jointly. Grant applications shall have a total budget of between \$2,000 and \$5,000 and to be implemented within 6 months. The strong preference will be given for applications (business initiatives) that may be implemented within short period of time (2-3 months).

**Administering of the grants:** A reputable NGO will be engaged to administer the grants mechanism. This entity (non-governmental, public, charitable, non-profit, for-profit) will be tasked to develop, announce and manage a Call for application with an application form; to arrange review and evaluation of applications (business plans), to sign grant agreements with beneficiaries and provide financing; to monitor implementation of grant projects by beneficiaries etc.

A call for applications for funding will be advertised in the national and local media and on relevant websites/social media, as well as via the project partners (local authorities, NGOs, CSOs and available business support infrastructure).

Informational events (one-day orientation sessions) for potential applicants organized in each of the 5 pilot regions with presentation of terms and conditions of the funding.

**Selection process:** A system for receiving, registering, reviewing/evaluating business proposals from IDPs and representatives of local communities will be established.

Review and evaluation of the applications (business plans) will be organized allowing applicants to present and defend their business plans. Meetings of the Selection Committees for the grants funding will be organized in the premises of the State Employment Centers. The Selection Committee will be formed by the representatives of UNDP project, grants mechanism managing entity, independent experts in specific thematic area, specialists of the state employment centers experienced in business plan evaluation, local authorities specialized in entrepreneurship promotion and support.

**Selection criteria:** Exact selection criteria for the funding will be defined during the project implementation. The selection criteria will be committed to fairness, transparency and effective competition for the utilization of the grant funding available. The applications (business plans) will be evaluated in complex to assess their viability. The following criteria will be used at minimum to select funding applications to be supported: 1) clear approach to generate revenue (described business activity is clearly defined, forecast revenues exceed estimated expenses); 2) marketing considerations provided (targeted customers and their needs, supply/sales channels etc., duplication of existing business etc.); 3) sustainability and value for money (preference for low cost initiatives /solutions that are replicable and scalable); 4) support to accountability and oversight (preference will be given to applications that allow to easy monitor and improve, if needs be, their business performance).

**Reporting and monitoring:** Monitoring and oversight of the grants funding utilization will be executed by the grants administering entity and UNDP project personnel. The grant receiving individual(s) shall submit a physical and financial report on utilization of funds. The relevant reporting formats will be developed and provided. All grants funds shall be used for the purposes that they are allocated for, and shall be reported for in a correct and timely manner.

## **Annex 4. Monitoring framework and evaluation**

In accordance with UNDP programming policies and procedures the project will be monitored through the following:

### **Within the annual cycle**

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on the defined quality criteria and methods.
- **Donor monitoring and evaluation missions** (within the project implementation cycle and at the project completion, as well as at donor's request) will be carried out, further presenting mission findings and recommendations to the Project Board. Minimum 3 Donor monitoring missions are envisaged for this project.

### **Annually**

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board and the Donor. As minimum requirement, a standard format shall be used for the Annual Review Report covering the calendar year with updated information for each project component 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 of the project implementation, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.