

**PROJECT PROGRESS REPORT**  
March-December 2015



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Resilient nations.*

**A. BASIC INFORMATION**

<b>Award Number:</b>	00084715	<b>Reporting Date:</b>	17 December 2015
<b>Project Number and Full Title:</b>	00090610 Economic and Social Recovery of Donbas Region		
<b>Start Date</b>	18 March 2015	<b>Completion date:</b>	29 February 2016
<b>Total Project Fund:</b>	USD 5,000,000	<b>AWP Budget:</b>	USD 5,000,000
<b>Implementing Partner:</b>	UNDP		
<b>Donor:</b>	Government of Japan		
<b>Responsible Partners:</b>	Ministry of Regional Development, Construction and Housing of Ukraine; Ministry of Social Policy of Ukraine; Donetsk Oblasts State Administration; Luhansk Oblasts State Administration.		

**B. INDICATIVE IMPACTS OF THE PROJECT AND LESSONS LEARNED / EMERGING LESSONS**

The “Economic and Social Recovery of Donbas Region” project is supporting local economic recovery and improvement of living conditions of affected population of Donetsk and Luhansk Oblasts. Its three main components include rehabilitation of critical economic infrastructure (Component 1); promotion of employment and self-employment among IDPs and local population of the target regions (Component 2); and building capacities of local authorities to create conditions for local economic development and non-governmental institutions that form business-support infrastructure (Component 3).

By the end of the reporting period, a considerable progress against the target indicators has been achieved in all of the three project’s components. At the same time, due to the challenges faced by the project (they are described in details in the “Project Exceptions Report” attached to this document), there were delays in implementation of some activities, mostly in Component 1.

**Component 1.** Information about existing needs in infrastructure rehabilitation was collected and carefully analyzed by the projects’ experts (more than 1,000 infrastructure facilities were considered for rehabilitation and about 40 pre-selected), based on objective criteria and through participatory consultations process 12 infrastructure facilities were recommended and approved by the Project Board in July 2015. These facilities, which need rehabilitation, include: damaged elements of transport infrastructure (bridges, aqueducts), partly damaged or destroyed elements of electricity and water supply systems (water pipes, pumping stations, filtering stations, etc.), production facilities, etc. The selected infrastructure is strategically important for the functioning of the region’s economy (e.g. water pumping station in Semenivka enables water supply for 95% of enterprises and inhabitants of Donetsk oblast, est. 5 million people). As it was recommended by the Project Board to ensure there is no duplication of financing from other sources. Thus, the project has conducted a special check with local and regional authorities, as well as with the Ministry of Regional Development, Construction and Housing. As of the end of the reporting period: technical assessments are conducted and the engineering designs developed for all sites; 5 tenders for construction works are completed (7 more to be announced recently); construction works started at 1 facility (water supply system in Bilozirsk city). Construction works will start at 4 facilities by the end of 2015.

**Component 2.** Jobs co-financing Programme was launched and is being implemented (19 organizations were selected for participation, including 4 NGO, 6 public institutions, and 9 private companies; the number of jobs created so far is 262); Rapid assessment of demand for professions on the labour market was conducted. Re-training Programme for Remote Work was developed and will be implemented starting from January 2016. Strategic partnership with Public Employment Service was established and Training Programme for enhancing business skills was developed (the first wave of trainings were organized and delivered for 397 participants). Survey on the existing opportunities for starting up a business and barriers for business were conducted (results are disseminated in a series of presentations). Small Grants Programme was developed and launched (currently 44 new and existing businesses supported with total amounts of grants provided is approximately USD 797,035; more than 160 additional jobs created). Business consulting companies, which will provide support to implementation of the supported business plans were selected on competitive basis and contracted. By the end of reporting period the total number of direct beneficiaries under the Component 2 exceeds 800 persons (including both local population and IDPs), and number of indirect beneficiaries (including family members) is estimated by at least 2,000.

**Component 3.** Support to Business-infrastructure Programme was launched under which 19 local initiatives were selected and supported by grants (total amount of grants USD 494,142). These initiatives are aimed at re-establishing and strengthening of the local business-support institutions, such as local economic development agencies, business associations, business support centers, co-working places for freelancers, centers for business-training, etc. In addition, the project's target regions (Luhansk and Donetsk oblast) were supported with development of Implementation Plans for the Regional Development Strategy under this component (the Strategy Implementation Plan of Donetsk oblast is expected to be approved by the end of 2015 and in Luhansk it will be approved in early 2016). Needs assessment of the regional and local authorities was held and, based on it, a Programme for Capacity Building was developed and launched in November 2015 (the Capacity Building Programme will be fully implemented by the end of February 2016; at least 60 representatives of regional and local authorities will receive new knowledge/skills in the field of local economic development and creation of favorable conditions for development of private sector and SMEs).

**Lessons learned.** In the process of implementation, a few concerns have arisen regarding planning the timeframe and budgeting. The following risks and factors should be taken into account: procurement risks (some tenders may need to be re-announced due to the limited interest of qualified bidders); seasonal factors (possible pauses in the implementation of construction works in winter); abnormal market conditions (prices in the conflict-affected area are higher than average market prices). Employment promotion activities are most effective when implemented in cooperation with respective authorities and potential employers. The following challenges should be taken into account: (a) qualified specialists move from the conflict-affected areas to more comfortable places for living. This reduces human capital of Donbas, and could create obstacles for social and economic development of the region in the long-term prospect (recommendation: to continue jobs-creating interventions and local initiatives aimed to create employment opportunities for qualified specialist); (b) many people are unemployed because private industrial enterprises have stopped functioning due to the damaged infrastructure, which is in private property (recommendation: to identify opportunities for public-private partnership and extend interventions aimed at the rehabilitation of economic infrastructure). The following factors have to be taken into consideration: trainings and best practices are highly demanded; in addition to trainings, there is a need in basic means (furniture, office equipment, software, etc.). It is highly recommended to extend the Capacity Building Programme for local authorities to satisfy the demand for trainings on social and economic recovery and regional development issues among the representatives of the regional/local authorities; for most needy authorities/departments basic means (furniture, office equipment, software, etc.) could be provided to enable their effective functioning.

**C. TECHNICAL ACCOMPLISHMENTS and FINANCIAL DELIVERY**

<b>Outcome Statement:</b> 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 <b>Sub-outcome Statement:</b> Reduction of poverty in rural areas through socio-economic development activities <i>(extract from Project document)</i>									
Outputs and Activities	Physical Performance				Financial Performance			Delivery Rate (Budget utilization / AWP budget)*100	Challenges/Remarks
	Results	Targets		Status of output/ activities (traffic light)	Budget, USD	Donor	Budget utilization (Expenditure and Commitments), USD		
		Interim	Final						
<p><b>Output 1.</b> Local economic recovery supported and living conditions improved by creating employment and income generation opportunities and enhance employability of affected population of Donetsk and Luhansk Oblasts</p> <p><b>Baseline:</b> 1. 0 economic infrastructure facilities recovered 2. 0 people employed at cash for work, public works and temporary jobs programmes; 3. 0 persons provided with new professions/ skills through trainings; 4. 0 representatives of local administrations, PES trained on creating enabling environment</p>	<p>1. 12 engineering designs prepared for infrastructure facilities selected for recovery 2. 262 people employed at cash for work, public works and temporary jobs programmes 3. Companies to provide professional trainings and re-trainings selected and contracted. 4. 19 business support institutions created or financed. 6. More than 100 small and medium-sized businesses/enterprises provided with grants</p>	<p>1. At least 10 engineering designs prepared for infrastructure facilities selected for recovery 2. At least 250 people employed at cash for work, public works and temporary jobs programmes 3. A selection process launched to hire a company to provide professional trainings and re-trainings 5. At least 5 business support institutions supported 6. At least 30 new small and medium-sized businesses/enterprises provided with grants</p>	<p>1. At least 10 economic infrastructure facilities recovered 2. At least 1,000 people employed at cash for work, public works and temporary jobs programmes; 3. At least 300 persons provided with new professions/ skills through trainings; 4. At least 50 representatives of local administrations , PES trained on creating enabling environment</p>	<p><b>On track/ Ongoing</b></p>	<p>5,000,000</p>	<p>Government of Japan</p>	<p>3,012,366</p>	<p>60.25%</p>	<p>- <b>Challenges encountered during project implementation included:</b> <b>Long staff recruitment process</b> Due to the high risks related with work at the conflict-affected territories, it took longer than usual to recruit relevant staff and experts willing and able to act in this unusual project environment. Contracting short-term experts also took more time than usual, some positions were re-announced <b>Abnormal market conditions.</b> Risks for construction companies related with work in the area of conflict has the following effects: (a) lack of qualified companies applying for tenders, so some tenders should be re-announced, which requires additional time; (b) prices proposed by qualified bidders are much</p>

<p>for economic, business and employment development on local level</p> <p>5. 0 business support institutions supported;</p> <p>6. 0 new small and medium-sized businesses/enterprises started activities</p> <p><b>Indicators:</b></p> <p>1 Number of economic infrastructure facilities recovered</p> <p>2. Number of people employed at cash for work, public works and temporary jobs programmes</p> <p>3. Number of persons provided with new professions/ skills through trainings</p> <p>4. Number of representatives of local administrations, PES trained</p> <p>5. Number of business support institutions created and supported</p> <p>6. Number of small and medium-sized businesses/enterprises started activities</p>			<p>for economic, business and employment development on local level</p> <p>5. At least 5 business support institutions supported;</p> <p>6. At least 100 new small and medium-sized businesses/enterprises started activities</p>						<p>higher than normal market prices accounted in BoQs. This lead to (1) delays in delivery of construction component of the project and (2) lack of funds to restore all 12 economic facilities recommended by Project Board (although it is still feasible to rehabilitate 10 infrastructure facilities as indicated in Project Document). Main challenge: lack of funds</p> <p><b>Seasonal factor.</b> According to technological requirement, some types of construction works cannot be performed if the outdoor temperature goes under 5C, which is usual weather in winter for Ukraine.</p>
<p><b>Planned Activity 1</b></p> <p><b>Rehabilitation of critical economic infrastructure</b></p>				<p><i>Ongoing</i></p>	<p>1,836,000</p>	<p>Government of Japan</p>	<p>781,861</p>	<p>42.56%</p>	

<p><b>Planned Activity 1.1</b> Carry out a needs assessment and consultations with respective governmental and non-governmental partners, including local communities, to define the plan for renovation of critical economic infrastructure in target regions</p>	<p>Needs assessment and consultations with respective governmental and non-governmental partners were carried out to define a preliminary plan for renovation.</p>	<p>Carry out a needs assessment for renovation of critical economic infrastructure in target regions</p>	<p>Needs assessment conducted.</p>	<p><b>Completed</b></p>	<p>Staff costs</p>	<p>Government of Japan</p>	<p>Staff costs</p>	<p>NA</p>	<p>The administrations of Donetsk and Luhansk Oblasts were actively involved in submitting of the proposals for restoration works. A preliminary list of sites was discussed during Board meeting and the pre-selection of sites was carried out accordingly.</p>
<p><b>Planned Activity 1.2</b> Establish an infrastructure reconstruction plan in close cooperation with the local authorities and local business</p>	<p>Total of 12 projects were selected. 5 of them are in Luhansk Region, 7- in Donetsk Region. The plan was submitted to the Project Board and approved.</p>	<p>An infrastructure reconstruction plan prepared, submitted to the Project Board and approved.</p>	<p>An infrastructure reconstruction plan drafted and submitted to the Project Board</p>	<p><b>Completed</b></p>	<p>Staff costs</p>	<p>Government of Japan</p>	<p>Staff costs</p>	<p>NA</p>	<p>The process was based on wide consultative and participatory principles. The final selection of sites and establishment of infrastructure reconstruction plan was held after discussions with respective government organizations, donors and other key stakeholders.</p>
<p><b>Planned Activity 1.3</b> Carry out an engineering design of 10 economic infrastructure facilities using local companies selected through competitive bidding processes</p>	<p>10 Engineering designs are developed, respective tender procedures launched.</p>	<p>Engineering design of 10 economic infrastructure facilities carried out.</p>	<p>Engineering design carried out, respective tender procedures to start reconstruction launched.</p>	<p><b>Ongoing</b></p>	<p>100,000</p>	<p>Government of Japan</p>	<p>86,865</p>	<p>86.87%</p>	<p>The quality of engineering designs is assured by the State Expertise Agency and the careful examination of the staff members.</p>
<p><b>Planned Activity 1.4</b> Construct/renovate 10 economic infrastructure facilities in targeted areas</p>	<p>1 contract has been signed for construction works. 4 others are under tender procedures</p>	<p>Reconstruct 10 economic infrastructure facilities</p>	<p>Tendering procedures launched for at least 5 economic infrastructure facilities in targeted areas</p>	<p><b>Ongoing</b></p>	<p>1,700,000</p>	<p>Government of Japan</p>	<p>694,996</p>	<p>40.88%</p>	<p>Abnormal market conditions; specifically lack of qualified companies and relatively high prices on bids threaten timely implementation of infrastructure rehabilitation plan within budget limitations</p>

<b>Planned Activity 1.5</b> Handover the renovated infrastructure to the relevant partners for operation and maintenance	NA	Handover at least 10 renovated infrastructures to the relevant partners	NA	On track					Will start in January 2016
<b>Activity 2.</b> <b>Enhancing opportunities for employment and entrepreneurship</b>				Ongoing	1,846,260	Government of Japan	1,428,552	77.38%	
<b>Planned Activity 2.1</b> Identify opportunities for cash-for-work and public works activities such as repair of infrastructure, cleaning, but also archiving, digitizing and other similar activities	From March to August several consultations were held with experts, local government representatives, Private Sector, PES, NGOs and relevant stakeholders. In addition, existing data and previous studies were analyzed and several field trips were conducted	UNDP Employment Support Programme elaborated in line with Ukrainian legislation and UNDP rules and Procedures	The opportunities for cash-for-work and public works activities Identified	Completed	Staff costs	Government of Japan	Staff costs	NA	During the process of identification of opportunities for cash-for-work and public works activities it was found out that there are a lot of highly qualified persons among IDPs which need jobs as well. As cash-for-work modality suppose the low-skilled personnel to be employed, it was decided not to implement this modality directly. Employment Support Programme had the modality of Call for proposals for different types of organizations with the opportunity to provide different types of jobs, including jobs for high-skilled personnel. UNDP Employment Support Programme was elaborated in line with Ukrainian legislation and UNDP rules and Procedures.

<b>Planned Activity 2.2</b> Implement cash-for-work and public works programmes	1. 19 grantees were selected and contracted; 2. 262 beneficiaries provided with jobs of different types.	At least 250 working places in cash-for-work and public works programmes established	Grantees selected and contracted.	<b>Ongoing</b>	<b>435,000.00</b>	<b>Government of Japan</b>	<b>342,893</b>	<b>79%</b>	Grant programme coordinator was contracted to facilitate the process. It is planned to hold activities to ensure the created work places to be sustained after the end of the project.
<b>Planned Activity 2.3</b> Conduct a rapid assessment of professions that are demand in labor markets in the regions	1. An independent research organization contracted.	A report representing the findings of the assessment of professions in demand on the labor market prepared and published.	Assessment conducted.	<b>Ongoing</b>	<b>10,000</b>	<b>Government of Japan</b>	<b>20,154</b>	<b>202%</b>	The study involved analyzing job-searching websites, data collected from the Public Employment Service and websites of large-scale employers. The final report is planned for submission to UNDP on December 15, 2015.
<b>Planned Activity 2.4</b> Develop training and re-skilling programmes based on the needs of the labor market	Selection of a company to develop and conduct the trainings is ongoing and expected to be finalized to the beginning of December 2015.	5 training and re-skilling programmes developed.	Selection of a company to develop and conduct the trainings launched.	<b>Ongoing</b>	<b>75,000</b>	<b>Government of Japan</b>	<b>0.00</b>	<b>0%</b>	The selection process is delayed due to the need to receive the labor market assessment prior to developing the training and re-skilling programmes.
<b>Planned Activity 2.5</b> Recruit potential candidates for training programmes and conduct trainings in specific profession in cooperation with the PES	Selection of a company to develop and conduct the trainings is ongoing and expected to be finalized to the beginning of December 2015.	300 potential candidates for training programmes recruited and trained.	Selection of a company to develop and conduct the trainings launched.						
<b>Planned Activity 2.6</b> Support the PES and other structures with the provision of employment	The needs of local PES training centers in Donetsk and Luhansk oblasts were	Needs of the PES assessed. Required equipment procured and handed out to the partners.	Needs of the PES assessed. At least 2 training facilities of PES	<b>Ongoing</b>	<b>27,500</b>	<b>Government of Japan</b>	<b>28,000</b>	<b>102%</b>	The process of equipment procurement was delayed due to the legal barriers for the handover to the PES.

promotion services to IDPs, returnees and local community members. Strengthen PES and other institutions in better collection and processing labor market data	assesses. Respective project funds were allocated for setting up training rooms with necessary equipment. The tender procedures are currently processed		equipped as requested.						
<b>Planned Activity 2.7</b> Conduct studies on potential business opportunities and barriers in the region	An independent organization was contracted. Study results will be available by December.	A study conducted, submitted to UNDP and published.	A draft study prepared and submitted to UNDP.	<b>Ongoing</b>	<b>20,000</b>	<b>Government of Japan</b>	<b>8,100</b>	<b>40.50%</b>	The study was conducted in close consultations with the local authorities and local business.
<b>Planned Activity 2.8</b> Develop business development training packages based on business opportunities identified in the feasibility studies	5-day trainings were developed and launched for persons who are currently running, or willing to run business	Develop and conduct trainings for at least 300 participants.	Contract with Company signed, the training programme launched.	<b>Ongoing</b>	<b>80,000</b>	<b>Government of Japan</b>	<b>75,826</b>	<b>94.78%</b>	Trainings organized in Severodonetsk, Mariupol, Kramatorsk.
<b>Planned Activity 2.9</b> Organize a series of enterprise development trainings for those who are running or willing to run businesses									
<b>Planned Activity 2.11</b> Provide legal services to facilitate business/enterprise registration and running	2 companies selected. The contract is expected to be signed by December.	Select and hire 2 companies to provide services for at least 100 SMEs .	Select and hire at least 1 company to provide services for SMEs.	<b>Ongoing</b>	<b>90,000</b>	<b>Government of Japan</b>	<b>76,595</b>	<b>85.10%</b>	
<b>Planned Activity 2.10</b> Assess the business plans developed and submitted by the	457 applications have been evaluated;	Support at least 100 startups.	Receive and evaluate at least 300 applications.	<b>Ongoing</b>	<b>900,000</b>	<b>Government of Japan</b>	<b>615,000</b>	<b>68.33%</b>	A 3-step business plan evaluation system has been developed. The evaluation committee includes 5-6



potential entrepreneurs and make recommendations for financial support, legal support or specific training needs, etc	Another 345 were received and will be evaluated.								members representing Government, NGOs, Administration, Employment Service and the project coordinator. To avoid the conflict of interests, representatives of private sector are not involved in the evaluation process.
<b>Planned Activity 2.12</b> Provide grants to start and/or expand small and medium-sized businesses/enterprises and also facilitate linking to financial institutions for further financial support. Consider the option of establishing finance facility and provide interest-free loans for business start-ups.									
<b>Planned Activity 2.13</b> Conduct monitoring of the businesses/enterprises									
<b>Planned Activity 3. Strengthening local authorities' capacity for creating enabling environments for business and employment opportunities</b>				<i>Ongoing</i>	757,620	Government of Japan	584,763	77.18%	
<b>Planned Activity 3.1</b> Conduct needs assessment of capacity of local authorities on the issues of economic recovery, local economic planning and administration	Needs assessment was conducted (by project staff).	Needs assessment conducted.	Needs assessment conducted.	<i>Ongoing</i>	Staff costs	Government of Japan	Staff costs	NA	The process was based on active interaction and consultations with local government's authorities

<b>Planned Activity 3.2</b> Identify legal and policy barriers to business development and employment generation at the regional level and develop specific recommendations for improvement	An independent research organization contracted. Draft report prepared.	Final report submitted to UNDP and published.	Draft report prepared and submitted to UNDP.	<b>Ongoing</b>	<b>0.00</b>	<b>Government of Japan</b>	<b>0.00</b>	<b>NA</b>	Note: the study is carried out jointly with the Activity 2.7 (budget allocated from that activity).
<b>Planned Activity 3.3</b> Conduct capacity development activities for local authorities on supporting private sector development through trainings and workshops, exchange visits and review of the best experience	1. An organization for conducting trainings and workshops is currently being selected;  2. Procurement of necessary technical equipment is carried out	At least 50 representatives of local administrations trained on supporting private sector development	Training programme launched by the 10 <sup>th</sup> of December.	<b>Ongoing</b>	<b>65,000</b>	<b>Government of Japan</b>	<b>65,000.00</b>	<b>100.00%</b>	Process is based on results of Activity 3.1
<b>Planned Activity 3.4</b> Support the drafting of local economic development strategies, programmes and plans, as well as elaboration of legislation to promote SME development in the region	Expert's services for drafting strategy documents, project proposals and grants' application templates were procured. Contract with the Company was signed, drafting started.	Develop at least 2 plans of local economic development (for Donetsk and Luhansk oblasts).	The drafting process launched.	<b>Ongoing</b>	<b>80,000</b>	<b>Government of Japan</b>	<b>27,650</b>	<b>34.56%</b>	Up to 70% of the works will be completed by the end of 2015.
<b>Planned Activity 3.5</b> Provide grants for the development of business support infrastructure, such as	53 business infrastructure projects were reviewed;	Support at least 5 business support infrastructures.	Selection of the business support infrastructures conducted,	<b>Ongoing</b>	<b>500,000</b>	<b>Government of Japan</b>	<b>494,142</b>	<b>98.83%</b>	Всі 19 проектів отримали 70% коштів на реалізацію своїх заходів. Відбувається виконання заходів за проектами

business incubators and business centers, as well as to business membership organizations	19 projects were selected, grants were allocated.		grants allocated.						
<b>Planned Activity 3.6</b> Support public-private partnership dialogues in target regions	1 event organized and conducted, another 1 planned (funds allocated).	Conduct 4 events (dialogs) for PPP promotion.	Organize/plan at least 2 events (dialogs).	<i>Ongoing</i>	40,000	Government of Japan	3,198	7.99%	The 2 <sup>nd</sup> event is planned for 9-10 December 2015.
<b>Planned Activity 4. Project Management</b>	<b>Project staff hired</b> - Project Coordinator - Finance and Procurement Associate - Engineering and Construction Specialist - Engineering and Construction Assistant - Employment Specialist - Employment Assistant - 2 Regional Coordinators - Driver <b>Project office</b> - Office rent - Office maintenance - Office equipment - Car - Travel - Security	All required staff hired, office, car, travel and security arrangements made.	Project Manager, construction and employment specialists as well as local coordinators, procurement specialist and driver hired.  Office rented, equipped and maintenance assured. Car procured. Travel arrangements made by request of the project specialists. Security arrangements made.	<i>Ongoing</i>	560,120	Government of Japan	217,189	38.78%	Some difficulties were faced by implementing organization during the recruitment process. This caused a three months delay at the start of the project until the core project team was established and become fully operational in June 2015, since the project formally started in March 2015.

#### D. ACTIONS TAKEN REGARDING AUDIT AND/OR SPOT CHECK FINDINGS

Audit/Spot check recommendation/s	Action taken	Responsible person	Implementation date
It was recommended to hold a consultation with the Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine in order to avoid duplication of effort in regards to the reconstruction of economic infrastructure.	A consultation with the chief specialist of the Department of implementation and monitoring of priority construction projects.	Oleksandr Burdun, Engineering and Construction Specialist	3 August 2015
It was recommended to prepare and submit to the Donor additional information about infrastructure facilities, which were considered for rehabilitation, but not selected for some reason.	The requested information was prepared and submitted to the Donor.	Oleksandr Burdun, Engineering and Construction Specialist	30 July 2015

#### E. RISK LOG UPDATE

#	Description	Date Identified	Type	Status	Countermeasures / Management response
1.	Armed conflict and instability	Jan. 2015	Political	Despite the Cease-fire Agreement, the shelling and firing in Donetsk and Luhansk is continuing. In case the armed conflict escalates, it will have negative impact on the Project. <b>P = 4</b> <b>I = 5</b>	UNDP will regularly consult with Regional Administrations and the Government to ensure the security of project staff members. The Project activities will be implemented in the Government controlled area only.
2.	Lack of capacity of local authorities, PES and other stakeholders	Jan. 2015	Organizational	Local authorities, PES and other relevant partners do not have enough experience of planning and managing programmes on cash-for-work and development of business in crisis situations <b>P = 3</b> <b>I = 4</b>	The Project has envisaged workshops and training to enhance capacity of the local authorities, PES, and service providers.
3.	Inflation	Jan. 2015	Financial	Ukraine is experiencing fluctuation of foreign exchange rate and inflation that will have direct impact on the Project cost. <b>P = 2</b> <b>I = 4</b>	The Project will conclude contract with implementing partners with clause ensuring the contract amount will not be changed for at least 12 months.
4.	Abnormal Market Conditions	June 2015	Financial	Combination of rapid depreciation of local currency and security concerns regarding the ECA, lead to general decrease if economic activity. This resulted in lack of interest to UNDP tenders and low quality of bids received. <b>P = 4</b> <b>I = 4</b>	During the tendering procedures UNDP pays special attention to conveying the invitations to bid to the local companies of Donetsk and Luhansk oblasts. This allows to find companies willing to work in the region, receive lower priced bids and promote employment and profit opportunities for the locals.

Prepared by: Mustafa Sait-Ametov,  
Project Manager

Signature: \_\_\_\_\_

Date: 17 December 2015